2007 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

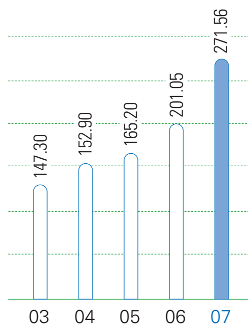
$ in millions	2003	2004	2005	2006	2007
Revenue	$ 147.3	$ 152.9	$ 165.2	$ 201.1	$ 271.6
Income Before Income Taxes and Minority Interest	$ 14.6	$ 19.5	$ 20.2	$ 15.9	$ 9.6
% of Revenue	9.9%	12.8%	12.2%	7.9%	3.5%
Net Income	$ 19.4	$ 10.9	$ 12.5	$ 9.4	$ 6.77
Net Income per Diluted Share**	$ 1.36	$ 0.64	$ 0.70	$ 0.54	$ 0.39
Subscription Revenue, net of Marketing and Commissions***	$ 63.7	$ 84.5	$ 102.6	$ 118.4	$ 148.14
Acquisition of Property and Equipment	$ 5.3	$ 9.7	$ 10.6	$ 8.3	$ 6.1
Cash, Cash Equivalents and Short-Term Investments	$ 14.4	$ 52.2	$ 51.6	$ 26.0	$ 19.8
Stockholders' Equity	$ 5.5	$ 87.1	$ 92.9	$ 104.6	$ 114.75
Subscribers*	2,275	2,885	3,660	4,626	5,259
Employees at End of Period**	406	596	630	933	1,022

* in thousands

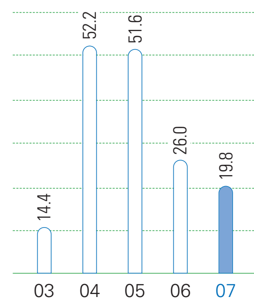
** actual value

*** Subscription revenue, net of marketing and commissions associated with subscription revenue, is a non-GAAP financial measure that we believe is important to investors and one that we utilize in managing our business as it normalizes the effect of changes in the mix of direct and indirect marketing arrangements.

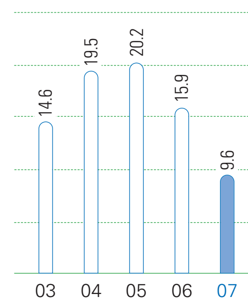
Revenue
$ in millions



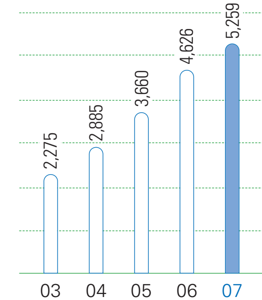
Cash, Cash Equivalents, & Short-Term Investments
$ in millions



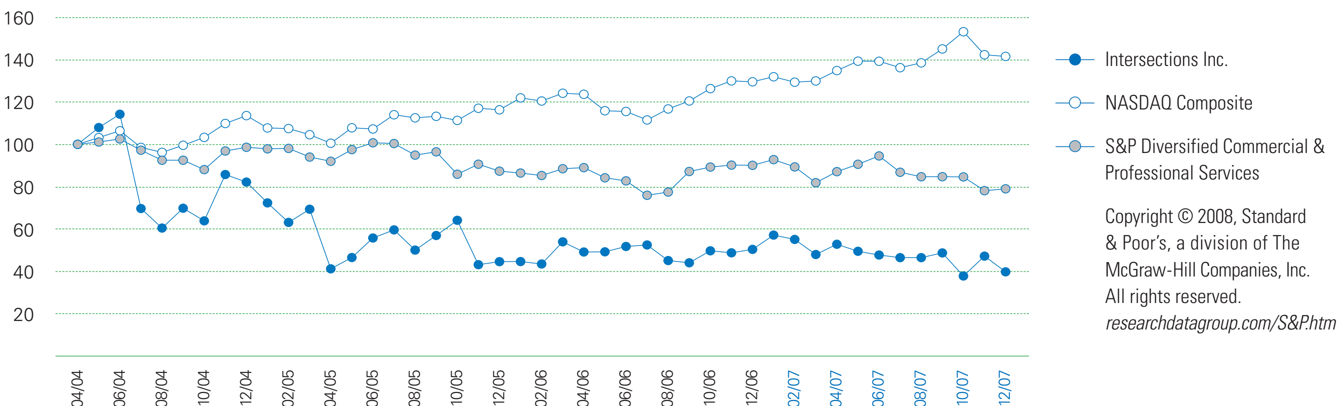
Income Before Income Taxes & Minority Interest
$ in millions



Subscribers
in thousands



Comparison of 44 Month Cumulative Total Return*
in dollars



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researchdatagroup.com/S&P.htm

* $100 invested on 04/30/04 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

TO OUR SHAREHOLDERS

Last year, we positioned Intersections to *breakaway*. Looking back at 2007 in the rear-view mirror, I am pleased to report we accomplished that objective. We achieved record top-line growth, reinvigorated our higher-value retail consumer business, and strategically grew the company with key acquisitions and product introductions. We are beginning to cross the threshold from investment to earnings growth. We achieved these results through sound strategy and solid execution.

Over the last few years, Intersections has grown to become a much more diverse company with businesses dispersed across the United States and on three continents. Last summer, Intersections created a definitive vision statement for our employees, many of whom were newly introduced to Intersections through acquisitions or global expansion. Our shared vision is:

"To be the world's premier provider of identity, privacy, and consumer protection services in the new digital world."

