

STOCKGROUP INFORMATION SYSTEMS INC  
Form 10KSB  
April 01, 2008

---

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

**FORM 10-KSB**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2007** or

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 **000-23687**

**STOCKGROUP INFORMATION SYSTEMS INC.**

(Exact name of registrant as specified in its charter)

**Colorado**

(State or other jurisdiction of incorporation or organization)

**84-1379282**

(I.R.S. Employer Identification No.)

**Suite 500 750 West Pender St., Vancouver, B.C. V6C 2T7 Canada**

(Address of principal executive offices)

**(604) 331-0995**

(Registrant's telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

**Common shares, no par value**

Title of Each Class:

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of Exchange Act during the past 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

Edgar Filing: STOCKGROUP INFORMATION SYSTEMS INC - Form 10KSB

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [  ]

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

State issuer's revenues for its most recent fiscal year: \$14,338,000

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.):  
The aggregate market value of common equity held by non-affiliates of the registrant as of December 31, 2007 was approximately \$23,323,000. The number of shares outstanding of the registrant's common equity as of March 28, 2008 was 41,395,922.

**Documents incorporated by reference:**

None

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

**STOCKGROUP INFORMATION SYSTEMS INC.  
TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	<b>4</b>
<u>Item 1. Description of Business</u>	<u>4</u>
<u>Item 2. Description of Property</u>	<u>11</u>
<u>Item 3. Legal Proceedings</u>	<u>11</u>
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	<u>12</u>
<b><u>PART II</u></b>	<b>13</b>
<u>Item 5. Market for Common Equity and Related Stockholder Matters</u>	<u>13</u>
<u>Item 6. Management's Discussion and Analysis or Plan of Operation</u>	<u>16</u>
<u>Item 7. Financial Statements</u>	<u>36</u>
<u>Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>59</u>
<u>Item 8A. Controls and Procedures</u>	<u>59</u>
<u>Item 8B. Other Information</u>	<u>60</u>
<b><u>PART III</u></b>	<b>61</b>
<u>Item 9. Directors, Executive Officers, Promoters and Control Persons and Corporate Governance; Compliance With Section 16(a) of the Exchange Act</u>	<u>61</u>
<u>Item 10. Executive Compensation</u>	<u>65</u>
<u>Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>69</u>
<u>Item 12. Certain Relationships and Related Transactions, and Director Independence</u>	<u>71</u>
<u>Item 13. Exhibits</u>	<u>72</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>74</u>
<b><u>SIGNATURES</u></b>	<b><u>75</u></b>

*References in this Form 10-KSB to the Company, Stockgroup, we, our, and us refer to Stockgroup Information Systems Inc. and our consolidated subsidiaries, unless otherwise indicated. StockHouse, BullBoards and related logos are trademarks or registered trademarks of the Company in the U.S., Canada or other countries*

*Foreign Currency and Exchange Rates*

All amounts in this annual report are stated in United States Dollars unless otherwise indicated. For purposes of consistency, Canadian Dollars have been converted into United States currency at the following rates:

	Per 1 US Dollar
Average for 2007	C\$1.08
Rate at December 31, 2007	C\$0.99

**PART I**

**FORWARD-LOOKING STATEMENTS**

*Certain statements contained herein constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "intends," or similar terms. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations, (ii) the Company's business and growth strategies, (iii) the Internet and Internet commerce and (iv) the Company's 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 as a result of various factors set forth under "Risk Factors Affecting Our Business" and elsewhere in this report. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments. The management's discussion and analysis of the Company contained in this Annual Report on Form 10-KSB should be read in conjunction with the consolidated audited financial statements and notes related thereto included elsewhere in this report.*

**Item 1. Description of Business**

**Our Company**

Stockgroup is a financial information media company. Our technology platform aggregates real-time and delayed data for stocks, mutual funds, commodities, options and ETFs, plus financial analytics, content, news and collaborative functions. Our StockHouse.com website, is an online financial portal focused on community contributed content such as message boards, blogs, and contributed articles which provides a targeted venue for advertisers. Our Stockstream suite of PC desktop and mobile phone financial information products is licensed to intermediaries such as Global brokerage firms and media publishers to offer to their customers and for their internal use.

We are a United States and Canadian reporting public company. We were incorporated in 1994 in the state of Colorado. Our shares are quoted on the Nasdaq OTC Bulletin Board under the symbol SWEB and are listed on the TSX Venture Exchange under the symbol SWB. Our head office is in Vancouver, Canada, with regional offices in New York, Toronto and London. Our corporate website is [www.stockgroup.com](http://www.stockgroup.com).

### ***Products and Services***

We generate revenue through two main product lines:

- Licencing and subscriptions of the Stockstream suite of desktop and mobile portfolio management and realtime financial information tools.
- Advertising on the StockHouse.com website

The majority of our revenues are recurring in nature.

### ***Stockstream Licensing and Subscriptions***

Stockgroup aggregates realtime data for stocks, mutual funds, commodities, options and ETFs, plus financial analytics, third party and StockHouse content, news and collaborative functions. This data is presented in a suite of desktop and mobile tools, sold to clients in the media, banking, stock brokerage, financial advisor, insurance and other industries. White-labeled versions of Stockstream tools are provided to investment advisor firms to offer to the investors customers to track stocks, manage portfolios, read news, blog, and access subscribed content. The product utilizes Stockgroup's collaboration technology to enable advisors and clients to simultaneously view an online portfolio and set alerts.

Potential clients are identified through telemarketing, tradeshow and speaking events. Relationships are developed through a direct sales force in North America and Western Europe and through channel partners. Stockstream services include:

- Stockstream Platinum: streaming real-time portfolio manager
- Real-time or delayed stock quotes on major U.S. and Canadian exchanges;
- Company Snapshot: fundamentals, chart, news and regulatory filings;
- Market Summary: daily major indices, stock market gainers, decliners, most actives;
- Mutual Funds Center: daily prices, performance and charts;
- Portfolio Management System: updating values, transaction handling, alert capabilities;
- Stockstream Mobile: real-time streaming market data and news for mobile devices.

Economies of scale allow Stockgroup to provide a service that is efficiently delivered and customized, at substantial cost savings over the client building and managing these systems internally. From a competitive standpoint, we provide premium data products, with proprietary filters, analytics and features that are aimed at providing financial institutions with competitive advantage to improve customer retention. Our clients gain advantage in a number of ways:

- A reduction of cost and complexity by having Stockgroup use proprietary filters and analytics to aggregate and transform raw market data feeds into informative and actionable information.
- Private-labeled versions of the tools enable our clients to offer a unique set of tools consistent with their brand and market differentiation.
- Through unique collaboration technologies that help financial institutions enhance advisor-client communications and increase customer retention. By encouraging their users to consolidate investment tracking in Stockstream tools, financial institutions can gain valuable customer intelligence including assets and portfolios under management at other financial institutions.



### *Advertising Services on the StockHouse.com web portal*

The StockHouse.com web portal and related websites and microsites provide an advertising outlet for a wide range of advertising clients such as small and large agencies, media buyers, and smaller publicly traded companies that need a cost-effective method of creating awareness of their company in the investment community. Client relationships are developed through inside sales campaigns and an outside sales force.

StockHouse.com offers financial content aggregation from hundreds of sources, a comprehensive equities database, and the message forums Bullboards and StockHouse Blogs. StockHouse offers advertising agencies and media buyers access to high traffic website with a focused user demographics. We believe there will be ongoing growth in the advertising market and an increasing shift in advertisers use of the internet versus traditional media. Advertising services are categorized as follows:

- **Display Advertising** services are targeted at media agencies, and focus on standard online advertising formats such as leaderboard, big box and skyscraper placements on the StockHouse website.
- **Investor Relations Advertising** services are targeted at small public companies seeking promotion, and focus on high-impact press release dissemination, generating qualified investor leads, and maximizing exposure to the market via StockHouse.com and, InvestorMarketPlace.com content, and through managed email marketing campaigns.

### *Competition*

Stockgroup's competitors are providers of other online portfolio management and financial content products, and financial media sites that cater to active investors. Our key competitive differentiators are the collaborative technologies that we serve through our platform, our product design strategy that adds functionality to meet the strategic needs of our clients, and user generated content from the StockHouse investor community, qualified and ranked by StockHouse's patent pending technology StReET (StockHouse Reputation Engine Technology).

The financial portal competitors to StockHouse can be categorized into major financial portals (such as Yahoo! Finance, MSN Money, CNN Money) and financial portals with user generated content (such as Motley Fool). Competitors to Stockstream include players like IDC eSignal, Prophet.Net, and Globe Investor.

We believe the landscape for financial websites is well established, with very strong barriers to entry for new participants, particularly the need for a critical mass of users in sites that generate content from the users of the community which is a key driver of building more volume of content.

### *Intellectual Property, Proprietary Rights and Domain Names*

We own the domain names stockhouse.com, stockhouse.ca, stockhouse.tv, stockgroup.com smallcapcenter.com, and investormarketplace.com. We believe our ownership of these domain names gives us adequate protection over them and we intend to continue to keep them in our possession.

We issued new identifying logo marks and a tag line for StockHouse in 2007. We own or are in the process of applying for trademark registrations for StockHouse and/or its related logos in the United States, Canada, the United Kingdom, Australia and Hong Kong. We own trademarks for @ The Bell in the United States, Australia and Hong Kong. Bullboards is trademarked in Canada and Australia and Investors Click Here is trademarked in the United States. We may pursue or acquire other trademarks in the future in addition to any other common law trademark rights that we may have.





We protect our other intellectual property through a combination of trademark laws, trade secret laws and confidentiality agreements with our employees, customers, independent contractors, agents and vendors. We pursue the registration of our domain names, trademarks and service marks in the United States and internationally. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services and products are made available online. We create some of our own content and obtain the balance of our content from third parties. It is possible that we could become subject to infringement or defamation actions based upon the content obtained from these third parties. In addition, others may use this content and we may be subject to claims from our licensors.

In January 2007, we acquired the intellectual property assets of the Mobile Finance Division ( MFD ) of TeleCommunications Systems, Inc. ( TCS ), of Owings Mills, Maryland, USA. These assets comprise trademarks and technology, relating to the TCS s Marketstream product line, which distributes financial market data, news, and analytics, like charting and portfolio functionality, via mobile devices. We also acquired all assets and liabilities of TCS s European operations by means of a share purchase transaction.

In May 2007, we acquired the intellectual property assets of the Financial Data Business of Semotus Solutions, Inc. of Los Gatos, California, USA ( Semotus ). These assets comprise trademarks plus technology that allows mobile data users to schedule data delivery at selected intervals or based on triggering events, as a cost-effective alternative to realtime streaming data solutions for markets where the cost of bandwidth and streaming data is price prohibitive.

We currently have one patent application pending in the Canadian Intellectual Property Office.

We enter into confidentiality agreements with our employees and independent consultants and have instituted procedures to control access to and distribution of our technology, documentation and other proprietary information and the proprietary information of others from whom we license content. The steps we take to protect our proprietary rights may not be adequate and third parties may infringe or misappropriate our trademarks, service marks and similar proprietary rights. In addition, other parties may assert claims of infringement of intellectual property or alter proprietary rights against us. The legal status of intellectual property on the Internet is currently subject to various uncertainties as legal precedents have not been set and are still to be determined in many areas of Internet law.

### ***Regulatory Issues***

We are subject to government regulation in connection with securities laws and regulations applicable to all publicly owned companies, as well as laws and regulations applicable to businesses generally. We are also increasingly subject to government regulation and legislation specifically targeting Internet companies, such as privacy regulations adopted at the local, state, national and international levels and taxes levied at the state level. Due to the increasing popularity and use of the Internet, enforcement of existing laws, such as consumer protection regulations, in connection with Web-based activities has become more aggressive, and it is expected that new laws and regulations will continue to be enacted at the local, state, national and international levels. Such new legislation, alone or combined with increasingly aggressive enforcement of existing laws, could inhibit the growth in use of the Internet and decrease the acceptance of the Internet as a communications and commercial medium, which could in turn decrease the demand for our services or otherwise have a material adverse effect on our future operating performance and business. See Risk Factors We Face Government Regulation and Legal Uncertainties.

### ***Product Development***

We believe that each new product in our pipeline is developed to meet the needs to our growing corporate and individual investor client base and remains centered upon helping investors create and manage their wealth.

In 2007, we launched numerous financial applications for our corporate clients and the beta version of a widely updated StockHouse.com website. The new version of StockHouse includes a proprietary reputation filtering system to delineate the quality of individual contributors who contribute information to our StockHouse community. We believe this is the first reputation system of its kind for user generated content in the financial markets. The new StockHouse also includes new portfolio sharing, advanced content ratings, upgraded market data tools and integrated social networking features for individual investors. In addition, we re-architected our legacy applications to the .NET platform, we created a sophisticated data model, and we integrated our wireless product offerings. During 2007, we released new versions of our Stockstream product for both StockHouse users and for enterprise customers.

Our product development group, located in Vancouver, is responsible for the project management, design, development, quality assurance and release of product enhancements, upgrades and new products. Research and development expenses were \$2,040,000 in 2007 and \$684,000 in 2006.

### ***Equipment***

We have made additional investments in servers and computer equipment required for our websites, streaming of data and hosting services. Part of this additional capacity was to satisfy growing demand for our products and services, part to power the new StockHouse.com website, and part to consolidate our worldwide wireless operations. We also provisioned a remote data center to provide redundant failover, and we have assigned additional staff towards maintenance and support of these services.

### ***Employees***

In 2007, we added and filled key positions within our management and development teams to support the Company's strategic growth initiatives. As of December 31, 2007, we employed 79 people on a full-time basis. None of our employees, worldwide, are subject to collective bargaining agreements. We have executive employment agreements with our executive officers as further described in *Item 10. Executive Compensation*, under the heading *Employment Contracts and Termination of Employment and Change-in-Control Arrangements*.

### ***Corporate Background of Stockgroup***

From 1995 to 1999 we operated a financial market information publishing business and website, aimed at public company clients. We used the funds from a public offering in the spring of 1999 to provide the foundation for the development and mass marketing of our services. In October 1999 we launched the website SmallCapCenter.com. At that time we believed that a subscription/advertising model centering around small cap content was viable. While parts of this business model did not prove to be profitable, the exercise of building SmallCapCenter and its related investment tools gave us certain experience and skills, and a suite of service products to sell commercially. SmallCapCenter.com exists to this day.

We entered the financial software and content market late in 2000 by licensing our proprietary content and applications to clients who needed to improve their offering their financial customers and users. Our licensed content model is attractive to clients because it is a comprehensive and cost effective alternative to in-house development.

From 2001 to 2002 we expanded our product suite to include market sector supplements and automated webpage tools such as the IntegrateIR. We already had a public company customer base, so the transition into this area was a natural extension. We acquired the website and certain related assets to run the StockHouse brand in 2004. For 2005 and 2006, we continued to grow our financial media business and in January 2007 made a significant purchase of a provider of wireless solutions provider as described below.

***Business Acquisition Mobile Finance Division of TeleCommunication Systems, Inc.***

On January 31, 2007, we closed a transaction for the purchase of the Mobile Finance Division of TeleCommunication Systems, Inc. Following is a description of the acquired business, known as MFD. We believe that having a platform for mobile delivery of our content and the StockStream product, is an important part of our strategy for growing enterprise and retail customers. We further believe that adding this capability will provide us with an additional channel of distribution to existing customers, and scalability in distributing our content.

***Operations, Products and Services***

MFD acquires financial data and news from global information companies, packages it, and delivers it to selected BlackBerry® phones and pagers. Non-pager services are marketed under the MarketStream brand. Pager subscriptions are declining as newer mobile devices become available; however, in many cases MFD pager customers convert to the newer MarketStream product. The customer base is in North America and Europe and is serviced primarily out of the company's offices in Vancouver, Canada and London, UK.

The product primarily serves wealth management, capital markets and advisory companies. These institutions or their employees purchase subscriptions, typically one year in length. Sales efforts target financial institutions with large numbers of traders and investment professionals. Increasing numbers of users use 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. Our clients, including brokerages, banks, large news websites and traditional media outlets, are encountering competitive pressures to improve their financial content offerings. We believe that this market expansion continues to drive demand for the services provided by our mobile finance business.

® BlackBerry is the exclusive property and trademark of Research In Motion Limited. BlackBerry is registered with the U.S. Patent and Trademark Office and may be pending or registered in other countries.

***MarketStream***

The MarketStream service provides global real-time streaming access to prices and volumes for stocks, foreign exchange rates, futures, commodities, fixed income products, options and ETFs, as well as news and charts. MarketStream offers a high degree of flexibility in both detail and display. MarketStream subscriptions can be purchased on an individual or multi-seat basis, and users then purchase different data feeds depending on their individual needs. We believe that the MarketStream product has a competitive advantage in that it is a true streaming or real time product versus polling applications which update every one to three seconds, making it a true institutional grade product.

