



THIRD QUARTER 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED

DECEMBER 31, 2008

February 26, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis may contain forward looking statements and information. Forward looking statements are statements that are not historical fact and are generally identified by words such as "believe", "expects", "projects" and words of similar connotation. Forward-looking statements are subject to various risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward looking statements. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, changes in the insurance marketplace, regulations and taxes, restrictive terms and conditions, coverage exclusions and higher prices in every line of insurance. Readers are cautioned not to place undue reliance on these forward looking statements.

The Company does not undertake to update or re-issue the forward looking statements that may be contained herein, whether as a result of new information, future events or otherwise.

OVERVIEW

Anthony Clark International Insurance Brokers Ltd.'s (the "Company") primary business activity involves the operation of general insurance brokerages in Canada and the United States. Shares of the Company trade on the TSX Venture Exchange under the symbol "ACL". The Company, founded in 1989, has expanded through internal growth and acquisitions. The Company operates in two economic environments and revenues are attributed to geographic areas based on the location of resources producing the revenues.

This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended December 31, 2008, included elsewhere herein, and the audited consolidated financial statements and MD&A for the year ended March 31, 2008. The unaudited interim consolidated financial statements for the nine months ended December 31, 2008 and the audited consolidated financial statements are both prepared in accordance with Canadian generally accepted accounting principles. These filings are available at www.sedar.com.

All amounts are in Canadian Dollars unless otherwise indicated.

RESULTS OF OPERATIONS

ACCOUNTING POLICIES

Trust cash

Certain premiums collected, net of related commissions, but not yet remitted to insurance carriers are restricted by contract and by law in certain jurisdictions.

Adoption of new accounting standards

Effective on April 1, 2008, the Company adopted Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments- Presentation" which replaces the disclosure requirements of Section 3861 "Financial instruments – Disclosure and Presentation. Section 3862 requires additional disclosure of the risks associated with financial instruments and of how those risks are managed. Section 3863 carries forward standards for the presentation of financial instruments and non-financial derivative instruments and provides additional guidance for the classification of financial instruments. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of Section 3862 and Section 3863 did not have an impact on the Company's results of operations or financial condition.

Effective on April 1, 2008, the Company adopted Section 1535 "Capital disclosures" which requires increased disclosure of information regarding a company's capital and how it is managed. The standard requires enhanced disclosures with respect to an entity's objectives, policies and processes for managing capital, what the entity regards as capital, and the entity's compliance with any external capital requirements and related consequences of

non-compliance. The adoption of Section 1535 did not have an impact on the Company's results of operations or financial condition.

Future accounting standards

International Financial Reporting Standards ("IFRS") The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of its 2012 fiscal year when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company has started the initial planning and assessment phase to ensure a timely transition to IFRS.

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts" and Accounting Guideline 11 "Enterprises in the Development Stage", issued a new Section 3064 "Goodwill and Intangible Assets" to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended Emerging Issues Committee Abstract 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company will implement them in the first quarter of its 2010 fiscal year, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

Insolvency of Brooke Capital Corporation and Termination of Franchise Arrangements

The Company's U.S. locations had been operating as franchises of Brooke Capital Corporation since October 31, 2006, in conjunction with certain debt financing. Beginning in the second quarter, the monthly settlements of net commissions for the US Operations were not received per the terms of the Brooke franchise agreements. On October 17, 2008, the Company's U.S. operations were released from their franchise agreements and therefore, the unamortized franchise fees of \$2,713,992 were written off. On October 28, 2008, Brooke Corporation and Brooke Capital Corporation filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. An additional amount of \$1,673,880 was written off, primarily related to the receivable from Brooke Capital Corporation for the monthly net settlements.

On September 11, 2008, the Company filed a claim in the Superior Court in California against Brooke Corporation, Brooke Capital Corporation and Aleritas Corporation, an affiliate of Brooke Corporation, claiming amounts owing, breach of contract, fraud and misrepresentation, in the amount of approximately U.S.\$ 6.0 million.

