ID WATCHDOG, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008
(Expressed in U.S. Dollars)

Management's discussion and analysis ("MD&A") of the consolidated operating results and financial condition of ID Watchdog, Inc. for the three months ended September 30, 2008 and 2007 has been prepared based on information available to us as of November 21, 2008. Our MD&A should be read in conjunction with our consolidated interim financial statements and the related notes for the three and nine months ended September 30, 2008 and 2007, and in conjunction with our MD&A for the three months ended March 31, 2008 and the year ended December 31, 2007, which are included in our final long form prospectus dated August 14, 2008. We prepared our consolidated financial statements and related notes in accordance with U.S. GAAP and, except where as noted, present our results in United States dollars.

Forward-looking statements:

Our MD&A contains forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative of these words or other variations on these words or comparable terminology. Such forward-looking statements include statements regarding, among other things:

- the intended performance of our services;
- our marketing strategy, television advertising, dedicated e-commerce website and public relations activities;
- our projected future revenue and cash flow from operations;
- our working capital needs, including proposed sources and uses of cash over the next twelve months;
- anticipated trends in our industry; and
- the competitive position of our services in the marketplace.

This information may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements.

Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in our MD&A generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in our MD&A will in fact occur.

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures made elsewhere in this MD&A. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this MD&A to reflect new events or circumstances, unless and to the extent required by applicable law.

Additional information relating to our company, including our final long form prospectus dated August 14, 2008, is available on SEDAR at www.sedar.com.

Overview and recent developments:

Our business was founded in 2005 to provide solutions for detection and resolution of identity theft and other consumer report problems. Our services provide detection and resolution solutions for identity theft and other consumer report problems. Our services monitor key data fields in consumer reports, access and analyze full reports, and resolve damage to consumer reports.

During the first half of 2007 we focused on development of our services, raising working capital, identifying key constituencies and developing marketing strategies. In the third quarter of 2007, we began marketing our services and continued to enhance our internal systems. During the fourth quarter of 2007 we transitioned from a development stage enterprise into an operating company. We increased our marketing expenditures to $1.4 million in 2007 and we spent an additional $6.2 million during the first nine months of 2008. During the period January 1, 2008, through September 30, 2008, we enrolled a total of approximately 173,000 new customers and as of September 30, 2008, we had approximately 52,000 customers with active subscriptions.

In May and June 2008 we raised $1.5 million by completing a private placement of ordinary shares with ordinary share purchase warrants and by completing a private placement of our Series B Convertible Preferred Stock (the "Series B Preferred") and ordinary share purchase warrants.

On September 5, 2008, we completed our initial public offering (our "IPO") and we raised $7.6 million net of equity issuance costs. On September 17, 2008, the TSX Venture Exchange (the "TSXV") approved the listing of our ordinary shares and the classification of our company as a "Tier 1 Industrial or Technology Issuer." Our ordinary shares began trading on the TSXV on September 18, 2008, (the "Listing Date") under the symbol "IDW."

Development and marketing of services:

We have developed three services that we believe will benefit our customers by detecting and resolving identity theft and other data manipulation. The three services, ID Watchdog℠, ID SnapShot℠ and ID Rehab℠ are specifically designed to work together and are generally offered together through our ID Watchdog Plus℠ plan for a monthly subscription fee. The ID Watchdog℠ service assesses a consumer's risk of becoming a victim of identity theft. Customers are alerted upon the occurrence of events which signal that identity manipulation may be occurring. The ID SnapShot℠ service provides more detailed information about a consumer's identity data to pinpoint and scope potential identity problems. Once a customer's identity problem is identified, the ID Rehab℠ service is used to assist the customer in identity theft recovery.

We have experimented with various marketing techniques and have received the most promising response volumes from a number of different direct-to-consumer campaigns. Internet marketing affiliates and partnerships, in addition to "Direct Response TV" campaigns, have yielded the majority of our customer base to date. Based on results of our marketing tests in these areas, we are actively increasing our marketing activities through the end of 2008.

(Expressed in U.S. Dollars)

Selected financial information:

Our financial information set out below is based on and derived from our audited and unaudited consolidated financial statements as of the dates and for the periods indicated prepared in accordance with U.S. GAAP, and should be read in conjunction with our MD&A and the consolidated financial statements and the accompanying notes which are available on SEDAR at www.sedar.com. There are no financial statement items which require reconciliation in order to comply with Canadian GAAP.