***Customers of Mobile Finance Division***

The clients of MFD are Tier I financial institutions with personnel who require real-time mobile access to financial market data. Prospects are contacted directly by the sales force from internally generated leads. In some cases new prospects are given a two week free trial, after which they decide what data they wish to receive and sign up for a subscription which can be on a monthly or annual basis.



Customers are located primarily in North America and Europe and include leading global investment banking, securities and investment management firms.

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

The strategy for MFD is to deliver the MarketStream product to institutional and professional customers. We intend to expand our customer base by adding the acquired mobile functionality to our platform, and then extending the platform to existing customers. Our strategy will be to provide our platform to financial services, media, and channel partners on a bulk or private labeled basis. In addition, our intention is to offer a consumer product by the middle of 2008. We further expect that wireless delivery of new products we develop including the user-generated content generated in our StockHouse community should increase demand from both the institutional and retail investment communities.

### ***Supply Strategy***

We currently outsource the management of the MFD platform to Imperial Software Technologies of London, UK ( IST ). We also license the IST's Delta Stream® software engine as the wireless content manager provides the user interface functionality for MarketStream . We pay a royalty to IST® for each unit of MarketStream and we have a non-compete agreement for the financial services marketplace. Delta Stream® and MarketStream reside on servers in our Vancouver network operations center. We pay IST® a fee maintaining our servers and systems and for application support, and additional fees for any customization. A copy of the source code is in escrow, and in the event of business failure by IST, the source code will be transferred to us.

® Delta Stream is the exclusive property and a registered trademark of IST.

### ***Acquisition of Semotus Solutions Inc.***

On May 8, 2007, we entered into a purchase agreement with Semotus Solutions Inc. ( Semotus ), whereby we agreed to acquire the financial information services assets of Semotus, a Los Gatos, California based provider of mobile enterprise software solutions. We agreed to pay Semotus up to \$350,000.00. The purchase price of \$150,000 was paid on closing of the transaction. The remainder is payable at a rate of 30% of monthly gross revenues earned from customer contracts purchased from Semotus until an additional \$200,000 is paid or within two years whichever occurs first. If the gross revenues fall below 25% of prior revenue within the first nine months post close, the amount payable monthly will decrease to 15% of monthly gross revenues. Furthermore, should monthly gross revenues fall below \$15,000 per month at any time; the purchase price will be deemed paid in full. As of December 31, 2007 the outstanding payable was \$137,000 which we expect will be fully paid within the two year period.

The Semotus software targets the individual investor, by employing a polling technology that allows users to schedule data delivery at selected intervals or based on triggering events. We believe the polling technology is a cost-effective alternative to streaming market data solutions in markets where the cost of bandwidth and streaming data is price prohibitive.

In connection with the asset purchase, Semotus will provide Stockgroup with certain transition services subject to the conditions of a signed Transition Services Agreement. Some of these services include, human resources, information technology, accounting and legal services.

### ***Available Information***

Our corporate website is Stockgroup.com. We are subject to the information and periodic reporting requirements of the Securities Act of 1934, as amended (the Exchange Act ) and, as such, we file



reports, proxy statements and other information with the U.S. Securities and Exchange Commission ( SEC ). We are an electronic filer. We make available, free of charge, on our investor relations website under Regulatory Filings our Annual Reports on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. Alternatively, contact our Investor Relations department in writing for a hardcopy of our Form 10-KSB.

The public may read and copy any materials filed by us with the SEC at the SEC s Public Reference Room at 100 F Street N.E., Washington DC 20459. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The internet address of the site is <http://www.sec.gov>.

In addition, being listed on the TSX Venture Exchange ( TSX-V ), we are subject to periodic reporting requirements set forth by the Ontario Securities Commission, which are substantially similar to those of the SEC. Such filings are available on our website and are also available on the Canadian Securities Administrators website, [www.sedar.com](http://www.sedar.com).

We are not required to deliver an annual report to our stockholders but will upon request will provide one.

## Item 2. Description of Property

We do not own any real property or any rights to acquire any real property. Our head office is located at Suite 500 750 West Pender St., Vancouver, B.C. V6C 2T7 Canada. Our corporate offices are composed of one floor of leased space located in the center of Vancouver s business community. We also lease premises in Toronto and New York. In addition, as the result of our January 2007 acquisition of MFD, we assumed office space leases in Owings Mills, Maryland and London, United Kingdom.

The following is a summary of our lease commitments:

Location	Term	Square Feet	Monthly Commitment (in thousands of Dollars)
Vancouver, B.C.	5 years	9,475	\$ 30,000
Toronto, Ont.	4	2,050	\$ 5,000
New York, NY	1	3,000	\$ 5,000
Owings Mills, MD	1	750	\$ 2,000
London, UK	1	5,000	\$ 25,000

## Item 3. Legal Proceedings

We were the plaintiff in a lawsuit filed in the Ontario Supreme Court of Justice against Hollinger Inc. and Hollinger Canadian Publishing Holdings Co. in which we sought to recover approximately C\$471,000 from the defendant. The defendant was our vendor and the amount we seek consists of unused advertising credits which we prepaid in 1999. Subsequent to December 31, 2007, the case has been resolved by a negotiated settlement in which the defendant has paid C\$340,000 to the Company.

We are the defendant in a lawsuit filed in the Supreme Court of British Columbia by the plaintiff, Tanis Churchill. The plaintiff, a former employee of the Company, is seeking damages, interest and costs in the order of C\$225,000 for alleged wrongful dismissal from her employment with the Company. The matter was heard by the Supreme Court of British Columbia in a trial beginning on December 3, 2007 and ending on December 7, 2007. We are currently awaiting the judgment of the Court. We have recorded a reserve of C\$31,000 as the Company's reasonable estimate of its liability relating to this matter.





However, the final settlement or adjudication of this matter could possibly be less than or could materially exceed the reserve accrued by the Company.

We are 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, in which we seek to recover approximately \$346,000 from the defendant. The defendant was a reseller of our MarketStream service in Australia and the amount we seek 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 if we win the lawsuit. No provision has been made for recovery of these credits in the financial statements in any year.

In addition to the above, we are involved in various other 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. Unless otherwise noted, we cannot reasonably estimate at this time whether a monetary settlement will be reached or predict the ultimate resolution of these legal matters.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of 2007.

**PART II****Item 5. Market for Common Equity and Related Shareholders Matters*****Market Information***

Our common stock has been quoted for trading on the Over-the-Counter Bulletin Board quotation service operated by Nasdaq Stock Market, Inc. ( Nasdaq OTCBB ) since March 17, 1999 under the symbol SWEB , and on the TSX Venture Exchange ( TSX-V ) since December 17, 2002 under the symbol SWB .

The following table sets forth the range of high and low sales prices in U.S. dollars for our common shares on the Nasdaq OTCBB and in Canadian dollars for our common shares on the TSX-V for each quarter within the last two fiscal years. Prices on the Nasdaq OTCBB represent quotations between dealers without adjustment for retail markup, markdown or commission and may not represent actual transactions.

	Price per Common Share on Nasdaq OTCBB		Price per Common Share on TSX-V	
	High	Low	High	Low
<b>2007:</b>				
Fourth Quarter	\$ 1.10	\$ 0.51	C\$ 1.05	C\$ 0.47
Third Quarter	\$ 1.29	\$ 0.80	C\$ 1.35	C\$ 0.89
Second Quarter	\$ 1.45	\$ 0.90	C\$ 1.68	C\$ 0.99
First Quarter	\$ 1.18	\$ 0.38	C\$ 1.32	C\$ 0.41
<b>2006:</b>				
Fourth Quarter	\$ 0.47	\$ 0.31	C\$ 0.58	C\$ 0.35
Third Quarter	\$ 0.45	\$ 0.30	C\$ 0.50	C\$ 0.34
Second Quarter	\$ 0.49	\$ 0.34	C\$ 0.56	C\$ 0.39
First Quarter	\$ 0.37	\$ 0.27	C\$ 0.42	C\$ 0.31

***Holdings***

As of December 31, 2007, there were 40,916,921 common shares of no par value issued. As of December 31, 2007, there were 96 holders of record, which does not include beneficial owners of our common stock whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

***Dividends***

We have not declared nor distributed any cash dividends on our common shares. We do not anticipate paying any cash dividends on our common shares in the foreseeable future.

***Issuer Purchases of Equity Securities***

Our stock repurchase program expired in May 2006. Before this time, during 2006, we repurchased 100,000 common shares of our stock, at prices ranging from \$0.26 to \$0.27 per share, for an aggregate cost of \$27,000.

***Recent Sales of Unregistered Securities***

On May 15, 2007, the Company completed a private financing led by Jennings Capital Inc. and including Cormark Securities Inc. (the Underwriters ), and issued, on a bought deal basis, 3,333,334 shares of common stock at C\$1.50 (\$1.36) per share for total gross proceeds of C\$5,000,000 million (\$4,534,000). The Company paid underwriter fees of 6% of the gross proceeds of the financing and issued 200,000 warrants to the agents equal to 6% of the common shares issued in the financing. Each warrant entitles the agents to acquire one common share pursuant to the warrant at a price of C\$1.50 per share at any time before May 16, 2008.

The proceeds of the offering are being used for acquisitions and general working capital. 333,334 of the shares were issued to subscribers pursuant to Regulation S of the Securities Act of 1933 on the basis that they represented to the Company that they were not US Persons as such term is defined in Regulation S. 3,000,000 of the shares were issued to accredited investors resident in the US pursuant to Regulation D of the Securities Act of 1933. The certificates issued in connection with the offering include legends required under applicable securities laws and exchange requirements and are restricted from resale without an effective prospectus or exemption. The proceeds of the private placement were used for acquisitions and general working capital. In connection with the offering, we agreed to file a registration statement with respect to the resale of shares of our common stock sold to the investors and shares of our common stock issuable upon exercise of the warrants with the SEC within 40 days after the final closing date. We filed a registration statement on Form SB-2 with the SEC registering the resale of all the securities issued in the offering on June 18, 2007. The registration statement was declared effective on June 29, 2007 (SEC File No. 333-143780).

On January 26, 2007, we issued 1,500,000 of our common shares to TeleCommunication Systems, Inc.. These common shares are restricted from resale. The issuance of the shares was exempt from registration requirements under Section 4(2) of the Securities Act, or Regulation D of the Securities Act, as a transaction by an issuer not involving a public offering. The shares are offered with piggyback registration rights. If at any time, we decide to file a registration statement under the Securities Act, other than a registration on Form S-8, we will provide the opportunity for the holder of these shares to register them for resale.

***Securities Authorized for Issuance under Equity Compensation Plans***

The Company grants stock options pursuant to shareholder approved stock option plans. The Company's 1999, 2000, 2001, 2002, 2003 and 2007 Stock Option Plans (collectively the Plans ) authorize a total of 8,520,600 common shares for issuance. The Plans entitle employees, non-employee directors, and consultants to purchase common shares of the Company on the exercise of stock options. Options immediately become exercisable once vested. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the common shares underlying them are returned to the reserve if they were granted under the 2003 Stock Option Plan.

The Company ceased granting of stock options under its 1999, 2000, 2001 and 2002 Stock Option Plans in December 2002. Stock options outstanding to purchase common shares under these plans continue to be exercisable as vested until exercised or forfeited, and if forfeited, they are no longer available for future grants. In June 2007 we adopted the 2007 Stock Option Plan, which authorizes the issuance of a maximum of 3,300,000 shares of our common stock granted to directors, officers, employees, consultants or advisors of our Company or any of our parents, subsidiaries or any other entity in which we, our parent or subsidiary hold a substantial ownership interest. All of the shares issuable under the 2007 Stock Option Plan have been registered under a registration statement on Form S-8 filed with the SEC on June 14, 2007 (SEC File No. 333-143763). A total of 3,300,000 shares of common stock of Stockgroup were registered in connection with our 2003 Stock Option Plan by a registration statement on Form S-8 filed on April 15, 2004 (SEC File No. 333-114481). In April 2004, our Board of Directors approved the amendment of the



Edgar Filing: STOCKGROUP INFORMATION SYSTEMS INC - Form 10KSB

2003 Stock Option Plan to decrease the minimum vesting period from two years to one year and to increase the maximum percentage of options that may vest in any given financial quarter from 12.5% to 25%.

In 2007, 732,175 options were exercised for proceeds of \$182,000. In 2006, 761,400 options were exercised for proceeds of \$190,000. Subsequent to December 31, 2007, an additional 650,000 options have been granted under the 2007 Option Plan at an average exercise price of \$0.58.

The following table provides information as of December 31, 2007 with respect to our common shares that may be issued under our existing Stock Option Plans upon the exercise of stock options by our employees, consultants and members of our Board of Directors under all of our existing equity compensation plans, all of which have been approved by our shareholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (USD)	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	3,861,375	\$ 0.64	2,931,775

## Item 6. Management's Discussion and Analysis or Plan of Operation

*The following discussion and analysis should be read together with our Consolidated Financial Statements and the Notes to those statements included elsewhere in this Annual Report on Form 10-KSB. This discussion contains forward-looking statements based on our current expectations, assumptions, estimates and projections about Stockgroup and our industry. These forward-looking statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, should, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of these comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors Affecting Our Business that may cause our 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. 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 stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles. In this discussion, unless otherwise specified, all references to common shares refer to the common shares in our capital stock and the terms we, us and our mean Stockgroup Information Systems Inc., a Colorado corporation.*

### Overview

#### ***Our Business***

Our services can be separated into two categories: (i) Licensing and Subscription ; 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.

The Internet is the delivery vehicle for all of our products. The Internet has not yet reached maturity and continues to reach new levels of sophistication. 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. This market expansion has driven demand for our services and has resulted in continued sales growth.

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. We believe that this market expansion continues to drive demand for the services provided by this mobile finance business.

On January 31, 2007, we closed a transaction to purchase of a division of TeleCommunication Systems, Inc., known as the Mobile Finance Division. The acquired business specializes in the sale of a wireless service delivering financial market data, news, and limited analytics like charting and portfolio functionality. The acquired business is described above in *Item 1. Business*, under the heading *Business Acquisition Mobile Finance Division of TeleCommunication Systems, Inc.* The following discussion includes financial results of the acquired business.

### Results of Operations as a Percentage of Revenue

	Years Ended December 31,	
	2007	2006
<b>REVENUES</b>		
Licencing and Subscriptions	72%	52%
Advertising Services	28%	48%
Revenues	100%	100%
<b>OPERATING COSTS AND EXPENSES (1)</b>		
Cost of revenues (exclusive of amortization)	42%	29%
Sales and marketing	34%	39%
Research and development	14%	9%
General and administrative	43%	34%
Amortization of intangible assets	4%	%
Total operating costs and expenses	137%	111%
Loss from operations	(37%)	(11%)
Interest income (expense)	1%	1%
Other income (expense)	(36%)	(10%)
Loss before income taxes	(36%)	(10%)
Provision for income taxes	%	%
Net loss and comprehensive loss	(36%)	(10%)

(1) Total operating costs and expenses for the year ended December 31, 2007 includes stock-based compensation calculated in accordance with FAS 123R, of \$216,000 or 2% of total revenues. We recorded \$121,000 of stock-based compensation for the year ended December 31, 2006.

### Results of Operations

(in thousands of Dollars)	Years Ended December		Change \$	Change %
	2007	2006		
Licensing and Subscriptions	10,170	4,001	6,169	154%
Advertising Services	\$ 3,978	\$ 3,765	\$ 213	6%
Total revenues	\$ 14,148	\$ 7,766	\$ 6,382	82%

Our revenues are derived from customers located in North America and Europe.



**Licensing and Subscription**

Licensing and subscriptions revenues increased by 154% in 2007 from 2006, and represented 72% of total revenues in 2007 compared to 45% in 2006. This increase is primarily attributable to our acquisition of MFD and of Semotus' assets. We have continued to sign new agreements to sell our Stockstream products to our institutional customers, renew existing agreements and to continue to add services for our new and existing clients.

**Advertising Services**

Advertising Services revenues include advertising on our StockHouse websites and related properties. The StockHouse brand name and the functionality of StockHouse.com and StockHouse.ca websites, including our StockHouse Blogs, provide us with a link 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. We believe that there continues to be an increased market size for online advertising in general and that there is a greater demand among companies for highly targeted advertising to the investment community, which has enabled us to extract greater returns for our advertising inventory over time.

Advertising revenues decreased by 6% in 2007 from 2006, and represented 28% of total revenues in 2007 compared to 55% in 2006. We provide online advertising services to a wide range of companies. Revenues are dependent on the stock market and can fluctuate from period to period depending on the nature of services sold, including the mix of customers purchasing advertising and the amount of advertising purchased by customers. This revenue category was not impacted by our acquisition of MFD and Semotus.