In addition, the Company has reached agreements in principle with its various US lenders to discount the outstanding Aleritas loans with its U.S. subsidiaries. The total agreed discount is approximately U.S.\$ 8.0 million, which represents approximately 50% of all its outstanding loans with Aleritas Corporation. The Company expects to finalize the discounts by the end of March 2009.

Business Acquisitions

Effective July 1, September 1, and September 30, 2008, the Company, through its majority owned Canadian subsidiary, acquired books of business of its independent contractors which were processed through the Canadian subsidiary, for purchase consideration of \$2,071,506. To finance the purchases, the Company drew on the Acquisition Facility in the amount of \$1,683,420. The remaining balance is payable to the vendors in the amounts of \$213,990 and \$174,096 at the end of the first and second years after closing, respectively. Under terms of certain of the purchase agreements, the purchase price is subject to a downward adjustment based on the actual commission revenue. In addition, legal costs of \$24,807 were incurred related to the acquisitions of the books of business.

In aggregate, as a result of the above transactions, the net assets acquired were as follows:

Assets acquired:

Customer accounts	\$	2,344,602
Future tax liability		<u>(293,263)</u>
	\$	<u>2,051,339</u>

Consideration paid:

Lender financing	\$	1,683,420
Vendor financing		388,086
Discount on vendor financing		<u>(44,974)</u>
Legal fees paid		<u>24,807</u>
	\$	<u>2,051,339</u>

On January 29, 2009, the Company, through its majority owned Canadian subsidiary, Anthony Clark Insurance Brokers Ltd., acquired all of the fixed assets and customer accounts (the "Assets") of Dyck Insurance, located in Calgary and Edmonton, Alberta, from Dyck Co Insurance Ltd. and Dyckco Inc. The purchase of the Assets were funded through an expansion of the Company's existing Acquisition facility.

For the nine months ending December 31, 2008

Revenue

The Company's revenue has increased to \$11,665,146 for the nine months ending December 31, 2008 from \$10,544,787 for the nine months ending December 31, 2007, an increase of 11%, primarily due to the effect of the California acquisition at the end of the first quarter of the prior year and increased revenue in all the divisions, including the Canadian operation, along with a positive effect of the exchange rate.

Expenses

Salaries and wages decreased to \$6,177,647 for the nine months ending December 31, 2008 from \$6,291,998 for the nine months ending December 31, 2007. The reduction of costs in Canada, mainly due to the acquisition of independent contractors books of business in the second quarter and continued streamlining in the U.S. operations were partially offset by the effect of the California acquisition at the end of the first quarter of the prior year and effect of the exchange rate. The Company proactively monitors and controls its employee costs with the changing economic conditions.

Rent increased to \$845,475 for the nine months ending December 31, 2008 from \$725,519 for the nine months ending December 31, 2007 primarily due to the California acquisition at the end of the first quarter of the prior year.

General and administrative expenses decreased to \$2,690,909 for the nine months ending December 31, 2008, from \$2,946,357 for the nine months ending December 31, 2007, primarily due to cost reductions in the Canadian operation and the reduction in advertising costs in one US division. Advertising is a major cost in this division. A detailed cost-benefit analysis of all advertising contracts existing at the time of acquisition resulted in a major reduction in cost and a more focused advertising strategy. The decrease in costs were partially offset by the increase in costs due to the California acquisition at the end of the first quarter in the prior year and the effect of the exchange rate.

For the three months ending December 31, 2008

Revenue

The Company's revenue has increased to \$4,104,967 for the three months ending December 31, 2008 from \$4,010,047 for the three months ending December 31, 2007, an increase of 2.4%, primarily due to increased revenue in two US divisions and the positive effect of the exchange rate, partially offset by lower premiums in one US division.

Expenses

Salaries and wages have decreased to \$2,132,665 for the three months ending December 31, 2008 from \$2,335,820 for the three months ending December 31, 2007, primarily due to streamlining of costs in one U.S. division to address reduced premiums and reduced costs in Canada mainly due to the acquisition of independent contractors books of business in the second quarter.