	Three Months Ended		Nine Months Ended	
	September 30, 2008 (unaudited)	September 30, 2007 (unaudited)	September 30, 2008 (unaudited)	September 30, 2007 (unaudited)
Revenue	$ 1,282,631	$ 16,176	$ 3,278,331	$ 23,388
Gross profit	918,910	10,565	2,470,698	10,382
Operating expense	(2,577,866)	(774,308)	(8,227,128)	(1,458,261)
Operating loss	(1,658,956)	(763,743)	(5,756,430)	(1,447,879)
Net loss	(1,866,300)	(928,743)	(6,362,040)	(1,644,701)
Dividends, deemed dividends and accretion of discount related to redeemable convertible preferred shares	(1,498,404)	—	(2,782,704)	—
Net loss applicable to ordinary shares	$ (3,364,704)	$ (928,743)	$ (9,144,744)	$ (1,644,701)

	September 30, 2008 (unaudited)	December 31, 2007 (audited)
Balance Sheet Data:		
Cash	$ 7,447,830	$ 631,665
Total assets	$ 8,565,718	$ 1,408,385
Total long-term liabilities	$ 3,444,864	$ 3,466,425
Total liabilities	$ 4,217,696	$ 3,930,493
Total shareholders' equity (deficit)	$ 4,348,022	$ (2,522,108)

Summary of quarterly results - unaudited:

	2008 Quarter 3	2008 Quarter 2	2008 Quarter 1	2007 Quarter 4
Revenue	$ 1,282,631	$ 1,104,374	$ 891,326	$ 136,293
Net loss	$(1,866,300)	$ (2,583,736)	$ (1,912,004)	$ (1,475,673)
Net loss applicable to ordinary shares	$(3,364,704)	$ (3,140,487)	$ (2,639,553)	$ (1,475,673)
Basic and diluted net loss per share	$ (0.11)	$ (0.16)	$ (0.13)	$ (0.08)

	2007 Quarter 3	2007 Quarter 2	2007 Quarter 1	2006 Quarter 4
Revenue	$ 16,176	$ 5,357	$ 1,855	$ 1,956
Net loss	$ (928,743)	$ (358,967)	$ (356,991)	$ (267,065)
Net loss applicable to ordinary shares	$ (928,743)	$ (358,967)	$ (356,991)	$ (267,065)
Basic and diluted net loss per share	$ (0.05)	$ (0.02)	$ (0.02)	$ (0.02)

During the fourth quarter of 2007 we transitioned from a development stage enterprise into an operating company. The increases in revenue during the four most recent quarters resulted from the ramp-up of our commercial operations.

During the third quarter of 2007 we began marketing our services and our net losses increased significantly during the third quarter of 2007 through the second quarter of 2008 due to increased marketing expense. Our net loss decreased during the third quarter of 2008 as compared to the second quarter of 2008 as we reduced marketing expenditures in order to conserve cash prior to the date of our IPO.

Net loss applicable to ordinary shares increased during the first three quarters of 2008 as a result of dividends on redeemable convertible preferred shares, deemed dividends on redeemable convertible preferred shares and accretion of discount related to redeemable convertible preferred shares. These noncash expenses totalled $2,782,704 during the first three quarters of 2008 and we will not incur these expenses in the future as all redeemable convertible preferred shares were converted into ordinary shares and warrants to purchase ordinary shares on the date of our IPO.

Results of operations:

Comparison of the three months ended September 30, 2008 to the three months ended September 30, 2007

Revenue and gross profit

For the three months ended September 30, 2008 and 2007, we recognized revenue of $1,282,631 and $16,176, respectively, from the sale of our services. Cost of revenue for the three months ended September 30, 2008, was $363,721 resulting in a gross profit of $918,910, while cost of revenue for the three months ended September 30, 2007, was $5,611 resulting in a gross profit of $10,565. Revenue, cost of revenue and gross profit increased significantly during the third quarter of 2008 as compared to the third quarter of 2007 as we commenced commercial operations during the fourth quarter of 2007 and we have since realized a significant increase in our customer base as a result of the implementation of our marketing plans.