**Seasonality**

We traditionally see a slowdown in the first and third quarter of each year in advertising revenues due to weaker advertising spend after the year-end holiday period and lower activity in the financial markets during the summer.

**Operating Costs and Expenses**

(in thousands of Dollars)	Years Ended December 31,			
	2007	2006	Change \$	Change %
Cost of revenues				
(exclusive of amortization)	\$ 5,986	\$ 2,259	\$ 3,727	165%
Sales and marketing	4,869	3,041	1,828	60%
Research and development	1,925	684	1,241	181%
General and administrative	6,100	2,621	3,479	133%
Amortization of intangible assets	505		505	100%
Total operating costs and expenses	\$ 19,385	\$ 8,605	\$ 10,780	125%

Total operating costs and expenses increased by 125% in 2007 from 2006, and increased to 137% of total revenues in 2007 from 111% in 2006. The majority of the increase is attributable to the operational costs associated with our mobile finance operations and investment in new product development. Although we expect that total operating expenses will continue to increase as we expand our business, continue to integrate the mobile finance operations into our historical operations, and expand our product line, there was a decrease in research and development costs in the fourth quarter of 2007 attributable to the completion of our redesigned website, StockHouse.com. We expect Research and Development costs to be lower in 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 increased by 165% in 2007 from 2006, and increased to 42% of total revenues in 2007 from 29% in 2006. Bandwidth costs increased 133%; and data feeds and exchange fees increased by 162% in 2007 over 2006.

The majority of the increase is attributable to the costs for data feeds and airtime associated with the acquisition of MFD. The costs associated with providing streaming data to customers are very similar to those of our historical business. Late in 2007 we achieved some cost savings as the result of negotiation with suppliers to reduce these costs, although the overall costs for 2007 increased as the result of the acquisition and our inability to reduce duplicated fees as quickly as we anticipated.

We anticipate that bandwidth costs will increase in 2008 to support growing demand. Generally, bandwidth costs are correlated with changes in our traffic levels of StockHouse and the number of customers to which we license our platform. Increased traffic, as we experienced in 2007 over 2006, results in expanded bandwidth requirements and additional costs.

Costs associated with providing data feeds and exchange fees to our customers have increased year over year as data feed providers, including vendors and stock exchanges, have required purchasers of data to remit new user fees and older data contracts have more expensive fees. The number of clients to which we provide data has increased in 2007 resulting in additional costs. We expect that data feed and exchange fees will increase as our customer base and their data requirements increase.

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

Sales and marketing expenses increased by 60% in 2007 from 2006, but decreased to 34% of total revenues in 2007 from 39% in 2006. The acquisition of MFD resulted in additional sales personnel in Maryland, New York and Europe, and the costs associated with those individuals. The year over year decrease of sales and marketing revenues as a percentage of total revenues is primarily attributable to a lower cost for sales and marketing of our acquired business and achieving an increase of revenues with some costs being fixed.

### ***Research and Development***

Research and development expenses increased by 181% in 2007 from 2006, and increased to 14% of total revenues in 2007 from 9% in 2006. In 2007, the majority of our development efforts related to preparation for the launch of the new StockHouse.com website in the fourth quarter of 2007, the majority of the increase results from the addition of external consultants and 12 full time employees to the research and development and quality assurance teams in the first quarter of the year. In 2006, the majority of our development efforts related to the next generation of our portfolio management solution, StockStream, which we launched at the end of 2006. In addition, we commenced development work related to the configuration of our new primary data feed, which we anticipate will improve the quality of our data while reducing costs. For both 2007 and 2006, our activities also included adding functionality to our suite of products. Stock-based compensation attributable to research and development employees was \$29,000 in 2007 and \$9,000 in 2006.

### ***General and Administrative***

General and administrative expenses increased by 133% in 2007 from 2006, and increased to 43% of total revenues in 2007 from 34% in 2006.



The majority of costs are associated with payroll and the payment of consultants. Stock-based compensation expense was \$146,000 for 2007 and \$70,000 for 2006. In addition, costs associated with travel and promotion of our business, and the acquisition of MFD increased during the year.

Amortization of property and equipment, a non-cash item, increased to \$446,000 for the year ended December 31, 2007 from \$217,000 for the year ended December 31, 2006. The majority of the increase in amortization expense is attributable to the addition of assets associated with the expansion of operations in our Vancouver offices.

Offsetting these increased expenses were \$146,000 of foreign exchange gains in 2007, compared with \$24,000 of foreign exchange gains in 2006. The private placement financing received in May 2007 in Canadian dollars was converted into US dollars during the third quarter, with minimal impact.

### *Amortization of intangible assets*

Amortization of intangible assets is associated with our purchase of MFD and the Semotus assets.

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

(in thousands of Dollars)	Years Ended		Change \$	Change %
	2007	2006		
Interest income	\$ 180	\$ 66	\$ 114	173%
Interest expense	(83)	(22)	(61)	277%
Other income	10	8	2	25%
Total interest and other income (expense)	\$ 107	\$ 52	\$ 55	106%

We earn interest income on our cash and cash equivalents, which are held in major banks in either interest bearing accounts or term deposits. The funds received in May 2007 from the private placement resulted in a higher balance in our term deposits than at December 31, 2006. The majority of interest expense represents interest charged on capital lease obligations. The increase is indicative of capital lease obligations, most of which were added in the second quarter of 2007. Other income is non-recurring.

### **Liquidity and Capital Resources**

Cash and cash equivalents totaled \$2,821,000 at December 31, 2007, an increase of \$808,000 from December 31, 2006.

(in thousands of Dollars)	Years Ended	
	2007	2006
Cash used in operating activities	\$ (2,435)	\$ (290)
Cash used in investing activities	(910)	(156)
Cash provided by financing activities	4,153	402
Net increase (decrease) in cash and cash equivalents	\$ 808	\$ (44)

Historically, our principal source of liquidity has been our operating cash flow, revenues collected in advance, financings and the extension in timing of the payment of our liabilities. In 2007, we closed a restricted non-brokered private placement which contributed \$4,129,000 to our cash and cash equivalents balance.

**Operating Activities.** During 2007, we used more cash than we generated from operations primarily resulting from our increased net loss in 2007. Decreases in accounts receivable, and prepaid and other



assets generated \$174,000 in cash and we conserved \$1,392,000 in cash due to payment timing of accounts payable and increased accrued liabilities.

The net increase in accounts receivable during 2007 was primarily due to higher revenue during the fourth quarter of 2007 which had not been collected at year end. Our advertising services revenues generally take over 60 days to collect as our channel partners remit payment only after they receive payment. Days sales outstanding for December 31, 2007 were 49 days, an increase from 41 days at December 31, 2006.

**Investing Activities.** Net cash of \$910,000 used in 2007 was the result of \$324,000 of capital asset purchases, primarily related to computer equipment, \$348,000 of acquisition costs paid related to our acquisition of MFD and \$238,000 of the purchase price and acquisition costs for the Semotus assets.

Net cash of \$156,000 used in 2006, was the result of capital asset purchases in the period, primarily related to computer software and hardware. In addition, we entered into four capital lease agreements in 2006 for computer equipment, primarily network servers for approximately \$192,000. The cash impact of the repayment of these leases is recorded as a financing activity.

**Financing Activities.** Net cash provided by financing activities of \$4,153,000 in 2007, was the result of proceeds, net of cash costs, of \$4,129,000 from a private placement, and cash received on the exercise of stock options of \$182,000; partially offset by repayment of capital lease obligations of \$158,000.

Net cash provided by financing activities of \$402,000 in 2006, was the result of net cash of \$343,000 from a restricted non-brokered private placement which closed on September 26, 2006 and cash received on the exercise of stock options of \$189,000, offset by cash paid to repurchase common stock of \$27,000 and cash paid on the repayment of capital lease obligations of \$103,000.

### ***Future Liquidity Requirements***

Changes in the demand for our products and services, and those of our recently acquired business, could impact our operating cash flow. We believe that our cash and cash equivalents will be sufficient to meet our consolidated requirements for the next 12 months, including, but not limited to, working capital, capital expenditures, contractual cash commitments, and the costs associated with the integration of MFD into our business. There is a risk that our current cash and cash equivalents may not be adequate for our long term needs, in which case we would most likely choose to raise additional financing through the issuance of equity or debt securities. We can give no assurance that we will be successful in raising a sufficient amount of additional capital or in internally generating a sufficient amount of capital to meet our long-term requirements, or even if we can raise additional capital, that we can do so on terms that are commercially reasonable. We do not expect to declare or pay any cash dividends in the foreseeable future.

On May 8, 2007, we closed an acquisition for the purchase of certain intangible assets from Semotus Solutions Inc. In consideration for these assets, we paid \$150,000 of the purchase price on May 9, 2007. The remainder is payable at a rate of 30% of monthly gross revenues earned from customer contracts purchased from Semotus until an additional \$200,000 is paid or within two years whichever occurs first. If the gross revenues fall below 25% of prior revenue within the first nine months post close, the amount payable monthly will decrease to 15% of monthly gross revenues. Furthermore, should monthly gross revenues fall below \$15,000 per month at any time; the purchase price will be deemed paid in full. As of December 31, 2007 the outstanding payable was \$137,000 which we expect will be fully paid within the two year period.

## Contractual Obligations

Our cash flow from operations is dependent on a number of factors, including fluctuations in operating results, accounts receivable collections and the timing of other payments. The impact of contractual obligations on our liquidity and capital resources should be analyzed in conjunction with such factors. The following table summarizes our contractual obligations as of December 31, 2007.

(in thousands of Dollars)

Payments Due by Period

	Total	Within 1 Year	2	3 Years	4 Years	5 Years	More Than 5 Years
Operating leases	\$ 1,948	\$ 532	\$ 637	\$ 690	\$ 89		
Capital leases	256	190	66	-	-		
Data provider commitment	1,387	532	821	34	-		
Total contractual cash obligations	\$ 3,591	\$ 1,254	\$ 1,524	\$ 724	\$ 89		

Our contractual obligations have not changed materially from those presented as of December 31, 2006, except for the addition of approximately \$164,000 in operating lease commitments in 2008 for office space in Maryland and London which we assumed as part of our acquisition of MFD.

The Company has capital lease obligations for servers and computer equipment required for our web sites, streaming data and hosting services. The total commitment for 2008 is \$190,000 and \$66,000 for 2009.

In 2006, we entered into an agreement with a data provider for delivery of market data used for our services. The agreement expires in March 2010, with an option to renew for an additional 12 months at then applicable rates. In addition, we entered into a hosting and connectivity agreement for our back-up hosting site at an approximate cost of \$13,000 per month.

## Accounting For and Disclosure of Guarantees

From time-to-time we enter into certain types of contracts that require us to indemnify the other parties to the contract against claims against them by third parties. These contracts primarily relate to: (i) service agreements, under which we may be required to indemnify clients for liabilities relating to data transmission and dissemination; (ii) certain agreements with our officers, directors, employees and third parties, under which the we may be required to indemnify such persons for liabilities arising out of their relationship with us or the performance of their duties for us.

We regularly enter into service level agreements with clients, under which we guarantee consistent streaming of data within certain pre-defined tolerances. The terms of these obligations vary and are not generally limited in amount, so it is not possible to express the amount at risk in dollars. Historically, we have not been required to make significant payments on account of these obligations and accordingly, we have not recorded any liability for obligations of this nature on our balance sheet as of December 31, 2007 and December 31, 2006. The Company carries coverage under certain insurance policies to protect itself in the case of any unexpected liability; however, this coverage may not be sufficient.

## Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2007 or December 31, 2006.

## Critical Accounting Policies

Our discussion and analysis of our financial position is based on our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable based on the information available to us at the time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily identifiable from other sources. Actual results may vary from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimates are made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the financial statements. We believe the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the consolidated financial statements.

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

**Revenue Recognition.** Our revenues are generated from our Licensing and Subscription and our Advertising Services. Licensing and Subscription services consist of managing, licensing, and delivering financial market information and are generally sold under service agreements, which are typically for 24-month terms. These services include subscriber fees for the StockStream and MarketStream products. Advertising Services consists of client advertising on our investment-oriented websites, e-mail services, sponsorships, and other internet advertising services. These services are sold either individually or bundled together into comprehensive programs and the revenues are recognized *pro-rata* as the services are delivered over the term of the contract.

While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, we have certain sales transactions that involve multiple element arrangements (arrangements with more than one deliverable) that may include set up fees, implementation and content integration. These non-standard contracts may require additional interpretation or judgment. In order to determine the appropriate accounting for the recognition of revenues we interpret: (i) if an arrangement exists; (ii) how the arrangement consideration should be allocated among potential multiple elements; (iii) when to recognize revenue on the deliverables based on when delivery has occurred; (iv) if the fee is fixed or determinable; and (v) whether we believe collectability is reasonably assured at the time of recognition based on our evaluation of creditworthiness of our customers.

We recognize certain of our advertising revenues based on the number of page views delivered to a customer. We obtain these page view reports from our Ad servers, and recognize revenue based on delivery of these page views in accordance with the pricing set forth in each agreement. In the event that our customers indicate that a different page view count has been delivered, it may impact our revenues. Revenue from subscriber service fees is recognized in the period earned.





Many of our Licensing and Subscription revenue contracts contain service level agreements which specify minimum service standards and remedies, such as billing reductions, for deficiency of service. In the case of an interruption of service, we make estimates as the amount of revenue which will require reversal, if any, based specifically on requests from our customers to compensate them for the service level deficiency.

Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition. Payments received in advance of services provided, including deposits, are recorded as deferred revenue.

Prior to 2007 the Company classified all revenue generated by the StockHouse.com website as advertising revenue. During 2007, management reviewed this practice and decided that revenue should be classified more accurately by product line. Revenue of \$233,000 resulting from the sale of Stockstream subscriptions through the StockHouse.com website, previously classified as advertising revenue in 2006, has been reclassified to licensing and subscriptions revenue in the comparative financial statements.

**Allowance for Doubtful Accounts.** We make judgments as to our ability to collect outstanding receivables and provide allowances for a portion of accounts receivable when we have estimated that collection is doubtful. We make provisions based upon a specific review of all outstanding invoices over 90 days. Provisions are generally made for all accounts over 90 days, with exceptions made based on the nature of the client, or where special arrangements are agreed to with the customer. In some cases an allowance is made before 90 days if we have reasonable belief that the collection of the account is doubtful.

**Contingencies and Litigation** We evaluate contingent liabilities, including threatened or pending litigation; costs associated the purchase of trade-marked and copy-written data; and other matters in accordance with FAS No. 5, *Accounting for Contingencies* . We assess the likelihood of any adverse judgments or outcomes to these contingencies as well as potential ranges of probable losses. We record reserves accordingly based on the information we have available at the time of assessment. We currently have a reserve for potential costs attributable to data feed costs. The advancement in technologies and increased sophistication of systems is resulting in increased scrutiny of data and costs. While we attempt to stay current with all vendors, a change in this estimate may impact cost of revenues. The amounts of the estimated reserve, if any, may change in future periods due to new developments in each matter or changes in approach to a matter such as a change in settlement strategy.

**Stock-Based Compensation.** During the first quarter of 2006, we implemented the following new critical accounting policy related to our stock-based compensation. We began accounting for stock options under the provisions of FAS No. 123R *Share-Based Payment* ( FAS 123R ), which requires the recognition of the fair value of stock-based compensation. Under the fair value recognition provisions for FAS 123R, stock-based compensation cost is estimated at the grant date based on the fair value of the awards expected to vest and recognized as expense ratably over the requisite service period of the award. We have used the Black-Scholes valuation model to estimate fair value of our stock-based awards which requires various judgmental assumptions including estimating share price volatility and expected life. In addition, we consider many factors when estimating expected life, including types of awards and historical experience. If any of the assumptions used in the Black-Scholes valuation model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. We adopted FAS 123R using the modified-prospective method.

**Business Combinations.** Business combinations are accounted for in accordance with FAS No. 141, *Business Combinations* ( FAS 141 ), which requires the purchase method of accounting for business combinations be followed. In accordance with FAS 141, we allocate the purchase price of our business combination to the tangible assets, liabilities and intangible assets acquired, including in-process research



and development, based on their estimated fair values. FAS 141 requires that we determine the recognition of intangible assets based on specified criteria. The excess purchase price over those fair values, if any, is recorded as goodwill.

We must make valuations that require significant estimates and assumptions, especially related to intangible assets. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable, and as a result, actual results may differ from estimates.

**Goodwill and other intangible assets** In accordance with Statement No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets that have indefinite useful lives are no longer amortized to expense. Goodwill is required to be tested for impairment on an annual basis, or more frequently if certain indicators arise, using the guidance specifically provided. Furthermore, Statement No. 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless these lives are determined to be indefinite.