Rent decreased to \$279,219 for the three months ending December 31, 2008 from \$281,074 for the three months ending December 31, 2007, reflecting no significant change.

General and administrative expenses decreased to \$693,608 for the three months ending December 31, 2008 from \$1,088,302 for the three months ending December 31, 2007, mainly due to reviewing and lowering the advertising in one U.S. division where advertising is a significant cost of that operation and reductions in operating costs in the Canadian operation.

EARNINGS FROM OPERATIONS BEFORE INTEREST AND FINANCING COSTS AND TAXES AND DEPRECIATION AND AMORTIZATION (EBITDA)

The Company's EBITDA increased from \$580,913 for the nine months ending December 31, 2007 to \$1,880,537 for the nine months ending December 31, 2008, and increased from \$304,851 for the three months ending December 31, 2007 to \$975,949 for the three months ending December 31, 2008, primarily due to a significant increase in EBITDA from all divisions due to increased revenue while maintaining and reducing costs, in particular reduced servicing costs related to the purchased books of business during the second quarter, reduction and alignment of advertising and salary costs, to the decreased revenue level and managing other operating expenses. EBITDA as a percentage of revenue has increased from 5.5% for the nine months ending December 31, 2007 to 16.1% for the nine months ending December 31, 2008. EBITDA as a percentage of revenue has increased from 7.6% for the three months ending December 31, 2007 to 23.8% for the three months ending December 31, 2008. Management continues to streamline the costs associated with its US operations and expects further EBITDA improvements in upcoming quarters from these adjustments together with the effect of new acquisitions.

EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principles measure because it is management's major performance indicator. EBITDA is reconciled to Net loss below.

Reconciliation of EBITDA to Net loss

	Three months ending December 31, 2008	Three months ending December 31, 2007	Nine months ending December 31, 2008	Nine months ending December 31, 2007
Revenue	\$ 4,104,967	\$ 4,010,047	\$ 11,665,146	\$ 10,544,787
Earnings before the following (EBITDA)	975,949	304,851	1,880,537	580,913
Other Income	130,421	-	1,278,148	-

	Three months ending December 31, 2008	Three months ending December 31, 2007	Nine months ending December 31, 2008	Nine months ending December 31, 2007
Loss related to Insolvency of U.S. franchisor	(4,387,872)	-	(4,387,872)	-
Interest and financing costs	(764,432)	(884,248)	(2,312,648)	(2,410,236)
Depreciation and amortization	(158,615)	(619,832)	(1,421,776)	(1,499,865)
Income taxes (expense) recovery	59,156	68,111	13,141	251,171
Non controlling interest	10,513	-	12,385	-
Net loss	\$ (4,134,880)	\$ (1,131,118)	\$ (4,938,085)	\$ (3,078,017)

Other Income

The Company closed an equity financing in the first quarter, wherein ING purchased a minority interest in Anthony Clark Insurance Brokers Ltd., a newly incorporated subsidiary of the Company. The Company recognized a gain on the sale of a minority interest, which is reflected as Other income. An additional gain is reflected in Other income in the current quarter, resulting from an adjustment to the sale proceeds provided for in the agreement. Under certain terms and conditions of the agreement, the Company may be required to repurchase the minority interest.

INTEREST AND FINANCING COSTS

	Three months ending December 31, 2008	Three months ending December 31, 2007	Nine months ending December 31, 2008	Nine months ending December 31, 2007
Canadian operations				
Interest on long-term debt	\$ 205,964	\$ 3,619	\$ 415,267	\$ 11,855
Interest on operating line of credit	-	193,884	145,905	452,489
Other	-	4,465	-	32,838
Amortization of deferred financing costs and loan discounts	12,594	24,452	37,168	46,913
Impairment of deferred financing costs	-	-	84,298	-
Interest on obligations under capital lease	982	1,345	3,215	4,626
	<u>219,540</u>	<u>227,765</u>	<u>685,853</u>	<u>548,721</u>
U.S. operations				
Interest and loan fees on long-term debt	\$ 524,104	\$ 641,722	\$ 1,496,361	\$ 1,820,674
Amortization of deferred financing costs and loan discounts	20,788	14,395	49,751	39,356
Impairment of deferred financing costs	-	-	80,535	-
Interest on obligations under capital lease	-	366	148	1,485
	<u>544,892</u>	<u>656,483</u>	<u>1,626,795</u>	<u>1,861,515</u>
	<u>\$ 764,432</u>	<u>\$ 884,248</u>	<u>\$ 2,312,648</u>	<u>\$ 2,410,236</u>