Marketing expense

Our marketing expense includes advertising, marketing agents' commissions, promotional campaigns, direct mailings, printing costs and marketing staff wages and related expenses. Marketing expense for the three months ended September 30, 2008, was $1,817,081 as compared to $312,344 for the three months ended September 30, 2007. This increase in marketing expense from the third quarter of 2007 to the third quarter of 2008 reflects the implementation of new marketing strategies and efforts which began in the third quarter of 2007. We expect marketing expense to increase during the remainder of 2008 from third quarter levels as we are increasing our efforts to expand our customer base.

In January 2008 we entered into a month-to-month services agreement with Veracity Credit Consultants, LLC ("VCC"), an entity controlled by Justin Yurek, our President, to provide call center facilities and call center services at prevailing market rates. The Company incurred $47,498 of related party call center marketing expense during the three months ended September 30, 2008.

General and administrative expense

General and administrative expense includes salaries, benefits, consultants' fees, rent, telephone, insurance, depreciation other general and administrative expense and related party consulting expense. Our general and administrative expense amounted to $760,785 and $461,924 during the three months ended September 30, 2008 and 2007, respectively. This increase was primarily due to an increase in employee compensation, benefits and related costs resulting from an increase in headcount (14 employees at September 30, 2007 compared to 35 employees at September 30, 2008) and from increases in consultant fees, recruiting fees, legal fees, and audit fees resulting from the growth in our operations during the past year.

For the three months ended September 30, 2008, we incurred related party consulting expense of $70,726 as compared to $64,877 during the three months ended September 30, 2007. During the third quarter of 2008, we incurred $55,726 of consulting expense for services from Daryl Yurek, our Chairman and CEO, as compared to $21,250 in the third quarter of 2007. This increase was a result of an adjustment in compensation rates. We also incurred $15,000 of related party consulting expense in the third quarters of 2008 and 2007 related to consulting services provided by one of our directors. All other related party consulting expense of $28,627 in the third quarter of 2007 related to Advisory Board member fees. We discontinued classifying these fees as related party consulting expense effective January 1, 2008 and began classifying these fees as general and administrative consulting expense instead.

Interest expense

In June and July 2007 we issued $3,725,291 of convertible debentures that bear interest at 9% per annum and mature two years from the date of issuance (the "Convertible Debentures"). Interest expense during the three months ended September 30, 2008 and 2007, totaled $210,790 and $189,651, respectively. These amounts included non-cash amortization of deferred financing costs of $81,685 and $65,737 and non-cash amortization of debt issuance discount of $45,955 and $42,732, during the third quarter of 2008 and the third quarter of 2007, respectively.

Expense applicable to redeemable convertible preferred shares

During the nine months ended September 30, 2008, we issued $3,500,000 and $995,000 of 12% cumulative Series A and Series B redeemable convertible preferred shares (the "Series A Preferred" and the "Series B Preferred"), respectively. On September 5, 2008, all Series A Preferred and Series B Preferred shares outstanding and all related accrued dividends payable were converted into IPO Units in accordance with the terms of the automatic conversion rights included in our Amended and Restated Articles of Association filed on August 1, 2008, (the "Amended Articles of Association").

During the three months ended September 30, 2008, we recorded $99,300 of dividends on redeemable convertible preferred shares in our consolidated statements of operations.

The original discount of $2,497,316 associated with these securities represented the fair value of the detachable warrants ($420,265) and the fair value of the beneficial conversion features ($2,077,051) on the dates these securities were issued. This discount was being amortized as accretion of discount related to redeemable preferred shares and deemed dividends on redeemable preferred shares, respectively, in our consolidated statements of operations up until September 5, 2008, the date of conversion. On September 5, 2008, the remaining unamortized discount applicable to the detachable warrants ($123,237) and the remaining unamortized discount applicable to the beneficial conversion features ($762,515) was charged to accretion of discount related to redeemable preferred shares and deemed dividends on redeemable preferred shares, respectively. Together, with the amortization of the discount on redeemable preferred shares through September 5, 2008, accretion of discount related to redeemable preferred shares and deemed dividends on redeemable preferred shares totaled $194,710 and $1,204,394, respectively, during the third quarter of 2008.