Management reviews goodwill and other intangible assets at least annually, and on an interim basis when conditions require, evaluates events or changes in circumstances that may indicate impairment in the carrying amount of such assets. An impairment loss is recognized in the statement of operations in the period that the related asset is deemed to be impaired. Other intangible assets, which include intellectual property and customer relationships, with definite lives are amortized to expense on a straight-line basis over their respective estimated useful lives averaging approximately three years.

**Foreign Currency** The reporting and functional currency of the Company and its subsidiaries is the U.S. dollar. Foreign currency monetary assets and liabilities are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date; non monetary assets denominated in foreign currencies are translated using the rate of exchange at the transaction date; and foreign exchange gains and losses are included in the determination of earnings.

**Accounting for Income Taxes.** We account for our income taxes in accordance with FAS No. 109, *Accounting for Income Taxes* and related interpretations. Even though we are in a consolidated loss position, determining the provision of income tax expense, income tax liabilities, and deferred tax assets, including the valuation allowance related to deferred tax assets, involves judgment. In addition, tax interpretations, regulations and legislations are continually changing. Tax exposures can involve complex issues and may require an extended period to resolve.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 (FIN 48). The Interpretation clarifies the accounting and disclosure for uncertainty in tax positions, as defined. We adopted the provisions of FIN 48 on January 1, 2007. The Company did not have any material uncertain tax positions upon adoption. As a result, there were no adjustments to our opening balance of accumulated deficit. We believe that our income tax filing positions and deductions will be sustained on audit and we do not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flow. Therefore, at December 31, 2007, the Company had no material unrecognized tax benefits.

Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. For the year ended December 31, 2007, we have not recorded or realized any material interest or penalties with respect to income taxes.

We are subject to federal and state taxation in the United States as well as other foreign jurisdictions. Our major tax jurisdictions, as defined, are reflected below. As at December 31, 2007, income tax returns, whether filed or not, pertaining to taxation years that remain open to examination by major jurisdictions are as follows:



United States	2004	2007
Canada	2003	2007
United Kingdom	2005	2007
Spain	2003	2007
Netherlands	2002	2007

We do not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months.

### ***Recent pronouncements***

In September 2006, the FASB issued FAS No. 157 *Fair Value Measurements*, ( FAS 157 ) which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable to us beginning in the first quarter of 2008. We are currently evaluating the impact of FAS 157 on our consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, ( FAS 159 ) which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable to us beginning in the first quarter of 2008. We are currently evaluating the impact of FAS 159 on our consolidated financial statements.

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 December 15, 2008 and is applicable to us beginning in the first quarter of 2009. We are currently evaluating the potential impact, if any, of the adoption of FAS 141(R) on our consolidated financial statements

In March 2008, the FASB issued FAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* ( FAS 161 ). FAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities will now be required to provide enhanced disclosures about how and why an entity uses derivative instruments, how the instruments are accounted for under FAS 133, and how the instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FAS 161 is effective for fiscal years beginning after November 15, 2008 and is applicable to us beginning in the first quarter of 2009. We are currently evaluating the potential impact, if any, of the adoption of FAS 161 on our 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 audited consolidated financial statements and the accompanying notes thereto, and other parts of Management's Discussion and Analysis included in this Annual Report. 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 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. We currently cannot estimate if we will be profitable in fiscal 2008 or future fiscal periods. Our acquisition of the Mobile Finance Division of TeleCommunication Systems, Inc. has increased losses in the short and medium term as integration costs and possible loss of revenue may occur. In addition, we have limited operating history upon which an evaluation of our current business and prospects can be based.

***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.

***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.***

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. In the event that the U.S. or international financial markets suffer a prolonged downturn that results in a significant decline in investor activity, our revenue levels could be materially adversely affected.

***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, 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 depend on the ability for wireless devices to access the Internet.***

Historically, wireless carriers have been relatively slow to implement complex new services such as Internet-based services. Our future success depends upon a continued increase in the use of wireless devices to access the Internet and upon the continued development of wireless devices as a medium for the delivery of network-based content and services. We have no control over the pace at which wireless carriers implement these new services. The failure of wireless carriers to introduce and support services



utilizing our products in a timely and effective manner could reduce sales of our products and services and seriously harm our business. In addition, mobile handsets change very frequently requiring continued product design changes and development which may financially impact our business negatively.

***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 secret, 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 our 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 which may limit our sales.

***We depend on key personnel and expect to hire additional personnel.***

We depend on the continued contributions of our executive officers, sales, technical and other critical personnel to execute our business plan. Our future success will also depend in a large part upon our ability to attract and retain highly skilled management, technical engineers, sales and marketing personnel, and finance 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 or 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 are also dependent upon the personnel acquired through our acquisition of Mobile Finance especially in the short term to transfer business knowledge. In the event that we lose any or all of these employees there may be a significant impact on our business in sales, cost, and customer service.

***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. It is possible that the contemplated benefits of this acquisition or any 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.

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

In 2007, customers, primarily in North America, Europe and Australia purchased our products and in 2008 customers in North America, Europe and Australia will purchase our products. 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;
- 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.

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

Through the purchase of MFD, as described in *Item 1. Business*, we acquired their legacy business of providing financial information to pager devices. Pagers represent the majority of the revenue of the company 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 of 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 8 Item 8A. Controls and Procedures of this report, our Chief Executive Officer and Chief Financial Officer concluded as discussed below, that a material weakness existed in our control over financial reporting as of December 31, 2007, and as a result, that our disclosure controls and procedures were not effective.

Management has evaluated its key financial processes to assess risk of material weaknesses. The Company has identified several significant deficiencies in the operation of internal controls over financial reporting within the MFD entities and assets acquired on January 31, 2007. When considered in the aggregate, management believes that these constitute a material weakness within its internal control framework relating to the Company's financial reporting process.

We have taken and are taking actions to remediate this material weakness. In addition, management has developed and presented to the Audit Committee a plan and timetable for the implementation of remediation measures (to the extent not already implemented), and the Audit Committee intends to monitor such implementation. We believe that these actions will remediate the significant control deficiencies we have identified and strengthen our internal control over financial reporting.

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.

***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.

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

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. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

**Risks 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 officers, directors and management represents approximately 16% of issued and outstanding shares of our common stock at March 28, 2008. 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 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 March 28, 2008, there were 41,395,000 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 has 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. 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. Because some of our officers and directors are located in non-U.S. jurisdictions, you may have no effective recourse against the management for misconduct and may not be able to enforce judgment and civil liabilities against our officers, directors, experts and agents.

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, 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 7. Financial Statements**

<u>Report of Independent Registered Chartered Accountants</u>	<u>37</u>
<u>Consolidated Balance Sheets as of December 31, 2007 and 2006</u>	<u>38</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2007 and 2006</u>	<u>39</u>
<u>Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2007 and 2006</u>	<u>40</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2007 and 2006</u>	<u>41</u>
<u>Notes to Consolidated Financial Statements</u>	<u>42</u>

**REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS**

To the Board of Directors and Shareholders of  
Stockgroup Information Systems Inc.

We have audited the accompanying consolidated balance sheets of Stockgroup Information Systems Inc. and subsidiaries (the Company ) as of December 31, 2007 and 2006 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payments, effective January 1, 2006 and Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109, effective January 1, 2007.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants  
Vancouver, Canada  
March 31, 2008

## Stockgroup Information Systems Inc.

## CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of U.S. Dollars, except number of common shares)

	As at December 31,	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (note 1)	\$ 2,821	\$ 2,013
Accounts receivable (net of allowance of \$456 and \$98)	1,906	814
Prepaid and other current assets (note 2)	752	186
<b>TOTAL CURRENT ASSETS</b>	<b>5,479</b>	<b>3,013</b>
Property and equipment, net (note 4)	703	447
Goodwill (note 2)	99	
Intangible assets, net (notes 2 and 3)	1,530	
<b>TOTAL ASSETS</b>	<b>\$ 7,811</b>	<b>\$ 3,460</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable (note 4)	\$ 1,818	\$ 426
Accrued liabilities (note 4)	2,824	649
Deferred revenues	1,341	810
Capital lease obligations	190	130
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,173</b>	<b>2,015</b>
Long-term capital lease obligations	66	97
Long term payable (note 3)	41	
Long-term deferred revenues	15	65
<b>TOTAL LIABILITIES</b>	<b>6,295</b>	<b>2177</b>
<b>Shareholders Equity</b>		
Common stock, no par value:		
authorized 75,000,000 shares		
issued and outstanding 40,916,921 and 35,350,413 shares	18,902	13,793
Additional paid-in capital	3,652	3,394
Accumulated deficit	(21,038)	(15,904)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>1,516</b>	<b>1,283</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 7,811</b>	<b>\$ 3,460</b>

Commitments and contingencies (note 9)

Guarantees (note 10)

The accompanying notes are an integral part of these consolidated financial statements

**Stockgroup Information Systems Inc.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Expressed in thousands of U.S. Dollars, except per share data)**

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>REVENUES</b>		
Licensing and subscriptions	10,170	4,001
Advertising services	\$ 3,978	\$ 3,765
<b>TOTAL REVENUES</b>	<b>14,148</b>	<b>7,766</b>
<b>OPERATING COSTS AND EXPENSES</b>		
Cost of revenues (exclusive of amortization)	5,986	2,259
Sales and marketing	4,869	3,041
Research and development	1,925	684
General and administrative	6,100	2,621
Amortization of intangible assets (notes 2 and 3)	505	-
<b>TOTAL OPERATING EXPENSES</b>	<b>19,385</b>	<b>8,605</b>
Loss from operations	(5,237)	(839)
Interest and other expense (income), net	(107)	(52)
Loss before income taxes	(5,130)	(787)
Provision for income taxes (note 8)	4	4
Net loss and comprehensive loss	\$ (5,134)	\$ (791)
Net loss per common share:		
Basic and diluted	\$ (0.13)	\$ (0.02)
Common shares used in computing basic and diluted net loss		
per share (thousands)	39,264	33,910

The accompanying notes are an integral part of these consolidated financial statements

## Stockgroup Information Systems Inc.

## CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(Expressed in thousands)

	Common stock # of shares	Common stock \$	Additional paid-in capital \$	Accumulated deficit \$	Total Shareholders Equity \$
<b>Balance at December 31, 2005</b>	33,522	13,359	3,202	(15,113)	1,448
Issuance of common shares pursuant to exercise of employee stock options	761	200	(10)	-	190
Repurchase of common shares	(100)	(40)	12	-	(28)
Private placement transaction common shares and warrants	1,167	274	69	-	343
Stock based compensation	-	-	121	-	121
Net loss and comprehensive loss	-	-	-	(791)	(791)
<b>Balance at December 31, 2006</b>	35,350	13,793	3,394	(15,904)	1,283
Issuance of common shares pursuant to exercise of employee stock options	734	236	(54)	-	182
Private placement transaction common shares and warrants	3,333	4,033	96	-	4,129
Issuance of common shares pursuant to business acquisition	1,500	840	-	-	840
Stock based compensation	-	-	216	-	216
Net loss and comprehensive loss	-	-	-	(5,134)	(5,134)
<b>Balance at December 31, 2007</b>	40,917	18,902	3,652	(21,038)	1,516

The accompanying notes are an integral part of these consolidated financial statements

## Stockgroup Information Systems Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. Dollars)

	For the years ended December 31,	
	<u>2007</u>	<u>2006</u>
<b>Operating activities:</b>		
Net loss	\$ (5,134)	\$ (791)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of property and equipment	446	217
Amortization of intangible assets	505	
Stock-based compensation	216	121
Changes in operating assets and liabilities:		
Accounts receivable	137	(54)
Prepaid and other current assets	37	(52)
Accounts payable	512	16
Accrued liabilities	880	124
Deferred revenues	(34)	129
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,435)</b>	<b>(290)</b>
<b>Investing activities:</b>		
Purchases of property and equipment	(324)	(156)
Acquisition of Mobile Finance Division	(348)	
Acquisition of Semotus assets	(238)	
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(910)</b>	<b>(156)</b>
<b>Financing activities:</b>		
Proceeds on exercise of stock options	182	189
Repurchase of common shares	-	(27)
Proceeds on private placements, net of costs	4,129	343
Repayment of capital lease obligations	(158)	(103)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,153</b>	<b>402</b>
Net increase (decrease) in cash and cash equivalents	808	(44)
Cash and cash equivalents, beginning of the year	2,013	2,057
Cash and cash equivalents, end of the year	\$ 2,821	\$ 2,013
<b>Supplemental Cash Flow Information</b>		
Interest paid	18	24
Taxes paid	2	14
Assets acquired through capital lease transactions	181	192
Value of warrants issued in connection with private placement	96	94
Value of shares issued for acquisition of Mobile Finance Division	840	

The accompanying notes are an integral part of these consolidated financial statements



**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

**1. Organization and Summary of Significant Accounting Policies**

***Organization and Basis of Presentation***

Stockgroup Information Systems Inc. (the Company or Stockgroup ) is a financial media company that provides various financial Internet solutions, tools, content and services to financial institutions, media publishers, public companies, and advertisers. The Company also helps the retail investor create and manage their personal wealth by delivering a consolidated source of financial data streams, news, portfolio management, analysis tools and a forum for capturing user-generated content. The Company also operates its StockHouse.com and StockHouse.ca websites, where it provides its advertising services.

The consolidated financial statements have been prepared in accordance with United States ( U.S. ) generally accepted accounting principles ( GAAP ). The accompanying financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated. All information is stated in U.S. dollars unless otherwise noted.

The Company was incorporated under the laws of Colorado on December 6, 1994.

***Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for, but are not limited to, revenue recognition, accrued liabilities, contingencies and litigation, allowances for doubtful accounts, stock-based compensation and income and other taxes. Actual results could differ from those estimates.

***Foreign Currency***

The reporting and functional currency of the Company and its subsidiaries is the U.S. dollar. Foreign currency monetary assets and liabilities are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date; non monetary assets denominated in foreign currencies are translated using the rate of exchange at the transaction date; and foreign exchange gains and losses are included in the determination of earnings. In 2007 the company recorded a foreign exchange gain of \$203,000 In 2006 the company recorded a foreign exchange gain of \$24,000

***Revenue Recognition***

The Company generates its revenues from two primary sources: Licensing and Financial Subscription Services and Advertising Services. The Company records its revenues in accordance with the Securities and Exchange Commission ( SEC ) Staff Accounting Bulletin No. 104, *Revenue Recognition* ( SAB 104 ) and the Financial Accounting Standards Board ( FASB ) Emerging Issues Task Force ( EITF ) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility of the resulting receivable is reasonably assured.

Licensing and Subscription services consist of managing, licensing, and delivering financial market information. Examples of financial market information are real time stock quotes, stock charts, public company profiles, investment information and technical stock analysis. Under these revenue contracts, the Company normally



charges customers for set up fees, periodic maintenance fees, and the contractual monthly licensing fees for ongoing use of financial tools and content. These revenues are recognized

**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

ratably over the contract term, which is typically 24 months, beginning when the product is activated. Revenue from activation fees is recognized ratably over the determinable portion of the customer contract.

All Licensing and Subscription services are delivered via the Internet from the Company's Web servers to the clients' websites on a continuous real time basis. Revenue begins to be earned on the day the data feed is activated and begins to deliver content to the client site. Revenue is earned on a fixed monthly fee, with some clients paying a page-view overage fee over a certain number of page-views. The page-view overages, if any, are billed to the client and recorded on a monthly basis as they occur and usually represent a small portion of the overall monthly fee from each customer. Usage usually refers to website page views and real-time quotes.

Prior to 2007 the Company classified all revenue generated by the StockHouse.com website as advertising revenue. During 2007, management reviewed this practice and decided that revenue should be classified more accurately by product line. Revenue of \$233,000 resulting from the sale of Stockstream subscriptions through the StockHouse.com website, previously classified as advertising revenue in 2006, has been reclassified to licensing and subscriptions revenue in the comparative financial statements.

Advertising Services consist of advertising on the Company's investment-orientated websites, the Company's client direct advertising solutions portfolio, and e-mail services, Internet advertising services are sold either individually or bundled together into comprehensive programs.

A portion of advertising revenues on the Company's investment-oriented websites consists of continuous or rotating advertisements on various specialized web pages hosted by StockHouse.com, StockHouse.ca, SmallCapCenter.com and InvestorMarketPlace.com. Delivery of these profiles is based either on a certain number of days the advertising appears on the web pages or a certain quantity of impressions, profile views or click-throughs, depending on the agreement. An impression is a single instance of an Internet user viewing the page that contains the client's name and/or logo. A profile view is a single instance of an Internet user clicking on the client's profile link. A click-through is a single instance of an Internet user clicking on the client's profile and being redirected to the client's website. Revenue is recognized on such advertising programs based on delivery, and delivery organized and measured to equal the agreed monthly fee in each month the customer is profiled on the web pages.