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased to \$1,421,776 for the nine months ending December 31, 2008 from \$1,499,865 for the nine months ending December 31, 2007, primarily due to lower amortization of customer accounts in one US division, partially offset by the impairment of non-competition agreements and increased amortization related to the books of business acquired in the Canadian operations.

Depreciation and amortization decreased to \$158,615 for the three months ending December 31, 2008 from \$619,832 for the three months ending December 31, 2007, mainly due to the customer accounts related to the California acquisition in the prior year being fully amortized at the end of the first quarter, partially offset by the increased amortization related to the books of business acquired in the Canadian operations.

SUMMARY QUARTERLY INFORMATION

The following table summarizes the Company's key consolidated financial information for the last eight quarters.

- EBITDA is defined as Earnings before interest, income taxes, and depreciation and amortization.
- EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principles measure because it is management's major performance indicator. EBITDA is reconciled to Net loss above.
- The September 2007 quarter reflects the operations of the California acquisition completed June 28, 2007 along with the related interest costs and depreciation and amortization of the acquired assets.
- The June 2008 quarter reflects higher EBITDA due to the contribution of EBITDA from the California division acquired on June 28, 2007.
- The December 2008 quarter reflects higher EBITDA due to increased revenues and lower salaries and wages and advertising expense. Net loss has increased due to the impairment of unamortized franchise fees of \$2,713,992 and the write-off of \$1,673,880 primarily related to the receivable from Brooke Capital Corporation for the monthly net settlements.

	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07
Revenues	4,104,967	3,644,716	3,915,463	4,744,175	4,010,047	4,152,740	2,382,000	3,598,425
EBITDA	975,949	373,590	530,998	1,015,733	304,851	198,296	77,766	1,153,391
Earnings (loss) from continuing operations	(4,134,880)	(497,190)	(306,015)	(424,392)	(1,131,118)	(1,320,217)	(626,682)	215,551
Net earnings (loss)	(4,134,880)	(497,190)	(306,015)	(451,539)	(1,131,118)	(1,320,217)	(626,682)	215,000
Earnings (loss) per share, Basic and Diluted	(0.48)	(0.05)	(0.04)	(0.05)	(0.13)	(0.15)	(0.08)	0.02

FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

The Company's balance sheet as at December 31, 2008 as compared to March 31, 2008 reflects a net decrease in working capital of \$279,670. Other major changes include a net increase in customer accounts of \$1,560,084 due to the books of business purchased in Canada, partially offset by the "Low Cost" customer accounts being fully amortized in the first quarter, a net increase in goodwill of \$2,676,995 related solely to the exchange effect, a net increase in deferred financing costs of \$11,906 due to new financing costs deferred and the exchange effect partially offset by the impairment of the deferred financing costs related to the partial refinancing of debt, a decrease in franchise fees of \$2,656,179 mainly due to their impairment resulting from the insolvency of the U.S. franchisor and impairment in one U.S. operation and a decrease in non-competition agreements of \$236,612, mainly related to the impairment of the non-competition agreements of one U.S. operation, a net decrease in fixed assets of \$32,452 and a net increase in long-term debt of \$5,996,909 mainly due to advances drawn on the working capital facility and the exchange effect on the U.S. loans.

Shareholders' equity has decreased from \$(6,454,506) as at March 31, 2008 to \$(11,786,871) as at December 31, 2008, due primarily to a net loss of \$(4,938,085) which included \$(5,837,357) of net non-cash expenses consisting of amortization and impairment of deferred financing costs and loan discounts, impairment of non-competition agreements, loss related to insolvency of U.S. franchisor, stock-based compensation, non-controlling interest, future income taxes recovery, depreciation and amortization and the change in accumulated other comprehensive income of \$(465,968), offset by the increase in contributed surplus of \$70,578 related to stock options granted and \$1,110 increased share capital for stock options exercised.