Comparison of the nine months ended September 30, 2008 to the nine months ended September 30, 2007

Revenue and gross profit

For the nine months ended September 30, 2008 and 2007, we recognized revenue of $3,278,331 and $23,388, respectively, from the sale of our services. Cost of revenue for the nine months ended September 30, 2008, was $807,633 resulting in a gross profit of $2,470,698, while cost of revenue for the nine months ended September 30, 2007, was $13,006 resulting in a gross profit of $10,382. Revenue, cost of revenue and gross profit increased significantly during the first three quarters of 2008 as compared to the first three quarters of 2007 as we commenced commercial operations during the fourth quarter of 2007 and we have since realized a significant increase in our customer base as a result of the implementation of our marketing plans.

Marketing expense

Our marketing expense includes advertising, marketing agents' commissions, promotional campaigns, direct mailings, printing costs and marketing staff wages and related expenses. Marketing expense for the nine months ended September 30, 2008, was $6,152,526 as compared to $414,086 for the nine months ended September 30, 2007. This increase in marketing expense from 2007 to 2008 reflects the implementation of new marketing strategies and efforts which began in the third quarter of 2007.

In January 2008 we entered into a month-to-month services agreement with VCC an entity controlled by Justin Yurek, our President, to provide call center facilities and call center services at prevailing market rates. The Company incurred $192,498 of related party call center marketing expense during the nine months ended September 30, 2008.

General and administrative expense

General and administrative expense includes salaries, benefits, consultants' fees, rent, telephone, insurance, depreciation, other general and administrative expense and related party consulting expense. Our general and administrative expense amounted to $2,074,602 and $1,011,223 during the nine months ended September 30, 2008 and 2007, respectively. This increase was primarily due to an increase in employee compensation, benefits and related costs resulting from an increase in headcount (14 employees at September 30, 2007 compared to 35 employees at September 30, 2008) and from increases in consultant fees, recruiting fees, legal fees, and audit fees resulting from the growth in our operations during the past year.

For the nine months ended September 30, 2008, we incurred related party consulting expense of $190,501 as compared to $297,707 during the nine months ended September 30, 2007. This decrease resulted mainly from: 1) our discontinuance of classifying Advisory Board member fees (which included fees from our former President) and share-based employee compensation expense of $137,440 and $32,517, respectively, during the first three quarters of 2007 as compared to $0 in the first nine months of 2008 and 2) our discontinuance of incurring related party consulting expense ($39,000 during the first nine months of 2007) for consulting services provided by Justin Yurek, our President, who became an employee in the third quarter of 2007. These decreases were offset by increases in related party consulting expense related to: 1) $112,501 and $73,750 of consulting services provided by Daryl Yurek, our Chairman and CEO, during the first nine months of 2008 and 2007, respectively, and 2) $78,000 and $15,000 of consulting services provided by one of our directors during the first nine months of 2008 and 2007, respectively. These increases in consulting services expense reflect increased compensation rates and increased levels of service provided by these individuals.

Interest expense

In June and July 2007 we issued $3,725,291 of Convertible Debentures that bear interest at 9% per annum and mature two years from the date of issuance. Interest expense during the nine months ended September 30, 2008 and 2007, totaled $634,936 and $224,357, respectively. These amounts included non-cash amortization of deferred financing costs of $245,053 and $72,120 during the first three quarters of 2008 and 2007, respectively. Interest expense also included non-cash amortization of debt issuance discount of $139,335 and $46,467, respectively.

During the nine months ended September 30, 2008 and 2007, we incurred $0 and 17,890 of related party interest expense, respectively, related to convertible notes owed to VCC. These notes were paid in full during the third quarter of 2007.

Expense applicable to redeemable convertible preferred shares

During the nine months ended September 30, 2008, we issued $3,500,000 and $995,000 of Series A and Series B Preferred shares, respectively. On September 5, 2008, all Series A Preferred and Series B Preferred shares outstanding and all related accrued dividends payable were converted into IPO Units in accordance with the terms of the automatic conversion rights included in our Amended and Restated Articles of Association.

During the nine months ended September 30, 2008, we recorded $285,388 of dividends on redeemable convertible preferred shares in our consolidated statements of operations.

The original discount of $2,497,316 associated with these securities represented the fair value of the detachable warrants ($420,265) and the fair value of the beneficial conversion features ($2,077,051) on the dates these securities were issued. This discount was being amortized as accretion of discount related to redeemable preferred shares and deemed dividends on redeemable preferred shares, respectively, in our consolidated statements of operations up until the date of conversion. On September 5, 2008, the remaining unamortized discount applicable to the detachable warrants ($123,237) and the unamortized discount applicable to the beneficial conversion features ($762,515) was charged to accretion of discount related to redeemable preferred shares and deemed dividends on redeemable preferred shares, respectively. Together, with the amortization of the discount on redeemable preferred shares through September 5, 2008, accretion of discount related to redeemable preferred shares and deemed dividends on redeemable preferred shares totaled $420,265 and $2,077,051, respectively, during the first three quarters of 2008.