E-mail services are mailings to a targeted list of e-mail addresses, with delivery consisting solely of transmitting the mailing to the e-mail targets. Each transmittal is called a flight. E-mail services may be bought on a per-flight basis, for which revenue is recorded when the flight occurs, or on a fixed-fee monthly basis in which the client receives access to a fixed number of flights per month. The Company records the revenue on the fixed fee monthly e-mail services on a pro-rata basis over the term of the agreement.

Internet advertising on the Company's websites is delivered, and revenue is earned, on a page-view basis, as this term is defined above. Advertising insertion orders are obtained from customers and advertisements are delivered in a set rotation on the Company's StockHouse websites. At the end of certain specified period, usually monthly, the customer is given a page-view delivery report and billed according to the number of page-views delivered.

Subscriptions to StockStream and MarketStream and its real-time streaming data information are sold online via our websites. Subscriptions are one month in duration and auto-renew unless cancelled by the subscriber. Revenue from subscriber services is recognized in the period earned.



**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

Deferred revenues represent amounts for which the Company has received deposits which are to be applied to the end of the contract. The earnings process has not yet been completed for those payments. Deferred revenues primarily related to our license agreements, which are amortized ratably over the period of the contract and certain internet services for which the Company holds deposits.

***Cost of Revenues***

Cost of revenues is recorded if the cost relates directly to the services the Company sells or to its revenue-generating websites, namely StockHouse.com, StockHouse.ca, SmallCapCenter.com, and InvestorMarketPlace.com. Cost of revenues consist of subscription fees for access to data feeds of financial and business databases, Internet bandwidth, and direct advertising purchases. Data feeds are a key component of many of the Company's licensing and subscription services, as well as a key input into its revenue-generating websites. Bandwidth is consumed by the Company's revenue-generating websites, by its licensing and subscription services, and by its e-mail mailing services. Direct advertising purchases relate to Internet advertising purchases for the purpose of promoting a client or clients' feature on one of the Company's websites.

***Fair value of Financial Instruments***

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and capital lease obligations. Unless otherwise stated the fair value of the financial instruments approximates their carrying value.

***Cash and Cash Equivalents***

Cash and cash equivalents, which consist of cash and short-term deposits with original maturities of ninety days or less, are recorded at fair value. The Company places its cash equivalents with high quality financial institutions. Cash equivalents at December 31, 2007 and 2006, respectively, are U.S. denominated term deposits of \$1,465,000 and \$1,400,000.

***Accounts Receivable***

Accounts receivable are stated net of allowance for doubtful accounts of \$456,000 at December 31, 2007 and \$98,000 at December 31, 2006. The Company makes judgments as to its ability to collect outstanding receivables and provides allowances for a portion of accounts receivable when collection becomes doubtful. Provisions are generally made for all accounts over 90 days, with certain exceptions based on the nature of the customer or where special arrangements are agreed to with the customer. In some cases an allowance is made before 90 days if the Company has a reasonable belief that the collection of the account is doubtful. Invoices which are over 120 days are generally sent to collections.

***Property and Equipment***

Property and equipment are carried at cost less accumulated amortization. Office equipment, computer software and equipment are amortized using the straight-line method over the assets estimated useful lives with range from 1 to 5 years. Capital leases of computer hardware are amortized over the term of the lease on a straight-line basis. Leasehold improvements are amortized over the shorter of the asset life or the remaining lease term on a straight-line basis.

*Leases*

Leases are classified as either capital or operating leases. Leases which transfer substantially all the benefits and risks of ownership of the property to the Company are accounted for as capital leases. Capital

**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

lease obligations reflect the present value of future minimum lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

***Software development costs***

The Company applies FAS No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* ( FAS 86 ) to software developed internally, acquired in business acquisitions or purchased. FAS 86 requires companies to capitalize eligible software development costs upon achievement of technological feasibility, subject to net realizable value considerations. Research and development costs prior to technological feasibility are expensed as incurred. Because the period between achievement of technological feasibility and the general release of the Company's products have been a relatively short duration, costs qualifying for capitalization were insignificant during 2007 and 2006. There were no capitalized software development costs at December 31, 2007 and 2006.

***Goodwill and Intangible assets***

In accordance with Statement No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets that have indefinite useful lives are no longer amortized to expense. Goodwill is required to be tested for impairment on an annual basis, or more frequently if certain indicators arise, using the guidance specifically provided. Furthermore, Statement No. 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless these lives are determined to be indefinite.

Management reviews goodwill and other intangible assets at least annually, and on an interim basis when conditions require, evaluates events or changes in circumstances that may indicate impairment in the carrying amount of such assets. An impairment loss is recognized in the statement of operations in the period that the related asset is deemed to be impaired. Other intangible assets, which include intellectual property and customer relationships, with definite lives are amortized to expense on a straight-line basis over their respective estimated useful lives averaging approximately three years.

***Income Taxes***

The Company accounts for its income taxes in accordance with FAS No. 109, *Accounting for Income Taxes* ( FAS 109 ) and related interpretations. This Interpretation requires that the impact of a tax position be recognized if it is more likely than not of being sustained in an audit, based on the technical merits of the position. Even though the Company is in a consolidated loss position, determining the provision for income tax expense, income tax liabilities, and deferred tax assets and liabilities involves judgment. In addition, tax interpretations, regulations and legislations are continually changing. Tax exposures can involve complex issues and may require an extended period to resolve.

The Company records a valuation allowance to reduce its deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. The Company believes its tax positions comply with current applicable tax law and that the Company has adequately provided for known tax contingencies.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 (FIN 48). The Interpretation clarifies the accounting and disclosure for uncertainty in tax positions, as defined. The Company adopted the provisions of FIN 48 on January 1, 2007. The Company did not have any material uncertain tax positions upon adoption. As a result, there were no adjustments to the opening balance of accumulated deficit. The Company believes that its income tax filing positions and deductions will be



**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flow. Therefore, at December 31, 2007, the Company had no material unrecognized tax benefits.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. For the year ended December 31, 2007, the Company has not recorded or realized any material interest or penalties with respect to income taxes.

The Company is subject to federal and state taxation in the United States as well as other foreign jurisdictions. The Company's major tax jurisdictions, as defined, are reflected below. As at December 31, 2007, income tax returns, whether filed or not, pertaining to taxation years that remain open to examination by major jurisdictions are as follows:

United States	2004	2007
Canada	2003	2007
United Kingdom	2005	2007
Spain	2003	2007
Netherlands	2002	2007

The Company does not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months.

### ***Net Loss per Share***

In accordance with FAS No. 128, *Earnings per Share*, basic net income (loss) per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common shares and dilutive equivalent common shares outstanding during the using the treasury stock method. In a year of income, dilutive equivalent common shares consist of stock options and warrants where the calculated market price is in excess of the exercise price of these stock awards. In a loss year, basic and fully diluted net income (loss) per share is equal.

### ***Contingencies and Litigation***

The Company evaluates contingent liabilities including threatened or pending litigation in accordance with FAS No. 5 *Accounting for Contingencies*. The Company assesses the likelihood of an adverse outcome or judgment to a potential claim or legal proceeding, as well as potential ranges of probable losses, when the outcome of the claims or proceedings are probable and reasonably estimable. A determination of the amount of accrued liabilities required, if any, for these contingencies is made after analysis of each matter. Because of uncertainties related to these matters, the Company bases its estimates on the information available at the time. As additional information becomes available, the Company reassesses the potential liability and may revise its estimates. Any revision to these estimates could have a material impact on the Company's results of operations and financial position.

### ***Accounting for Stock-based Compensation***

On January 1, 2006, the Company adopted the provisions of FAS No. 123R *Share-Based Payment* ( FAS 123R ) which requires recognition of stock-based compensation expense for all share-based payments based on fair value. Prior to January 1, 2006, the Company measured compensation expense for all of its share-based compensation using the intrinsic value method prescribed by Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued*



to *Employees* ( APB 25 ) and related interpretations. On transition, the Company elected to use the modified prospective approach

**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

method. Under that transition method, the calculated expense in 2006 is equivalent to compensation expense for all awards granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair values estimated in accordance with the original provisions of FAS 123. Stock-based compensation expense for all awards granted after January 1, 2006 is based on the grant-date fair values estimated in accordance with the provisions of FAS 123R. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

***Recent pronouncements***

In September 2006, the FASB issued FAS No. 157 *Fair Value Measurements*, ( FAS 157 ) which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable to the Company beginning in the first quarter of 2008. The Company is currently evaluating the impact of FAS 157 on its consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, ( FAS 159 ) which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable to the Company beginning in the first quarter of 2008. The Company is currently evaluating the impact of FAS 159 on its consolidated financial statements.

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 December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 141(R) on its 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 for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 and is applicable to the Company beginning in the first quarter of 2009. The Company is currently evaluating the impact of FAS 161 on its consolidated financial statements.

**Stockgroup Information Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2007**

## 2. Business Acquisition

On January 25, 2007, the Company announced that it had entered into a formal Purchase Agreement with TeleCommunication Systems, Inc. ( TCS ) pursuant to which the Company agreed to issue to TCS 1,500,000 common shares in the capital of the Company and to assume some TCS liabilities in exchange for certain assets of TCS that made up its Mobile Finance Division ( MFD ). The transaction closed on January 31, 2007.

MFD delivers financial market data, news, and limited analytics like charting and portfolio functionality, distributed through mobile devices such as pagers, Blackberry® and other mobile devices. The acquisition adds:

- a proven set of wireless financial products for migration onto the Company's platform without significant additional development costs and go-to-market time; and
- a high profile customer-base, consisting of leading wealth management, capital markets and advisory companies located in North America and Europe, that can be introduced to the Company's existing product-line.

The acquisition of MFD has been accounted for as a purchase of a business, with the Company being identified as the acquirer and MFD as the acquiree. These consolidated financial statements include 100% of the operating results of MFD from February 1, 2007.

The allocation of the purchase price was finalized in the fourth quarter of 2007. An independent valuation of the significant assets acquired was completed in the fourth quarter of 2007 supporting management's allocation of the purchase consideration. The final allocation of the purchase price at January 31, 2007 is as follows (in thousands of Dollars):

### Purchase Price:

1,500,000 common shares of Stockgroup	\$	840
Acquisition costs		348
	\$	1,188

### Net Assets Acquired:

Accounts receivable	\$	1,230
Prepaid and other current assets		448
Property and equipment		146
Other assets		157
Intellectual property		870
Customer relationships		790
Goodwill		99
Accounts payable		(476)
Accrued liabilities		(1,269)
Customer deposits		(291)
Deferred revenues		(516)
	\$	1,188

The fair value of the 1,500,000 common shares issued was determined based on the Company's common share price of \$0.56 per share, representing the average closing price of the Company's shares for the two days before, the day of, and the two days after the date of announcement of the acquisition. The purchase price may be increased by up to \$500,000, payable in cash, if certain performance requirements are achieved.



**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

The following table presents details of the purchased identifiable intangible assets

(in thousands of Dollars):	Estimated Useful Life (in years)	January 31, 2007 Amount	Accumulated Amortization	Net Amount
Intellectual property	4	\$ 870	\$ 199	\$ 671
Customer relationships	2 - 4	790	243	547
		\$ 1,660	\$ 442	\$ 1,218

The estimated future amortization expense of purchased identifiable intangible assets is as follows (in thousands of Dollars):

2008	483
2009	359
2010	348
2011	28
Total	\$ 1,218

Under the terms of the Purchase Agreement with TCS the Company is indemnified for certain undisclosed liabilities of MFD as at the date of the transaction. The indemnity expires on April 30, 2008. The Company's best estimate is that there are \$300,000 of costs for liabilities not disclosed as at the date of acquiring MFD and therefore the Company has recorded a liability for this amount with a corresponding receivable for the same amount from TCS (included in prepaid and other current assets) as of December 31, 2007. The Company believes that the maximum amount of potential undisclosed liabilities not recorded by the Company as of December 31, 2007, is \$650,000.

***Pro forma Information (Unaudited)***

The following interim condensed pro forma consolidated financial summary is presented as if the acquisition of MFD was completed as of January 1, 2006. The pro forma combined results have been prepared for informational purposes only and do not purport to be indicative of the results which would have actually been attained had the business combination been consummated on the date indicated or of the results which may be expected to occur in the future.

**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

MFD also incurred expenses in 2006 relating to sales and marketing and general and administrative which are not expected to be incurred in the future. These costs have not been excluded from the pro forma results as they are not fully determinable.

(In thousands of Dollars, except per share data)	Year Ended December 31,	
	2007	2006
<b>REVENUES</b>		
Licensing and subscriptions	\$ 10,870	\$ 10,380
Advertising services	3,978	4,234
	\$ 14,848	\$ 14,614
<b>Total Operating Expenses net of Other Income (Expense)</b>	19,828	17,010
<b>Net loss and comprehensive loss</b>	\$ (4,980)	\$ (2,396)
<b>Net loss per common share: Basic and diluted</b>	\$ (0.13)	\$ (0.07)
<b>Common shares used in computing basic and diluted net loss per share (in thousands)</b>	39,431	35,410

**3. Asset Acquisition**

On May 8, 2007 the Company entered into a Asset Purchase Agreement with Semotus Solutions Inc. ( Semotus ) pursuant to which the Company agreed to acquire certain intangible assets related to Semotus Mobile Finance business for total cash consideration of up to \$350,000 payable as follows:

- a) \$150,000 cash payable at the Closing Date; and
- b) 30% of monthly gross revenues earned from customer contracts purchased from Semotus until the remaining \$200,000 of the purchase price is fully paid or within two years whichever occurs first. If the gross revenues fall below 25% of prior revenue within the first nine months post close, the amount payable monthly would decrease to 15% of monthly gross revenues.

Should monthly gross revenues fall below \$15,000 per month at any time, the purchase price will be deemed paid in full.

This acquisition closed on May 8, 2007 and has been accounted for as an asset purchase transaction for a total cost of \$375,000 including \$25,000 for acquisition costs.

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the identifiable intangible assets acquired as intellectual property (\$140,000) and customer relationships (\$235,000), based on management's best estimates.

For the period from May 8, 2007 to December 31, 2007, \$63,000 of consideration relating to monthly gross revenues was paid to the vendor. As of December 31, 2007, of the balance of \$137,000 is expected to be payable, \$96,000 is included in accounts payable (note 4) and \$41,000 has been recorded on the consolidated balance sheet as a long term payable which is expected to be paid in 2009. For the year ended December 31, 2007 amortization of the Semotus intangible assets was \$63,000.



**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007****4. Balance Sheet Components**

(In thousands of Dollars)	December 31,	
	<u>2007</u>	<u>2006</u>
<u>Accounts payable</u>		
Trade accounts payable	\$ 1,517	\$ 412
Current portion of amount due to asset acquisition vendor (note 3)	95	-
Sales taxes payable	206	14
<b>Total Accounts payable</b>	<b>\$ 1,818</b>	<b>\$ 426</b>
<u>Accrued liabilities</u>		
Accrued liabilities	\$ 1,810	\$ 473
Accrued data costs(note 2)	740	176
Customer deposits	274	-
<b>Total accrued liabilities</b>	<b>\$ 2,824</b>	<b>\$ 649</b>
<u>Property and equipment</u>		
Computer equipment	\$ 1,143	\$ 765
Computer equipment under capital lease	686	501
Computer software	336	257
Website software	638	638
Office furniture and equipment	237	177
Leasehold improvements	110	110
<b>Total cost</b>	<b>3,150</b>	<b>2,448</b>
Less: accumulated amortization	(2,447)	(2,001)
<b>Property and equipment</b>	<b>\$ 703</b>	<b>\$ 447</b>

In 2007, amortization expense related to property and equipment totalled \$446,000 including \$167,000 amortization for capital assets under lease. In 2006, amortization expense was \$217,000, including \$93,000 of amortization for capital assets under lease.

**5. Shareholders Equity**

The Company is authorized to issue up to 75,000,000 shares of common stock and 5,000,000 shares of preferred stock. No preferred stock is issued and outstanding. During 2007, the Company issued shares on the exercise of stock options and also in a private placement transaction. The Company also repurchased and retired shares of its common stock during 2006.

***Stock Based Compensation Plans***

The Company grants stock options pursuant to shareholder approved stock option plans. On June 4, 2007, the shareholders of the Company approved the 2007 Stock Option Plan that authorized the issuance of a maximum of 3,300,000 shares of the Company's common stock granted to directors, officers, employees, consultants or advisors of the Company. The Company's 1999, 2000, 2001, 2002, 2003 and 2007 Stock Option Plans (collectively the Plans) authorize a total of 8,520,600 common shares for issuance. The Plans entitle employees, non-employee directors, and consultants to purchase common shares of the Company on the exercise of stock options. Options immediately become exercisable once vested. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the





**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

common shares underlying them are returned to the reserve if they were granted under the 2003 or 2007 Stock Option Plans.