FINANCIAL RESOURCES AND LIQUIDITY

At December 31, 2008, the Company had working capital of \$276,631, obligations under capital leases of \$21,429 and long-term debt of \$34,774,448.

On June 12, 2008, the Company closed secured debt financing arrangements with ING Insurance Company of Canada ("ING") whereby ING provided a \$10,000,000 ten-year term loan facility (the "Repayment Facility") along with a facility of \$1,500,000 which is available for working capital purposes (the "Working Capital Facility").

An amount of \$8,962,878 was drawn under the Repayment Facility to repay the operating line of credit in full and to reduce the amount outstanding under a term loan. Payments on the \$8,962,878 are interest only, at the Royal Bank of Canada's prime rate of interest plus 2% at the time of advance (6.75% per annum) until June 1, 2009 and then monthly payments of principal and interest of \$110,960 are required over the remaining 9 years. The remaining \$1,037,122 available under the Repayment Facility has not yet been used and will, when drawn, be repayable in blended monthly principal and interest payments, with interest at the Royal Bank of Canada's prime rate of interest at the date of advance plus 2%, over a 10 year period. The deferred financing costs related to the repaid operating line of credit and the repayment of a term loan were written off.

Amounts drawn under the \$1,500,000 Working Capital Facility are repayable in blended monthly principal and interest payments, with interest at the Royal Bank of Canada's prime rate of interest at the date of each advance plus 2%, over a period of 10 years from each advance. Amounts of \$800,000 and \$500,000 were drawn under this facility on September 4, 2008 and October 8, 2008, respectively. The draw in the amount of \$800,000 is repayable with monthly principal and interest payments of \$9,186 with interest at the rate of 6.75% per annum. The loan matures on September 1, 2018. The draw in the amount of \$500,000 is repayable with monthly principal and interest payments of \$5,741 with interest at the rate of 6.75% per annum. The loan matures on October 1, 2018.

On June 20, 2008, the Company closed a \$4,500,000 ING loan facility (the "Acquisition Facility") to its subsidiary Anthony Clark Insurance Brokers Ltd. The Acquisition Facility is available to finance the potential future Canadian expansion projects and purchases of Canadian insurance brokerages.

The amount of \$160,000 was drawn on June 24, 2008 to add to working capital. Amounts of \$1,542,984 and \$140,436 were drawn under the Acquisition Facility to purchase books of business processed through the Canadian subsidiary and are repayable in blended monthly principal and interest payments of \$17,717 and \$1,609, with interest at the Royal Bank of Canada's prime rate of interest at the date of each advance plus 2% (6.75%) and (6%), maturing July 8, 2018 and July 1, 2018, respectively.

The Company is also subject to certain covenants on an ongoing basis which started in the quarter ended September 30, 2008, and failure to maintain compliance will result in the loans becoming due on demand.

The above ING facilities have been fully guaranteed and secured by the Canadian assets of the Company. In addition, legal and other costs of \$127,179 were incurred related to the above facilities. Also, in conjunction with the refinancing, the U.S. denominated debt is now secured by the U.S. assets only with a guarantee provided by the Company.

The November 15, 2008 and subsequent payments due on the Aleritas loans were not made due to the insolvency of Brooke Capital Corporation, the franchisor of the Company's U.S. operations. The Company is continuing in discussions regarding the transition and the ongoing servicing of the Aleritas loans.

The Company closed an equity financing, in the first quarter, where ING purchased a minority interest in Anthony Clark Insurance Brokers Ltd., a recently incorporated subsidiary of the Company. The Company recognized a gain on the sale of a minority interest, which is reflected as Other income. An additional gain is reflected in Other income in the current quarter, resulting from an adjustment to the sale proceeds provided for in the agreement. Under certain terms and conditions of the agreement, the Company may be required to repurchase the minority interest.