Liquidity and capital resources:

Past financings

Historically, we have funded our operations primarily through private placements of equity and debt, including loans and contributions from our founders. During the period from inception (July 27, 2005) through March 31, 2008, we raised $8.4 million, net of related issuance costs, through the private placement of ordinary shares, convertible debt and Series A Preferred shares. Through September 30, 2008, we used $8.0 million of this initial capital to develop and market our services and $0.4 million to repay debt.

(Expressed in U.S. Dollars)

Recent financings

During May and June 2008 we issued 497,500 shares of Series B Preferred shares and detachable five-year warrants to purchase 425,860 of our ordinary shares at an exercise price of $0.60 per share for gross proceeds of $995,000. On June 24, 2008, we completed a private placement of 1,041,667 ordinary shares and detachable warrants to purchase 734,374 of our ordinary shares at exercise prices ranging from $0.60 to $0.90 for gross proceeds of $500,000. We used the $1.5 million proceeds from these offerings to develop and market our services during the second and third quarters of 2008.

IPO

On September 5, 2008, we completed our IPO of 17,000,000 Units, each Unit consisting of one ordinary share and one-half of one ordinary share purchase warrant. Each whole warrant entitles the holder to purchase one additional ordinary share at a price of CND$0.90 per share for a period of 24 months from the Listing Date. Net proceeds were $7.6 million and we have used $0.2 million of these proceeds to develop and market our services through September 30, 2008.

Sources and uses of cash

As of September 30, 2008, we had total cash on hand of approximately $7.4 million and working capital of $7.0 million.

During the nine months ended September 30, 2008 and 2007, we had cash outflows from operations of $5,661,570 and $1,144,235, respectively. This increase was a result of increased marketing efforts and increased general and administrative expense resulting from our growth during the past year.

Cash flows used for investing activities increased from $66,670 during the nine months ended September 30, 2007 to $405,324 during the nine months ended September 30, 2008, mainly as a result of increased expenditures for information technology systems as a result of increased customer base.

Cash flows from financing activities increased from $3,152,501 during the nine months ended September 30, 2007 to $12,883,059 during the nine months ended September 30, 2008, as a result of the following financings during the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007:

	Nine Months Ended September 30,	
	2008	**2007**
Proceeds from convertible debentures and warrants		3,177,365
Proceeds from issuance of Series A Preferred shares and warrants	3,500	—
Proceeds from issuance of Series B Preferred shares and warrants	9[illegible]	—
Proceeds from issuance of ordinary shares and warrants	5[illegible]	—
Proceeds from IPO, net	7,621,710	—
Proceeds from exercise of warrants and stock options, net	2[illegible]	—
All other, net		(24,864)
Net cash provided by financing activities	12,883,[illegible]	3,152,501

We believe that our existing cash balances, along with the expected cash flow to be generated from gross profits, will allow us to satisfy our ongoing marketing and general and administrative expense and expenditures relating to our planned growth during both the sort and long term.

Except for our interest expense and approximately $137,000 of expense relating to operating lease commitments during the next 12 months, our other expenditures, including marketing expenditures, are discretionary in nature. This gives us the ability to adjust spending if gross profit growth is not sufficient to fund future expenditures.

We have stock options outstanding to purchase 3,551,666 ordinary shares as of September 30, 2008, if exercised, these stock options would generate approximately $1.5 million in additional cash. We also have warrants issued and outstanding which are exercisable for 34,993,541 ordinary shares and which, if exercised, would generate approximately CND$21.1 million in additional cash. We have 19,810,013 warrants issued and outstanding that contain cashless exercise provisions, which, upon certain conditions, permit the holder to exercise the warrants on a net cash exercise basis and receive ordinary shares without payment of any cash consideration. It is unlikely that we will receive any of the approximately CND$7.8 million cash proceeds from the exercise of these warrants if they are in-the-money at the time of exercise.