The Company generally grants stock options for a fixed number of shares to employees with an exercise price equal to at least the fair market value of the underlying common shares on the date of grant. The standard vesting schedule used for stock option grants to most employees is a two year vesting calendar, with equal vesting occurring at the end of each quarterly period. Stock option grants to management generally follow a four year vesting calendar, with vesting occurring at the end of each quarterly period. All stock options are denominated in U.S. dollars and expire either five or six years after the date of grant.

The following table provides information on the Company's outstanding options and options available for grant at December 31, 2007, and activity since December 31, 2005:

	Number of Options Available For Grant	Number of Options	Price Per Share \$	Options Outstanding		
				Weighted Average Exercise Price \$	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value \$ 000
Balance at December 31, 2005	955,075	4,129,400	\$0.12 - \$0.59	\$0.26		
Options granted	(1,201,250)	1,201,250	\$0.29 - \$0.44	\$0.38		
Options exercised		(761,400)	\$0.15 - \$0.36	\$0.25		
Options expired and forfeited	637,500	(685,000)	\$0.15 - \$0.38	\$0.30		
Balance at December 31, 2006	391,325	3,884,250	\$0.12 - \$0.59	\$0.29	2.56	448
Additional options authorized	3,300,000					
Options granted	(1,107,000)	1,107,000	\$0.41 - \$1.25	\$0.85		
Options exercised		(732,175)	\$0.12 - \$0.43	\$0.23		
Options expired and forfeited	347,450	(397,450)	\$0.31 - \$1.08	\$0.57		
Balance at December 31, 2007	2,931,775	3,861,625	\$0.12 - \$1.25	\$0.64	2.34	865
Vested and exercisable at December 31, 2007		2,747,719		0.54	1.14	\$777

The Company ceased granting of stock options under its 1999, 2000, 2001 and 2002 Stock Option Plans in December 2002. Stock options outstanding to purchase common shares under these plans continue to be exercisable as vested until exercised or forfeited, and if forfeited, they are no longer available for future grants.

In 2007, 732,175 options were exercised for proceeds of \$182,000. Subsequent to December 31, 2007, an additional 650,000 options have been granted under the 2007 Option Plan at an average exercise price of \$0.58.

The aggregate intrinsic value is equal to the difference between the quoted closing market price of the Company's common shares at December 31, 2007 and the exercise price of the underlying awards, where the stock options are in-the-money. At December 31, 2007, there were 3,104,625 in-the-money options outstanding and 2,692,093 in-the-money options vested and exercisable.

The following table summarizes the Company's unvested equity award activity for the year ended December 31, 2007:



**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

Unvested Shares	Number of Awards	Weighted-Average Grant Date Fair Value U.S. \$	
		Value	U.S. \$
Unvested at December 31, 2006	918,819		\$0.20
Granted	1,107,000		\$0.58
Vested	(579,463)		\$0.16
Forfeited	(347,450)		\$0.35
Unvested at December 31, 2007	1,098,906		\$0.50

As of December 31, 2007, total unrecognized compensation expense related to unvested awards granted under the Plans was \$320,000, which is expected to be recognized over a weighted-average period of 2.36 years. Forfeiture rates used to determine unrecognized compensation expense were based on forfeiture rates experienced for the year ended December 31, 2006.

***Stock-Based Compensation Expense***

During 2007, the net loss of \$4,887,000 includes \$216,000 of stock-based compensation expense calculated in accordance with FAS 123R, of which \$41,000 was attributable to sales and marketing employees, \$146,000 was attributable to general and administrative employees and non-employee directors and \$29,000 was attributable to research and development employees.

During 2006, the net loss of \$791,000 includes \$121,000 of stock-based compensation expense calculated in accordance with FAS 123R, of which \$42,000 was attributable to sales and marketing employees, \$70,000 was attributable to general and administrative employees and non-employee directors and \$9,000 was attributable to research and development employees.

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

The fair-value of the Company's stock-based awards granted to employees, non-employee directors and consultants for years ended December 31, 2007 and 2006 was estimated using the Black-Scholes option-pricing model using the following weighted average assumptions:

	Year Ended December 31,	
	2007	2006
Expected life (in years)	5 years	5 years
Risk-free interest rate	4%	4%
Expected volatility	86%	52%
Dividend yield	0%	0%
Fair value per stock option	\$0.58	\$0.19

The expected life of employee stock options is based on the average expected life of all outstanding stock options taking into consideration past employee exercise behavior. The exercise price of the 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.

The Black-Scholes option pricing valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions, are fully transferable and do not have employment or



**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

trading restrictions. Employee stock options have characteristics significantly different from those of traded options.

**Financings**

On May 15, 2007, the Company completed a private financing led by Jennings Capital Inc. and including Cormark Securities Inc. (the Underwriters), and issued, on a bought deal basis, 3,333,334 common shares at C\$1.50 (\$1.36) per share for total gross proceeds of C\$5,000,000 (\$4,534,000). The Company paid underwriter fees of 6% of the gross proceeds of the financing and issued 200,000 warrants to the agents equal to 6% of the common shares issued in the financing. Each warrant entitles the agents to acquire one common share pursuant to the warrant at a price of C\$1.50 per share at any time before May 16, 2008. These warrants have been assigned a value of \$105,000 based on a Black-Scholes valuation model leaving gross proceeds of \$4,428,000 attributable to the common shares. The following assumptions were used in the Black-Scholes model:

Expected life (in years)	1 year
Risk-free interest rate	4%
Expected volatility	97%
Fair value per warrant	\$0.58

Share issue costs of \$395,000 and \$9,000 were allocated to common shares and to warrants, respectively. The proceeds of the offering are being used for acquisitions and general working capital.

On September 26, 2006, the Company completed a restricted non-brokered private placement for 1,166,667 purchased securities ( Unit ) at a price of \$0.30 per Unit with ten of its directors and senior management. Each Unit consisted of one common share and one share purchase warrant ( Warrant ) for the purchase of one common stock. Each Warrant entitles the holder to purchase one common share at a price of \$0.40 per share at any time until the close of business on the day which is twenty-four months from the date of issue of the Unit. All shares issued in connection with the private placement and any shares issued on exercise of warrants comprised in those Units are subject to a one year hold period. At December 31, 2007, all 1,166,667 warrants were outstanding and exercisable. Legal fees and other costs were \$7,000, resulting in net proceeds of \$342,000. Of the net proceeds, \$274,000 were allocated to common stock and \$68,000 were allocated to additional paid in capital (associated with warrants) based on the fair value of each security at the time of issuance. The Black-Scholes value of each warrant of \$0.08 was determined based on the following assumptions: expected life of 2 years; market price on date of issue of \$0.32; exercise price of \$0.40 per warrant; risk-free interest rate of 4% and volatility of 54%.

**Repurchase of Common Shares**

During 2006, the Company repurchased 100,000 common shares of its stock, at prices ranging from \$0.26 to \$0.27 per share, for an aggregate cost of \$28,000. The Company's stock repurchase program expired in May 2006.

**6. Segmented Information**

The Company operates in one reportable segment. The Company defines a reportable operating 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.

**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

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

(in thousands of Dollars)

2007	North America	United Kingdom	Spain	Australia	Benelux	Total
<b>REVENUES</b>						
Licensing and subscription	\$ 7,206	\$ 1,572	\$ 493	\$ 462	\$ 437	\$ 10,170
Advertising services	3,978	-	-	-	-	3,978
<b>TOTAL REVENUES</b>	<b>\$ 11,184</b>	<b>\$ 1,572</b>	<b>\$ 493</b>	<b>\$ 462</b>	<b>\$ 437</b>	<b>\$ 14,148</b>

(in thousands of Dollars)

2006	North America
<b>REVENUES</b>	
Licensing and subscription	\$ 4,001
Advertising	3,765
<b>TOTAL REVENUES</b>	<b>\$ 7,766</b>

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

As of December 31, 2007 one customer accounted for 10% of outstanding trade receivables, and during as of December 31, 2006 a different customer accounted for 10% of outstanding trade receivables. During 2007 and 2006, the Company had no customers whose revenue represented greater than 10% of total revenues.

## 7. Related Party Transaction

In the third quarter of 2007, the Company entered into a one year agreement with a third party. Under the agreement the Company provides the implementation set up fee and Intraday Indices at no charge, with the remaining portions of the agreement billed at market price. In exchange for the no charge services, the third party agreed to set up a link on the third party's website indicating Markets provided by StockHouse.com. These services were valued at the market rate for the set up fee provided. A member of the third party's senior management's team is a director of the Company.

In December 2006, in the normal course of business, the Company sold advertising to a Company who is affiliated with our 50% owned subsidiary, Stockscores Analytics Corp. The one-time sale represented approximately \$85,000 in revenues, which was the fair value for the services provided. The full amount was paid subsequent to year end.

## Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007

## 8. Income Taxes

The Company is subject to United States federal and state income taxes at an approximate rate of 42% (2006 approximate rate of 38%). The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

(In thousands of Dollars)	For the Years Ended December 31,	
	2007	2006
Tax recovery at U.S. statutory rates	\$ (2,167)	\$ (299)
Lower statutory rates on the losses (income) of foreign subsidiaries	366	(11)
Change in statutory tax rates in the USA and Canada	173	-
Change in and adjustment to valuation allowance	1,249	67
Non-deductible expenses	379	243
Other	4	4
Provision for income taxes	\$ 4	\$ 4

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has recognized a valuation allowance for the deferred tax assets for which it is not more likely than not that realization will occur. Significant components of the Company's deferred tax assets are as follows:

(In thousands of Dollars)	As at December 31,	
	2007	2006
Net operating loss carryforwards	\$ 6,759	\$ 1,747
Net capital loss carryforwards	87	110
Property and equipment	743	658
Deferred revenue	317	299
Financing fees	137	13
Other	46	-
Total deferred tax assets	8,089	2,827
Less: valuation allowance	(8,089)	(2,827)
Net deferred tax assets	\$	\$



**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

The Company has also net capital losses of \$323,000 available to offset future taxable capital gains in Canada. At December 31, 2007, the Company had operating losses available to be carried forward in several tax jurisdictions that will expire as follows:

(in thousands of Dollars)	USA	Canada	United Kingdom	Other	Total
2008	\$ -	\$ 240	\$ -	\$ -	\$ 240
2022	-	-	-	158	158
2023	955	-	-	-	955
2024	161	-	-	-	161
2026	102	-	-	-	102
2027	394	1,092	-	-	1,486
Indefinite	-	-	21,972	452	22,534
Total	\$ 1,612	\$ 1,332	\$ 21,972	\$ 610	\$ 25,636

**9. Commitments and Contingencies****Commitments**

(In thousands of dollars)

	Total	Payments Due by Period				
		Within 1 Year	2	3 Years	4 5 Years	More Than 5 Years
Operating leases	\$ 1,948	\$ 532	\$ 637	\$ 690	\$ 89	
Capital leases	256	190	66	-	-	
Data provider commitment	1,387	532	821	34	-	
Total contractual cash obligations	\$ 3,591	\$ 1,254	\$ 1,524	\$ 724	\$ 89	

The Company leases its facilities under operating leases that expire at various times to March 2013. Total rent expense was \$621,000 in 2007 and \$282,000 in 2006. The Company leases certain computer equipment, mainly servers, under capital leases. Of the total amount of capital lease payments above, approximately \$4,000 relates to interest payments due in future years. Interest expense related to capital lease obligations was \$20,000 for 2007 and \$22,000 for 2006.

The Company entered into an agreement with a data provider for the delivery of market data used in the Company's products. The agreement expires in March 2010, with an option to renew for an additional 12 months at the then applicable current rates. In addition, the Company has entered into a hosting and connectivity agreement for the back-up hosting site at an approximate cost of \$13,000 per month, with an end date that coincides with the data provider agreement.

**Contingencies**

The Company was the plaintiff in a lawsuit filed in Ontario Supreme Court of Justice against Hollinger Inc. and Hollinger Canadian Publishing Holdings Co. in which the Company sought to recover approximately C\$471,000 from the defendant. The defendant was a vendor to the Company and the amount sought by the Company consists of unused advertising credits which were prepaid by the Company in 1999. Subsequent to December 31, 2007, the case has been resolved by a negotiated settlement in which the defendant has paid C\$340,000 to the Company.

The Company is the defendant in a lawsuit filed in the Supreme Court of British Columbia by the plaintiff, Tanis Churchill. The plaintiff, a former employee of the Company, is seeking damages, interest

**Stockgroup Information Systems Inc. Notes to Consolidated Financial Statements December 31, 2007**

and costs in the order of C\$225,000 for alleged wrongful dismissal from her employment with the Company. The matter was heard by the Supreme Court of British Columbia in a trial beginning on December 3rd, 2007 and ending on December 7th, 2007. The Company is currently awaiting the judgment of the Court. The Company has recorded a reserve of C\$31,000 as the Company's reasonable estimate of its liability relating to this matter. However, the final settlement or adjudication of this matter could possibly be less than or could materially exceed the reserve accrued by the Company.

We are 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, in which we seek to recover approximately AU\$395,000 from the defendant. The defendant was a reseller of our MarketStream service in Australia and the amount we seek 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 if we win the lawsuit. No provision has been made for recovery of these credits in the financial statements in any year.

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.

**10. 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 December 31, 2007 and December 31, 2006. 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 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 8A. Controls and Procedures**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or furnished under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports is accumulated and communicated to management, including our Chief Executive Officer as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, being December 31, 2007, we have carried out an evaluation of the effectiveness of the design and operation of our Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded, as discussed below, that a material weakness existed in our internal control over financial reporting as of December 31, 2007, and as a result our disclosure controls and procedures were not effective.

## **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over our financial reporting. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Our system of 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Based on our evaluation under the framework in Internal Control-Integrated Framework, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 31, 2007. A material weakness (described in the following paragraph) existed in our internal control over financial reporting, and therefore our internal control over financial reporting was not operating effectively as of such date, for the reasons discussed below.

As allowed under guidance issued by the SEC for entities acquired during the year, management did not test internal controls within the European operations of the Mobile Finance Division ("MFD") acquired in 2007 from TeleCommunication Systems. The European operations of MFD constitute 23% and 18% of net and total assets, 20% of revenues and 28% of the net loss in the consolidated financial statements as and for the year ended December 31, 2007. However, as a result of finalizing the Company's annual consolidated financial statements, management has identified several significant deficiencies in the effectiveness of internal controls over financial reporting at MFD. Management believes that, when considered in the aggregate, these significant deficiencies constitute 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 limited and not appropriately skilled personnel resources.



Management is taking steps to enhance and improve its internal controls by implementing additional levels of supervisory review. Although the Company has implemented additional levels of supervisory review, there can be no assurance that these measures can definitively prevent errors from occurring in the future.

This annual report does not include an attestation report of our independent registered chartered accountants regarding internal control over financial reporting. The effectiveness of our internal control over financial reporting was not subject to an audit pursuant to Securities and Exchange Commission rules that permit the Company to provide only management's report in this annual report.