The Company's U.S. locations had been operating as franchises of Brooke Capital Corporation since October 31, 2006, in conjunction with certain debt financing. Beginning in the second quarter, the monthly settlement of net commissions for the US Operations were not received per the terms of the Brooke franchise agreements. On October 17, 2008, the Company's U.S. operations were released from their franchise agreements and therefore, the unamortized franchise fees of \$2,713,992 were written off. On October 28, 2008, Brooke Corporation and Brooke Capital Corporation filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. An additional amount of \$1,673,880 was written off, primarily related to the receivable from Brooke Capital Corporation for the monthly net settlements.

On September 11, 2008, the Company filed a claim in the Superior Court in California against Brooke Corporation, Brooke Capital Corporation and Aleritas claiming net commissions receivable, breach of contract, fraud and misrepresentation in the amount of approximately U.S\$ 6.0 million.

On January 29, 2009, the Company, through its majority owned Canadian subsidiary, Anthony Clark Insurance Brokers Ltd., acquired all of the fixed assets and customer accounts (the "Assets") of Dyck Insurance, located in Calgary and Edmonton, Alberta, from Dyck Co Insurance Ltd. and Dyckco Inc. The purchase of the Assets were funded through an expansion of the Company's existing Acquisition facility.

Shareholders' equity has decreased from \$(6,454,506) as at March 31, 2008 to \$(11,786,871) as at December 31, 2008, due primarily to a net loss of (\$4,938,085) which included \$(5,837,357) of net non-cash expenses consisting of amortization and impairment of deferred financing costs and loan discounts, impairment of non-competition agreements, loss related to insolvency of U.S. franchisor, stock-based compensation, non-controlling interest, future income taxes recovery, depreciation and amortization and the change in accumulated other comprehensive income of \$(465,968), offset by the increase in contributed surplus of \$70,578 related to stock options granted and \$1,110 increased share capital for stock options exercised.

The following table sets forth the Company's future contractual and long-term obligations as at December 31, 2008:

Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
Capital Lease Obligations	44,329	22,900	21,429	-	-
Operating Lease and other Obligations	3,168,717	1,935,373	1,144,149	89,195	-
Long-Term Debt					
Aleritas	19,744,665	701,182	1,621,284	1,928,122	15,494,077
ING Insurance Company of Canada	12,033,674	540,090	2,112,840	2,416,897	6,963,847
Seller financing	355,183	193,641	161,542	-	-
Emmett Lescroart	4,043,538	35,404	29,989	3,978,145	-
Universal Insurance Brokers	151,591	83,886	67,705	-	-

SHAREHOLDERS' EQUITY

- a) Authorized
Unlimited common shares without par value.
- b) During the nine months ended December 31, 2008, there were no changes in the warrants outstanding.

The following table summarizes information about the warrants outstanding and exercisable at December 31, 2008:

<u>Expiry date</u>	<u>Number</u>	<u>Exercise price</u>
June 15, 2010	<u>1,439,128</u>	<u>\$ 0.80</u>

On January 15, 2009, the Company extinguished 1,439,128 outstanding warrants which were exercisable at \$0.80 per share and had an expiry of June 15, 2010. These warrants were issued to previous U.S. lender Bridge Opportunity Finance, LLC and were settled for a nominal amount to the Company.

STOCK-BASED COMPENSATION

The Company has an incentive stock option plan which provides for the award of stock options to directors, officers, employees and consultants. A maximum of 1,601,395 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue.