We will also be seeking to convert our outstanding Convertible Debentures into ordinary shares on or before their maturity dates in June and July 2009. We may be required to immediately redeem Convertible Debentures outstanding for an amount equal to 130% of the principal balance upon the occurrence of certain events, including a change in control of the company. In this event, we could be required to expend up to $4.6 million in cash to redeem our Convertible Debentures. If none of the Convertible Debentures remaining outstanding are converted into ordinary shares prior to their maturity dates in June and July 2009, we would then be required to repay the aggregate principal amount of $3,566,200 plus accrued and unpaid interest in cash. If either of these events were to occur, we would be required to curtail marketing expenditures or raise additional funds.

Outstanding share data:

We are authorized to issue up to 450,000,000 ordinary shares and up to 450,000,000 preferred shares. As of November 21, 2008, we have the following equity securities outstanding:

- 49,999,089 ordinary shares.
- 34,993,541 warrants, each of which is exercisable for one ordinary share at prices ranging from CND$0.35 to CND$0.90.
- 3,551,666 stock options, each of which is exercisable for one ordinary share at prices ranging from $0.35 to $0.60 per share.
- Convertible Debentures convertible into 12,736,430 ordinary shares.

Off-balance sheet arrangements:

We do not have any off-balance sheet arrangements as of September 30, 2008.

Transactions with related parties:

Except for the transactions described above, we have not been a party to any transactions with related parties during the period ended September 30, 2008.

Contingencies:

On June 4, 2008, we received notice from the New York City Department of Consumer Affairs (the "DCA") alleging violations of the New York City Consumer Protection Law and Rules. The notice alleges that we used our advertisements in print media, television, the internet and other media to deceive or mislead consumers.

Upon receiving the notice from the DCA, we have taken action to remove our advertisement, suspend our sales in New York and we continue to service our existing New York customers, without charge, while this matter is pending or until we believe we have resolved the claims. After communications with the DCA and revisions to our advertisements and other sales materials, in August 2008 we resumed our advertising and sales efforts in New York. We continue to be in correspondence with the DCA to resolve any remaining issues.

Recently adopted accounting pronouncements:

Effective January 1, 2008, we adopted SFAS No. 157 "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair value measurements. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. The adoption of SFAS No. 157 did not have an impact on our consolidated financial statements.

In February 2008 the FASB issued FASB Staff Position No. SFAS 157-2 "Effective Date of FASB Statement No. 157", which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, we have only adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities that are measured at fair value within the financial statements as of September 30, 2008, and the provisions of SFAS No. 157 have not been applied to our non-financial assets and non-financial liabilities as we do not have any non-financial assets or liabilities to which the deferral applies.

In February 2007 the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available for sale or trading securities. SFAS No. 159 is elective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, (fiscal 2008 for us). We have elected not to adopt this pronouncement and as a result it did not have a material impact on our consolidated financial statements.

Risk factors:

See "Risk Factors" included in our final long form prospectus dated August 14, 2008, which is available on SEDAR at www.sedar.com.

Outlook:

We are a start-up company. As such, key statistics such as customer retention rates, cost of customer acquisition, and lifetime revenue per customer are not yet well established.

Our future revenues depend on the successful marketing of our services. Our marketing campaigns have to attract sufficient business to produce revenue that will enable us to meet our operating expenses and fund our future growth plans. During the period January 1, 2008, through September 30, 2008, we enrolled a total of approximately 173,000 new customers and as of September 30, 2008, we had approximately 52,000 customers with active subscriptions.

We are also facing new and existing competitors engaged in providing solutions for identity theft. Our future operations will require monitoring the marketplace for items such as service pricing, service innovations and marketing strategies.

Because we have been in commercial operation for a short period of time, our revenue, cost of revenue, gross profit and net loss amounts reported for the three and nine months ended September 30, 2008, may not be indicative of future results. We have invested in our infrastructure in order to make the delivery of our services highly automated and, therefore, if we grow our customer base, we expect that our gross profits will improve as our revenue growth expands.

We expect that our marketing expenses will continue to increase significantly. Marketing expenses of approximately $22.0 million are budgeted for the year 2009.

We anticipate that general and administrative expense in connection with related party consulting arrangements will remain constant during the remainder of 2008. Total general and administrative expense for the year 2009 is budgeted to be approximately $4.4 million reflecting increased expenditures relating to new employees, additional professional fees and improvements to our IT systems to support the implementation of our marketing strategies and increases in our customer base.