### **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.

**(b) Changes in internal controls.** Except as discussed in the preceding paragraphs, there was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended) during the year ended December 31, 2007 that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 8B Other Information**

None

**PART III****Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act**

The following are our directors and executive officers and certain information about them as of December 31, 2007:

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Principal Occupation and Business Experience</u></b>
Marcus New	37	<i>Founder, President and CEO.</i> Mr. New founded Stockgroup in May 1995 and continues to provide the corporate vision and direction for the Company. A finalist as Entrepreneur of the Year by Ernst & Young Pacific Region in 2005. Mr. New is a recognized leader and sought-after speaker in the industry. Prior to founding Stockgroup, Mr. New served as VP of Investor Relations for AmCan Public Relations Group Inc., a company specializing in investor campaigns for public companies. Mr. New received a Bachelor of Arts degree with a Business major from Trinity Western University.
David Caddey	58	<i>Retired President of the Space Missions Unit of MDA Corporation,</i> responsible for \$300 million in revenues and approximately 900 employees. Mr. Caddey has extensive experience in all facets of business management including mergers and acquisitions, business development, program management and engineering. Mr. Caddey has served on numerous Boards of profit and not-for-profit organizations including past Chair and now a Director of the Aerospace Industries Association of Canada. Mr. Caddey joined our Board of Directors in June 1999, and in addition to being the Chair of the Company's Board of Directors he is also a member of our Audit Committee and Compensation Committee.
Louis (Lee) deBoer II	55	<i>Former Chairman, Life Balance Media LLC; Managing Partner, Propeller Partners LLC.</i> Mr. deBoer has over 20 years experience in the strategic development of national media programming, advertising sales and content development. Mr. DeBoer spent 17 years at HBO culminating in the positions of Executive Vice President of HBO Inc. and President of its International division. Mr. deBoer joined our Board of Directors in October 1999, and he is also a member of our Compensation Committee and Nominating and Corporate Governance Committee.
Patrick Spain	55	<i>Chairman and CEO of Highbeam Research, Inc.,</i> which operates three online research and news services for individuals at <a href="http://www.highbeam.com">www.highbeam.com</a> , <a href="http://www.encyclopedia.com">www.encyclopedia.com</a> and <a href="http://www.newser.com">www.newser.com</a> . He is also the co-founder and former Chairman and CEO of Hoover's, Inc. a leading online provider of company information headquartered in Austin, Texas. Hoover's was bought by Dun & Bradstreet in March 2003. Prior to Hoover's, Mr. Spain worked in the telecommunications, real estate and consulting industries. Mr. Spain holds a Bachelor of Arts from the University of Chicago in Ancient History and a Juris Doctorate from Boston University. Mr. Spain joined our Board of Directors in August 2004, and he is also a member of our Compensation Committee and Chair of the Company's Nominating and Corporate Governance Committee.
Stephen Zacharias	58	<i>Founder and managing director of Transact Capital Partners LLC,</i> a Richmond Virginia based financial advisory firm specializing in business sales, acquisitions and other strategic consulting for privately-held companies. Mr Zacharias has over 30 years of financial related experience, including numerous acquisition and divestiture transactions, debt financings and capital reorganizations. Before founding Transact, he served as corporate treasurer for Media General Inc (NYSE: MEG), a Fortune 1000 TV and newspaper media company, and as a

board director

61

---



<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
		and audit committee chairman for Hoover's Inc., an online business information company acquired by Dun & Bradstreet. Mr. Zacharias is also on the board of directors of creditcards.com. Mr. Zacharias joined our Board of Directors in July 2006, and he is also the Chair of our Audit Committee.

Thomas Baker	53	<i>Consultant.</i> Mr. Baker has more than 25 years of experience in print and online media. He was the founder and general manager of <i>The Wall Street Journal Online</i> (wsj.com), a publication of Dow Jones & Company, where he led the start-up effort and grew the <i>Online Journal</i> into a \$60 million business unit and the largest paid news and information site on the web. He oversaw <i>The Wall Street Journal's</i> national radio news network and Dow Jones' news syndication and licensing business. Mr. Baker has consulted for leading publishers and media companies. He holds a degree from Princeton University and an MBA from Columbia Business School. Mr. Baker joined our Board of Directors in July 2006, and he is also a member of our Compensation Committee and Audit Committees.
-----------------	----	--

***Executive Officers***

Susan Lovell	40	<i>Chief Financial Officer.</i> Ms. Lovell provides direction on financial strategy for Stockgroup. She was recruited in April 2006 and brings senior management experience in finance, accounting, financial planning and analysis with successful high-tech companies. Formerly with Crystal Decisions, which was acquired by Business Objects in 2003. Ms. Lovell contributed to 15 successive quarters of revenue growth and a 60 point increase in operating margins. Crystal Decisions had revenues over US\$300 million prior to being acquired. Ms. Lovell was also the Controller of GaleForce Solutions, an award-winning provider of CRM software for the financial services industry, and was responsible for developing and leading the information systems audit practice for Ernst & Young in Vancouver.
--------------	----	---

Bruce Nunn	44	<i>Vice President, Marketing.</i> Mr. Nunn is responsible for strategic marketing and product management. Prior to joining Stockgroup in September 2005, Mr. Nunn spent 7 years as Director of Marketing for Fincentric Corporation, a software provider to the financial services sector. Under Mr. Nunn's marketing leadership, Fincentric grew from \$7 million to \$62 million in annual revenue over a 3-year period. Mr. Nunn has also held senior positions at Computer Associates, including product manager for financial products. Mr. Nunn has over 19 years of experience bringing software solutions to market and has been recognized with awards from the International Association of Business Communicators and Advertising Age Magazine.
------------	----	--

Subsequent to December 31, 2007, the Company added the following new executive officers, with certain information about them as follows:

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
Karl Buhr	47	<i>Chief Operating Officer.</i> Mr. Buhr is a digital content veteran, and came to Stockgroup in January 2008 to lead the execution of the company's product and market vision. Previously he was COO of Telemedia Development, a California mobile entertainment content provider, acquired in 2007 by Conectium Ltd. Prior to that he was Operations Director at Eckoh Plc (formerly 365 Plc), a publicly traded UK new-media content and solutions provider. He also spent five years at Kaltek Inc., an Atlanta management consulting company.
Audrey Brownmiller	49	<i>Vice President, Operations.</i> Ms. Brownmiller leads Stockgroup's IT, software production and client services efforts. She joined the company in 2007 from Chancery Software (acquired by Pearson School Systems), where she was



<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Principal Occupation and Business Experience</u></b>
		Director of Project Management, ultimately leading deployment of information system programs to 160 Canadian DOD schools in North America, the UK and Germany.

Dana Stetson	48	<i>Vice President, Licensing and Subscription Sales.</i> Mr. Stetson came to Stockgroup in 2008 to lead sales of the company's desktop and mobile financial tools. He was previously Director of Broker-Dealer Sales for Lava Trading, a software services company, where he led a 600% revenue increase over two years (Lava Trading is now a subsidiary of Citigroup). Previously he was VP of Sales for dynamicsoft, which was acquired by Cisco Systems.
--------------	----	--

Each director who is elected will serve until the earlier of our next annual meeting, the date his or her successor has been elected and qualified, or the date of the director's death, resignation or removal. All terms of office on our Board of Directors will expire at the close of our 2007 Annual Shareholder's meeting.

### **Indemnification of Directors and Officers**

Our by-laws provide for the indemnification of our, directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of the Company. We will also bear the expenses of such litigation for any of its directors, officers, employees, or agents, upon such persons promise to repay us if it is ultimately determined that any such person should have not been entitled to indemnification. This indemnification policy could result in substantial expenditures by us, which we may be unable to recover.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than 10% of our registered common stock to file reports of ownership and changes in ownership with the SEC. Such executive officers, directors and persons who own more than 10% of our stock are also required by SEC rules to furnish us with copies of all forms that they file pursuant to Section 16(a) of the Exchange Act.

Based solely on our review of copies of Forms 3 and 4 and amendments thereto furnished to us pursuant to Rule 16a-3 and Forms 5 and amendments thereto furnished to us with respect to 2007, and any written representations referred to in Item 405(b)(1) of Regulation S-B of the Securities Act stating that no Forms 5 were required, we believe that, during 2007, all Section 16(a) filing requirements applicable to our officers, directors and more than 10% shareholders, were complied with except for the late filings disclosed following. Corrective filings were made for these incidences of non-compliance.

During 2007, there were no late filings on Forms 3 and 4.

### **Code of Ethics**

We have adopted a code of ethics that applies to each of our Chief Executive Officer, Chief Financial Officer and other Senior Officers of our Company. The text of our Code of Ethics may be viewed on our website at [www.stockgroup.com](http://www.stockgroup.com) under Investors/Corporate Governance. . If we make any amendments to our Code of Ethics other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of our Code of Ethics to our chief executive officer, chief financial officer, or certain other finance executives, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a Current Report on Form 8-K filed with the SEC.



## Committees

**Audit Committee.** Our Audit Committee currently consists of David Caddey, Thomas Baker and Stephen Zacharias. The Audit Committee is governed by a written charter, which can be viewed at [www.stockgroup.com](http://www.stockgroup.com) under Investors/Corporate Governance. Each of the members of our Audit Committee is independent, as that term is defined by Rule 4200(a) (15) of the National Association of Securities Dealers' listing standards. Mr. Zacharias is our audit committee financial expert as defined by the rules of the SEC.

**Compensation Committee.** Our Compensation Committee currently consists of Lee deBoer, David Caddey, Patrick Spain and Thomas Baker.

**Nominating and Corporate Governance Committee.** Our Nominating and Corporate Governance Committee currently consists of Patrick Spain, David Caddey and Lee deBoer, and is governed by a written charter which can be viewed at [www.stockgroup.com](http://www.stockgroup.com) under Investors/Corporate Governance. The Committee has formed in 2004. During 2007, the nominating committee did not receive a recommended nominee for director from a security holder that beneficially owned more than 5% of our common share under rule (407)(c)(ix) of Regulation S-B.

## Procedure for Submitting Shareholder Proposals

We encourage shareholders to submit proposals, questions or concerns to us by writing to Mr. Patrick Spain, the Chairman of our Corporate Governance Committee or any member of our Board of Directors. All written communications with Board members are treated as confidential. Instructions and contact information for Mr. Spain and the Board of Directors can be found by visiting our website at [www.stockgroup.com](http://www.stockgroup.com) under Investors/Corporate Governance. Once a proposal, question or concern is received by Mr. Spain or a Board member, the communication is reviewed and addressed accordingly.

The Board of Directors established a Corporate Governance Committee to monitor our practice against generally accepted governance guidelines, and to determine which guidelines are both practical and beneficial for us. The Corporate Governance Committee has reviewed our own corporate governance practices, with input and guidance from the Board of Directors.

## Procedure for Submitting Shareholder Proposals Related to Nominee as Director

See *Procedures for Submitting Shareholder Proposals* above.

**Item 10. Executive Compensation**

**Summary Compensation Table.** The following table shows certain information concerning the compensation of (i) our Chief Executive Officer, (ii) our Chief Financial Officer; and (iii) our other executive officers as of December 31, 2007 (collectively, the Named Executive Officers ) for 2007.

Name	Year	Salary (\$)	Bonus (\$)	Option Grants \$(7)	All Other Compensation (\$)	Total \$(1)
Marcus New <sup>(2)</sup> <i>Chief Executive Officer</i>	2007	224,372	110,360		25,928	360,660
	2006	142,746	28,312		23,826	194,884
Susan Lovell <sup>(3)</sup> <i>Chief Financial Officer</i>	2007	124,985	9,300	37,900	2,149	174,334
	2006	76,610	8,267	24,750	6,422	116,049
Bruce Nunn <sup>(4)</sup> <i>Vice President, Marketing</i>	2007	105,090		37,900	2,149	145,139
	2006	94,834	5,511			100,345
Michael Donnelly <sup>(5)</sup> <i>Vice President, Sales</i>	2007	104,256	43,952			148,208
	2006	94,074	46,285	41,400		181,759
Joe McWilliams <sup>(6)</sup> <i>Vice President, Advertising Sales</i>	2007	73,994	10,577	91,530		176,101
	2006					

- (1) All amounts are stated in U.S. dollars. For payment in other currencies other than the U.S. dollar, translation of compensation into U.S. dollars is made using the average exchange rate for 2007 of US\$0.93 = C\$1.
- (2) All other compensation for Mr. New includes \$15,364 of costs associated with the lease of a car and \$1,768 of costs associated with insuring such car.
- (3) Ms. Lovell joined the Company as Chief Financial Officer on April 3, 2006. All other compensation comprises parking.
- (4) All other compensation for Mr. Nunn comprises parking.
- (5) Mr. Donnelly joined the Company as Vice President, Sales on May 31, 2006 and his employment with the Company ended effective July 13, 2007.
- (6) Mr. McWilliams joined the Company as Vice President, Advertising Sales on July 16, 2007 and his employment with the Company ended effective February 15, 2008. Mr. McWilliams' options expired at this time.
- (7) The fair value of option grants is determined as described in *Item 7. Financial Statements*, Note 3 to the Consolidated Financial Statements.

**Outstanding Equity Awards at Fiscal Year-End**

Name	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date
	Exercisable	Unexercisable		
Marcus New	400,000(1)		\$ 0.220	04-Mar-2008
	300,000		\$ 0.170	13-May-2008
	652,500		\$ 0.270	09-Feb-2009
Susan Lovell (2)	65,625	84,375	\$ 0.340	03-Apr-2011
	6,250	43,750	\$ 1.115	17-May-2012
Bruce Nunn (3)	75,000		\$ 0.315	07-Sept-2010
	6,250	43,750	\$ 0.900	20-Aug-2012
		10,000	\$ 0.920	07-Sept-2012
Michael Donnelly (4)				
Joe McWilliams (5)		135,000	\$ 0.950	16-Oct-2012

- (1) Mr. New exercised these options on March 4, 2008, immediately before their expiry date. The Company's Insider Trading Policy permits insiders to exercise options during a "blackout" period if the options are about to expire, but not purchase or sell shares.
- (2) Options expiring 03-Apr-2011 and 17-May 2012 vest over 4 years at the rate of 6.25% per quarter in arrears, beginning three months after the grant date.
- (3) Options expiring 07-Sept-2010 vest at the rate of 12.5% per quarter in arrears, starting on December 7, 2005; options expiring 20-Aug-2012 vesting over 4 years at 6.25% per quarter beginning three months after grant date; and vesting at one third per year over a three year period on the anniversary of his grant date.
- (4) Mr. Donnelly exercised his vested options in 2007.
- (5) Options vest at one third per year over a three year period on the anniversary of the grant date. Mr. McWilliams' options expired effective February 15, 2008.

**Compensation of Directors**

The following table shows the amount of compensation earned by our independent directors in 2007. We compensate our independent directors with directors' fees and stock options. Option Awards represent the fair value of option awards granted in 2007 as determined as described in *Item 7. Financial Statements*, Note 3.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Leslie Landes (1)	\$ 9,831	\$ 6,310	\$	\$ 16,141
David Caddey	11,600	15,745		27,345
Louis deBoer II	8,600	15,745		24,345
Patrick Spain	8,600	15,745		24,345
Elizabeth DeMarse (2)	4,833			4,833
Stephen Zacharias	11,600	15,745		27,345
Thomas Baker	8,600	15,745		24,345
	\$ 63,664	\$ 85,035	\$	\$ 148,699

- (1) Mr. Landes resigned from the Company's Board of Directors effective November 8, 2007.
- (2) Ms. DeMarse did not stand for re-election to the Company's Board of Directors at the Company's annual general meeting on June 4, 2007.



Commencing for the compensation year beginning June 1, 2006, each director receives an annual fee of \$8,600 related to service on the Board of Directors, with an additional \$3,000 per annum paid to members of our Audit Committee. Each director is eligible to receive up to 25,000 stock options to acquire shares of common stock, with the exercise price being equal to the market price of our common stock on the date of grant. Directors who are re-elected and continue to serve for more than one year may receive up to an additional 25,000 stock options after each annual general meeting in compensation for future service.

## **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

### ***Employment Agreements***

We have an employment agreement with our CEO, Marcus New, which became effective on February 9, 2004. Under the Agreement, for 2007, Mr. New received an annual base salary of C\$240,000 (or US\$223,000). He is entitled to a minimum 5% annual compensation increase. All increases are approved by our Compensation Committee. In addition, he receives an incentive compensation bonus based on achieving certain goals in the calendar year. For 2007, Mr. New received a bonus of C\$119,000 (or US\$110,000). Mr. New will be entitled to 12 months of severance which will include pay in lieu of notice plus an additional one month severance for each year of employment up to a maximum of 24 months, should we elect to terminate his employment without cause. The employment agreement contains a confidentiality clause and a 24-month non-competition clause. There is no specified termination date in the Agreement.

We have an employment agreement with our Chief Financial Officer, Susan Lovell. In 2007, her annual base salary was adjusted to C\$138,000 (or US\$128,000), from her annual base salary in 2006 of C\$120,000. In 2007, she also received a one time bonus of C\$10,000 (or US\$9,000). Per her employment agreement, Ms. Lovell's annual salary is subject to normal salary increases, and is entitled to a C\$25,000 annual maximum incentive compensation bonus, based on the achievement of both Company and departmental goals. On her date of employment, April 3, 2006, she received 150,000 stock options for the Company's common shares at an exercise price of \$0.34 per share, which will vest over 4 years at 6.25% per quarter in arrears (with immediate vesting in the event of a change in control). Stock options for 50,000 of Company common shares were also issued to Ms. Lovell on May 17, 2007, vesting over 4 years at 6.25% per quarter beginning three months after grant date. Ms. Lovell will be entitled to one month of severance, which will include pay in lieu of notice, for each year of employment up to a maximum of four months, should the Company elect to terminate her employment without cause after 395 days.

We have an employment agreement with our Vice President of Marketing, Bruce Nunn. In 2007, his annual base salary was C\$113,000 (or US\$106,000). Per his employment agreement, Mr. Nunn's annual base salary is subject to normal salary increases. In 2007, Mr. Nunn's annual maximum incentive compensation bonus was C\$45,000 (or US\$42,000) based on the achievement of both Company and departmental goals. On his date of employment, September 7, 2005, he received 75,000 stock options at an exercise price of \$0.315 per share, which will vest over a two year period at 12.5% per quarter in arrears (with immediate vesting in the event of a change in control). Additional stock options for (i) 50,000 of Company common shares were also issued to Mr. Nunn on August 20, 2007, vesting over 4 years at 6.25% per quarter beginning three months after grant date, and (ii) 10,000 of Company common shares were also issued to Mr. Nunn on September 7, 2007, vesting at one third per year over a three year period on the anniversary of his grant date (with immediate vesting in the event of a change in control). Mr. Nunn will be entitled to one month of severance which will include pay in lieu of notice for each year of employment, should we elect to terminate Mr. Nunn's employment without cause.