Changes in stock options during the periods ended December 31, 2008 and March 31, 2008 are as follows:

	<u>Number of options</u>	<u>December 31, 2008 Weighted average exercise price</u>	<u>Number of options</u>	<u>March 31, 2008 Weighted average exercise price</u>
Outstanding, beginning of period	1,601,395	\$ 0.43	1,268,571	\$ 0.76
Awarded	-	-	937,348	0.30
Exercised	(3,000)	(0.37)	-	-
Cancelled	(12,000)	(0.34)	(604,524)	(0.90)
Expired	<u>(517,884)</u>	<u>(0.49)</u>	<u>-</u>	<u>-</u>
Outstanding, end of period	<u>1,068,511</u>	<u>\$ 0.40</u>	<u>1,601,395</u>	<u>\$ 0.43</u>
Exercisable, end of period	<u>602,337</u>	<u>\$ 0.48</u>	<u>664,047</u>	<u>\$ 0.62</u>

The following table sets forth information relating to stock options outstanding as at December 31, 2008:

<u>Expiry</u>	<u>Range of exercise prices</u>	<u>Number outstanding at December 31, 2008</u>	<u>Weighted-average remaining contractual life</u>	<u>Weighted-average exercise price</u>	<u>Number exercisable at December 31, 2008</u>	<u>Weighted-average exercise price</u>
2009-08-05	1.10	121,163	0.58	1.10	121,163	1.10
2009-08-16	1.25	15,000	0.58	1.25	15,000	1.25
2010-02-28	0.30	932,348	1.17	0.30	466,174	0.30
	<u>\$0.30 to \$1.25</u>	<u>1,068,511</u>	<u>1.09</u>	<u>\$0.40</u>	<u>602,337</u>	<u>\$0.48</u>

On February 15, 2008, the Company granted 937,348 options to purchase common shares at a price of \$ 0.30 per share to certain employees, directors, and consultants. The options vest over a period of eighteen months from the date of grant and expire on February 28, 2010. The fair value of stock options awarded to employees, directors and consultants of \$141,158 is being recorded to stock-based compensation expense and contributed surplus over the vesting period and was estimated on the dates of awards using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.25%
Estimated volatility	91%
Expected lives	2.04 years

The average fair value of stock options awarded during the 2008 fiscal year, as calculated using the Black-Scholes option pricing model, was \$ 0.15 per stock option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect these fair value estimates.

On February 3, 2009, the Company granted 529,489 options to purchase common shares at a price of \$ 0.33 per share to certain directors, officers and employees. The options vest over a period of eighteen months from the date of grant and expire on February 28, 2011. The fair value of the stock options awarded will be recorded to stock-based compensation expense and contributed surplus over the vesting period.

Summary Compensation Table of Amounts Paid or Payable to Directors and Officers during the quarter ended December 31, 2008

The following table sets forth details regarding compensation of officers for the quarter ended December 31, 2008:

<i>Name and Principal Position</i>	<i>Salary (\$)</i>	<i>Bonus (\$)</i>	<i>All Other Compensation (\$)</i>
Tony Consalvo President and C.E.O	\$51,732	Nil	\$720
Mahesh Bhatia C.F.O	\$44,946	Nil	\$1,215

The following table sets forth details regarding compensation of directors for the quarter ended December 31, 2008:

Name	Position	Compensation paid or payable for the quarter ended December 31, 2008
Thomas Milley	Chairman of the Board	\$2,500
Douglas Farmer	Director	\$1,875
Robert Sadleir	Director	\$1,875
Norm Cournoyer	Director	\$1,875

Compensation of Directors

Each director of the Company (except the Chairman of the Board) that is not a full-time employee or officer of the Company receives the annual sum of \$7,500 for providing his or her services as a director and the Chairman of the Board receives \$10,000 annually. The aforesaid sums are paid quarterly in arrears over the Company's fiscal year and are pro-rated if an individual resigns or is not re-elected. The Company's directors who are also senior officers do not receive any cash payments for their services as directors.

RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business. Related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to between the related parties, unless otherwise noted.

During the nine months ended December 31, 2008, the Company incurred \$ 185,667 (2007 – \$ 66,546) of legal fees with a law partnership in which a partner is also a Company director.

The amount due from an officer and director bears interest at the Royal Bank of Canada's prime rate of interest and is collateralized by a pledge of marketable securities and a pledge of other personal assets. The amount is repayable on demand but the Company does not anticipate requesting full repayment during the 2009 fiscal year.

CAPITAL MANAGEMENT

The Company considers the capital it manages to be the amounts it has in cash and cash equivalents, debt (long-term and short-term borrowings) and shareholder's equity.