Until his employment with the Company ended effective July 13, 2007, we had an employment agreement with our Vice President of Sales, Michael Donnelly, who was to receive an annual base salary



of US\$160,000, subject to normal salary increases. In addition, Mr. Donnelly was to receive incentive compensation pay related to recognized revenue as outlined in a separate compensation agreement. On his date of employment, May 31, 2006, he received 200,000 stock options at an exercise price of \$0.425 per share, which were to vest over a four year period at 6.25% per quarter in arrears. Mr. Donnelly was entitled to two months of severance which included pay in lieu of notice if we elected to terminate his employment after one year of employment without cause. Mr. Donnelly's employment agreement contained a 12 month non-competition clause. Mr. Donnelly was paid severance pay of US\$27,000.

Until his employment with the Company ended effective February 15, 2008, we had an employment agreement, beginning on July 16, 2008, with our Vice President of Monetization, Joe McWilliams, who was to receive an annual base salary of US\$170,000 subject to normal salary increases, and was entitled to receive variable pay of 60% of his annual salary. On October 16, 2007, he was granted stock options for 135,000 of the Company's common shares, vesting at one third per year over a three year period on the anniversary of his grant date. These options expired when Mr. McWilliams' employment with the Company ended effective February 15, 2008. Mr. McWilliams was to be entitled to one month of severance in lieu of notice for each year of employment up to a maximum of 4 months severance, if the Company elected to terminate Mr. McWilliams employment without cause.

#### ***Subsequent Hiring/Appointment of Officers in Calendar Year 2008***

Effective January 7, 2008, we have an employment agreement with Karl Buhr to serve as the Company's Chief Operating Officer. Mr. Buhr is to receive an annual base salary of C\$190,000 (or US\$192,470), subject to normal salary increases. In addition, he is entitled to an annual C\$70,000 (or US\$70,910) maximum incentive compensation bonus. On January 7, 2008, Mr. Buhr was granted 500,000 time based stock options for the Company's common shares, with one third vesting at the end of each full year for three years on the anniversary of the grant date. An additional 250,000 performance based stock options for the Company's common shares may be granted to Mr. Buhr, based upon Mr. Buhr's and the Company's attainment of mutually acceptable longer term performance goals. Mr. Buhr will be entitled to 6 months of salary and the prorated portion of bonuses earned which will include pay in lieu of notice, should we elect to terminate his employment without cause. Should Mr. Buhr's job responsibilities be significantly altered, then Mr. Buhr may terminate the agreement for good reason and be entitled to 6 months of salary and the prorated portion of any bonuses earned

Effective January 8, 2008, we have an employment agreement with Dana Stetson to serve as the Company's Vice President of Licensing and Subscription Sales. Mr. Stetson is to receive an annual base salary of US\$160,000 subject to normal salary increases, and is entitled to receive variable pay of up to 50% of his annual salary. On April 8, 2008, Mr. Stetson will be granted stock options for 135,000 of the Company's common shares, vesting at one third per year over a three year period on the anniversary of the grant date. Beginning April 8, 2008, Mr. Stetson is entitled to one month of pay for each year of employment up to a maximum of 4 months, if the Company elects to terminate Mr. Stetson's employment with the Company without cause.

Effective February 1, 2008, we have an employment agreement with Audrey Brownmiller, formerly a Director of Operations for the Company, to serve as the Company's Vice President of Operations. Ms. Brownmiller is to receive an annual base salary of C\$125,000 subject to normal salary increases, and is entitled to an annual C\$20,000 maximum incentive compensation bonus. On January 15, 2008, Ms. Brownmiller's original grant of stock options for 75,000 common shares of Company stock (with 6.25% of the original number of options vesting on the third month anniversary of her start date and an additional 6.25% vesting on each three-month anniversary thereafter until all the options are vested) were increased by stock options for an additional 60,000 common shares of Company stock, with one third of these additional options vesting at the end of each year for three years on the anniversary of the grant date. For the Company's termination of Ms. Brownmiller's employment with the Company without cause, the Employment Standards Act of British Columbia would govern.



The foregoing summary of the employment agreements of our executive officers is qualified by reference to the complete copies of each of the employment agreements filed as exhibits to this Annual Report or as an exhibit to our periodic reports which are on file with the SEC and available at the SEC website at [www.sec.gov](http://www.sec.gov)., as further described on the list of exhibits in Item 13. Exhibits , below.

## Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### *Security Ownership of Certain Beneficial Owners*

The following table sets forth the beneficial ownership of our common shares as of December 31, 2007 for each person or entity (including group) that is known by us to be the beneficial owner of more than 5% of our outstanding shares. Information related to holders of more than 5% of our outstanding shares was obtained from filings made with the SEC pursuant to Sections 13(d) or 13(g) of the Exchange Act. Except as otherwise noted, the address of the beneficial owners is c/o Stockgroup Information Systems Inc., Suite 500 750 West Pender Street, Vancouver, B.C., V6C 2T7.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Owner</u>	<u>Percentage Beneficially Owned</u>
Marcus A. New (1)	5,163,254	12.1%
Oppenheimer Funds	3,000,000	7.3%

(1) On March 11, 1999, we entered into a Share Exchange and Share Purchase Agreement through our wholly owned subsidiary 579818 B.C. Ltd., with Stockgroup Media Inc. (formerly Stock Research Group, Inc.) and all of its shareholders. Under that agreement we acquired all of the issued and outstanding shares of Stock Research Group and in consideration 579818 B.C. Ltd. issued 3,900,000 Class A Exchangeable Shares to Stock Research Group shareholders. The exchangeable shares may be converted, at the option of the holder, into an equal number of common shares of the Company, held by a trustee. Pending any such conversion, each holder of the exchangeable shares has the right to vote, or to direct the trustee to vote on their behalf, an equivalent number of shares of common stock held of record by them. The trustee has no discretion as to the voting or disposition of such common stock. At December 31, 2007, there were 2,134,000 exchangeable shares outstanding owned as follows:

- 169,500 exchangeable shares owned directly by Marcus New, the Company's President and CEO;
- 19,500 exchangeable shares owned by Mr. New's his wife, Yvonne New; and
- 1,945,000 exchangeable shares owned indirectly owned by Mr. New and Mrs. New, through 518464 B.C. Ltd., a British Columbia company owned by Mr. New as to 50% and by Mrs. New as to 50%.

In addition to the exchangeable shares beneficially owned as described above, including those owned by Mrs. New, Mr. New owns 376,700 shares of common stock which were purchased in the open market, 416,777 shares of common stock which were purchased via our September 2006 private placement, the right to purchase 416,777 additional shares of common stock on the exercise of share purchase warrants and 1,352,500 fully vested stock options to purchase common stock. He also beneficially owns 466,500 shares of common stock that Mrs. New directly owns.

### *Security Ownership of Management*

The following table sets forth the beneficial ownership of our common shares as of December 31, 2007 for the following: (i) each of our directors and nominees for director; (ii) our Chief Executive Officer and each of the Named Executive Officers named in the Summary Compensation Table in Item 10, Part III; and (iii) all our directors and our executive officers as a group. Information related to directors and executive officers is as of December 31, 2007 and options and warrants exercisable within



60 days after December 31, 2007. Except as otherwise noted, the address of the beneficial owners is c/o Stockgroup Information Systems Inc., Suite 500 750 West Pender Street, Vancouver, B.C., V6C 2T7.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Owner</u>	<u>Percentage Beneficially Owned</u>
<b><i>Directors and Nominees for Director</i></b>		
Marcus A. New (1)	5,163,254	12.1%
David Caddey (2)	576,459	1.4%
Louis deBoer II (3)	233,125	*
Patrick Spain (4)	353,375	*
Stephen Zacharias (5)	468,672	1.1%
Thomas Baker (6)	135,338	*
<b><i>Executive Officers</i></b>		
Susan Lovell (7)	329,875	*
Bruce Nunn (8)	241,800	*
All directors and officers as a group (9)	7,501,898	16.9%

\* less than 1%

- (1) See description of holdings in section above on beneficial owners who own more than 5% of our outstanding common shares.
- (2) Includes 183,125 shares issuable on the exercise of stock options and 166,667 shares issuable on the exercise of share warrants, as of December 31, 2007, or 60 days thereafter.
- (3) Includes 183,125 shares issuable on the exercise of stock options as of December 31, 2007, or 60 days thereafter.
- (4) Includes 176,875 shares issuable on the exercise of stock options and 70,000 shares issuable on the exercise of share warrants, as of December 31, 2007, or 60 days thereafter.
- (5) Includes 68,672 shares issuable on the exercise of stock options and 200,000 shares issuable on the exercise of share warrants, as of December 31, 2007, or 60 days thereafter.
- (6) Includes 68,672 shares issuable on the exercise of stock options and 33,333 shares issuable on the exercise of share warrants, as of December 31, 2007, or 60 days thereafter.
- (7) Includes 84,375 shares issuable on the exercise of stock options and 100,000 shares issuable on the exercise of share warrants, as of December 31, 2007, or 60 days thereafter.
- (8) Includes 175,000 shares issuable on the exercise of stock options and 33,400 shares issuable on the exercise of share warrants, as of December 31, 2007, or 60 days thereafter.
- (9) See notes 1 through 8.

Applicable percentage ownership in the above table is based on 40,916,921 shares outstanding as of December 31, 2007. The number and percentage of shares beneficially owned is determined under rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within sixty days of December 31, 2007, through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes above, we believe each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.

**Item 12. Certain Relationships and Related Transactions, and Director Independence**

During the last two years, there have been no transactions or proposed transactions to which we were or are to be a party, in which any persons as set out by Item 404(a) of Regulation S-B had or is to have a direct or indirect material interest.

*Transactions with Related Parties*

During 2007, the Company entered into a one year agreement with a third party whose management team is led by a member of the board of directors. Under the agreement the Company provides the implementation set up fee and Intraday Indices at no charge, with the remaining portions of the agreement billed at market price. In exchange for the no charge services, the third party agreed to set up a link on the third party's website indicating Markets provided by StockHouse.com. These services were valued at the market rate for the set up fee provided.

During fiscal 2006, we sold advertising to a company that is affiliated with our 50% owned subsidiary, Stockscores Analytics Corp. The one-time sale was approximately \$85,000, which was market value for the services provided. The full amount was paid in 2007.

*Director Independence*

Under NASDAQ Rule 4200(a)(15), a director is not considered to be independent if he or she is also an executive officer or employee of the corporation. All of our current directors except for Marcus New, our Chief Executive Officer, are independent as that term is defined by NASDAQ Rule 4200(a) 15.



**Item 13. Exhibits**

The following exhibits are filed as part of this Form 10-KSB.

## Exhibit

No.	Exhibit Title
<u>10.1</u>	<u>Employment Agreement between Company and Marcus New</u>
<u>10.2</u>	<u>Employment Agreement between Company and Susan Lovell</u>
<u>21.1</u>	<u>List of Subsidiaries of the Company</u>
<u>23.1</u>	<u>Consent of Independent Registered Chartered Accountants</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.</u>
<u>32.1</u>	<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>
<u>32.2</u>	<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 Exhibit Title

No.	Exhibit Title
3.1	Articles of Incorporation & Bylaws, is incorporated by reference to Form 10SB12G filed January 29, 1998. (File No. 000-23687)
3.3	Articles of Amendment dated September 20, 2001 is incorporated by reference to Form 8-K filed October 11, 2001
4.1	Form of Warrant for Common Stock is incorporated by reference to Form 8-K filed September 28, 2006. (File No. 000-23687)
10.1	Stockgroup Information Systems Inc. 2003 Stock Option Plan Amended, is incorporated by reference to Exhibit 10.1 filed on Form S-8 POS with the SEC on May 19, 2006. (File No. 333- 114481)
10.2	Private Placement Subscription Agreement is incorporated by reference to Form 8-K filed September 28, 2006. (File No. 000-23687)
10.3	Purchase Agreement between Stockgroup Information Systems Inc., Stockgroup Systems Ltd., Stockgroup Media, Inc., TeleCommunication Systems, Inc., and TeleCommunication Systems (Holdings) Limited. Agreement was originally filed on Form 8-K on February 16, 2007 as Exhibit 10.1. This agreement is incorporated herein by reference. (File No. 000-23687)
10.4	Audited Combined Financial Statements of Mobile Finance Division (A division of TeleCommunication Systems, Inc.) ( MFD ) and Unaudited Pro Forma Consolidated Financial Statements of Stockgroup Information Systems Inc originally filed on Form 8-K/A on April 16, 2007 as Exhibits 99.1 and 99.2. These financial statements are incorporated herein by reference. (File No. 000-23687)
10.5	Private Placement Subscription Agreement (incorporated by reference to Form 8-K filed May 21, 2007)
10.6	Registration Rights Agreement dated May 18, 2007 (incorporated by reference to Form 8-K filed May 21, 2007)
10.7	Asset Purchase Agreement dated May 8, 2007 between the Company and Semotus Solutions Inc. (incorporated by reference to Form 8-K filed May 5, 2007)
10.8	Amended Purchase Agreement dated as of January 24, 2007 between the Company and TeleCommunication Systems, Inc. (incorporated by reference to Form 8-K filed February 20, 2007)
10.9	Purchase Agreement dated as of January 24, 2007 between the Company and TeleCommunication Systems, Inc. (incorporated by reference to Form 8-K filed February 20, 2007)
10.10	Employment Agreement between Company and Karl Buhr (incorporated by reference to Form 8-K filed February 21, 2008)



- 10.11 Employment Agreement between Company and Dana Stetson (incorporated by reference to Form 8-K filed February 21, 2008)
- 10.12 Employment Agreement between Company and Audrey Brownmiller (incorporated by reference to Form 8-K filed February 21, 2008)
- 10.13 2007 Stock Option Plan (incorporated by reference to Exhibit 4.1 filed on Form S-8 with the SEC on June 14, 2007 File No. 333-143763)
- 99.1 Audit Committee Charter of the Company is incorporated by reference to Form 8-K filed on February 20, 2007. (File No. 000-23687)

#### **Item 14. Principal Accountant Fees and Services**

Services performed by our principal accountant during 2007 consisted of the examination of our financial statements, services related to filings with the SEC and the TSX, consulting and regulatory filing reviews in connection with private placements, domestic and foreign tax compliance work, tax filings and tax consulting services.

##### ***Audit Fees***

Fees billed for audit services totaled approximately \$204,000 for 2007 and \$65,000 for 2006, including fees associated with the annual audit and the reviews of our quarterly reports on Form 10-QSB.

##### ***Audit-Related Fees***

Fees billed for audit related services totaled approximately \$9,000 for 2007 and \$3,000 for 2006. Audit related fees include services related to other regulatory filings and other accounting matters.

##### ***Tax Fees***

Fees billed for tax services, including tax compliance and tax advice, totaled approximately \$75,000 for 2007 and \$46,800 for 2006.

##### ***All Other Fees***

All other types of fees totaled \$2,000 in 2007. We did not incur other types of fees in 2006.

##### ***Pre-approval Policies and Procedures***

In accordance with our Audit Committee Charter, our Audit Committee is required to review and approve in advance all audit, audit-related, tax, and other services performed by the principal accountant. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the principal accountant is engaged to perform it. The Audit Committee has delegated to the Chair of the Audit Committee authority to approve permitted services provided that the Chair reports any decisions to the Committee at its next scheduled meeting. For 2007, the Audit Committee pre-approved 100% of the fees incurred.

The Audit Committee has considered the nature and amount of the fees billed by our principal accountant, and believes that the provision of the services for non-audit services is compatible with maintaining our principal accountants independence under U.S. Regulations.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**STOCKGROUP INFORMATION SYSTEMS INC.**

By: /s/ Marcus New

Marcus A. New

President and Chief Executive Officer

Date: April 1, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Marcus New Marcus A. New	President, Chief Executive Officer (Principal Executive Officer) and Director	April 1, 2008
/s/ Susan Lovell Susan Lovell	Chief Financial Officer (Principal Financial and Accounting Officer)	April 1, 2008
/s/ David Caddey David Caddey	Director	April 1, 2008
/s/ Lee deBoer Lee deBoer	Director	April 1, 2008
/s/ Stephen Zacharias Stephen Zacharias	Director	April 1, 2008
/s/ Thomas Baker Thomas Baker	Director	April 1, 2008