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern
- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans
- optimize the cost of its capital at an acceptable level in light of current and future industry, market and economic risks and conditions
- utilize the long-term funding sources to manage its working capital and restructure debt to minimize the cost of its capital
- acquire assets and dispose of non-performing assets

The Company's debt contains general security restrictions and debt covenants. The Company's debt covenants came into effect September 30, 2008.

The declaration and payment of dividends and the amount thereof are at the discretion of the Board. In order to maintain and maximize growth, maintain sufficient liquidity to support its financial obligations and optimize the cost of capital, the Company currently does not pay out dividends.

FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, foreign currency risk, interest rate risk and liquidity risk as a result of holding financial instruments. The Company's financial instruments consist of cash, accounts receivable, an amount due from a director, accounts payable and accrued liabilities, long-term debt and obligations under capital leases.

Fair value

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments. The fair value of the amount due from a director and the obligations under capital leases are approximated by their carrying values as these items bear market rates of interest. The fair value of long-term debt is approximated by their carrying amounts as the long-term debt either bears a fair market rate of interest or the carrying amount was discounted to reflect a below market rate of interest.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to cash, accounts receivable from clients and insurance carriers. Cash is in place with major financial institutions. Concentrations of credit risk with respect to client and carrier accounts receivable are limited due to the large number of customers and carriers. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

Foreign currency risk

The Company conducts business operations in the United States and has U.S. dollar denominated indebtedness and is therefore exposed to cash flow risks associated with fluctuations in the relative value of the Canadian and U.S. dollar. The Company does not engage in hedging activities or use financial instruments to reduce its risk exposure.

Interest rate risk

Certain of the Company's indebtedness bear interest at floating rates, which exposes the Company to interest rate cash flow risk. Should the base rate of interest increase in the future, the Company's required interest payments will also increase. The Company manages its exposure to fluctuations in its interest expense, through a mix of fixed and variable interest rates.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company meets liquidity requirements by managing cash flows and being in an industry where its assets are fairly reasonably readily convertible into cash in the short-term.

The Company's ability to obtain funding from external sources may be restricted if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short-term and long-term debt requirements. The Company mitigates these risks by actively monitoring market conditions and diversifying its sources of funding and debt maturity.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective or complex judgments. We are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon available information, historical information and/or forecasts. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates. The accounting policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include those relating to business acquisitions and accounting for the resulting customer accounts, goodwill and non-competition agreements, and stock-based compensation, franchise fees and income taxes.

Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Business combinations

Business acquisitions are accounted for using the purchase method whereby the fair value of consideration given is allocated to identifiable assets acquired and liabilities assumed. The results of operations and cash flows of an acquired business are included in the Company's financial statements from the date of acquisition. Where the consideration given is subject to contingent adjustment based on future periods' operating results, such adjustment is recognized in the period the contingency is resolved.

Customer accounts

Acquired customer accounts are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of between one and seventeen years. The carrying value of customer accounts is periodically assessed for impairment in accordance with the Company's accounting policy for impairment of long-lived assets.

Goodwill

Goodwill results from business combinations and represents the excess of the consideration given over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually.

Non-competition agreements

Non-competition agreements are secured at the time of business combinations and are recognized at their estimated fair value at the date of acquisition. Amortization is provided on a straight-line basis over their estimated useful lives of between five and fifteen years. Impairment is periodically assessed in accordance with the Company's policy for impairment of long-lived assets.

Franchise fees

Franchise fees are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of fifteen years.

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

Income taxes

Income taxes are recorded using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carry-forwards only to the extent their realization is considered more likely than not.

NOTICE TO READER

The accompanying unaudited interim financial statements of the Company for the nine months ended December 31, 2008 have been prepared by management and approved by the audit committee. These statements have not been reviewed by the Company's external auditors.

Dated: February 26, 2009

"Tony Consalvo"

Tony Consalvo
President and CEO

"Mahesh Bhatia"

Mahesh Bhatia
Chief Financial Officer