We work to achieve this vision by building on the strengths that make Intersections successful today, namely:

- Tirelessly assisting and protecting consumers and clients
- Creating and delivering innovative, convenient, and secure services
- Flexibly partnering with institutions to support their customers and brands
- Enhancing the value of our company through commitment and innovation
- Creating and maintaining a productive, professional, and profitable work environment

We are well positioned to meet the growing need for identity management solutions. As such, we remain focused and committed to achieving our vision, which guides us to both forecast and fulfill market needs.

Last year was an outstanding year, with new records for revenue and subscription sales, reinforcing our core business as the foundation for building medium- to long-term cash flow, earnings, and shareholder value.

Revenue grew to more than $270 million in 2007 — a new record that represents a 35 percent increase from 2006. Subscription Revenue Less Marketing and Commissions, which normalizes the contribution from our direct and indirect subscription programs, grew to $148 million in 2007, an increase of 25 percent.

We ended 2007 with 5.3 million subscribers, a 14 percent increase over the prior year. Each quarter of 2007 established a new record for quarterly subscription sales, and this strong sales trend continues in early 2008. More than 40 percent of the subscribers acquired in 2007 were direct, which is a significant increase from recent years. Subscribers from our multi-channel, consumer-direct business grew by more than 30 percent last year, and the consumer-direct program started contributing to profit in the fourth quarter of 2007.

Our growth in direct subscribers reduced earnings in 2007, due to the marketing costs and the front-end fulfillment and customer service costs that precede revenue; but by the fourth quarter of 2007, this growth was positively impacting earnings.

In August 2007, we acquired an early-stage company called Captira Analytical, which endeavors to enhance workflow and data management processes in the bail bond industry. In late 2007, we introduced Captira's software platform and data services to a growing base of retailers, general agents, and sureties in the bail bond industry, and we are diligently working to grow this business in 2008.

In December 2007, we acquired Net Enforcers Inc., a rapidly growing, cash flow positive company that provides corporate identity protection services in the form of online brand and intellectual property monitoring and enforcement in the online environment. Net Enforcers' products complement Intersections' existing enterprise services, which include background screening and data breach remediation.

In February 2008, we acquired substantially all of Citibank's membership agreements related to the Citi® Credit Monitoring Service program. These subscribers were already receiving Intersections' credit monitoring service and we purchased Citibank's interest in the subscription revenue stream.

Last year was the first full year of our international background screening joint venture, Screening International. We experienced higher process and client development expenses than originally envisioned. As such, results for our background screening business were weaker than expected. We have enhanced Screening International's management team and begun several process improvement initiatives, and we are starting to see encouraging signs that our "ship-righting" efforts in the joint venture are on track. Although we were disappointed with the results in our background screening business last year, we remain committed to and confident of the opportunities in this business.

Intersections launched several new, state-of-the-art identity protection and computer security products in 2007. Identity Guard Safe Connect, introduced in August, is the first product in the market to combine credit

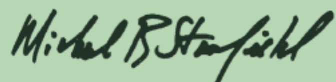
bureau file monitoring and behavior-based anti-malware to detect and remove malicious robots used to steal consumer information from personal computers. In December, we began offering a suite of software to combat spyware, malware, and PIN and password theft as part of our industry-leading Identity Guard Total Protection service. During the year, we will roll out significant enhancements to Total Protection, making it the clear choice for comprehensive protection against identity theft. We believe Identity Guard Total Protection represents the most advanced and practical suite of identity protection services available to consumers.

Finally, in 2007 we successfully attacked costs, both overhead and operational. First, we drove down our call center costs per minute despite a growing ratio of customer touches. These higher touches create additional opportunities for cross-selling and up-selling, which we expect to more fully exploit in 2008. Second, we reduced paper and postage costs through product redesigns, the full impact of which will be seen in 2008. Third, our per unit data costs have come down significantly as we leverage our increasing scale. Finally, our overhead costs per subscriber continued to decline consistent with our plans. We will continue introducing cost containment initiatives in 2008 as we strive for continuous improvement.

When we again look back in the rear-view mirror next year, we target 2008 as a period of value creation. Our record top-line growth has continued so far into 2008, and we expect this trend to continue toward more incremental growth and improved creation of cash flow. Equally important, Intersections is becoming stronger and more diversified through the growth initiatives outlined above.

An exciting time is ahead of us, as 2008 is shaping up to be another busy and productive year. However, we all travel into waters not recently explored as our economy and financial markets suffer from recent excesses, and many of our business partners are facing difficult times. Accordingly, we move into 2008, confident of our position and mission, but cautious of the economic environment through which we must navigate. On behalf of Intersections' employees, I would like to thank our clients, customers, business partners, and shareholders for their continued support.

All of us at Intersections look forward to continued growth and excellence in 2008.



Michael R. Stanfield
Chairman and Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

☑ **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**

Commission file number: 005-50580

INTERSECTIONS INC.
(Exact name of registrant as specified in the charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**54-1956515** *(I.R.S. Employer Identification Number)*
14901 Bogle Drive, Chantilly, Virginia *(Address of principal executive office)*	**20151** *(Zip Code)*

(703) 488-6100
(Registrant's telephone number including area code)

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, $.01 par value	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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

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

As of June 30, 2007, the aggregate market value of the common stock held by nonaffiliates of the registrant was approximately $80 million based on the last sales price quoted on the Nasdaq NMS.

As of February 29, 2008, the registrant had 18,176,137 shares of common stock, $0.01 par value per share, issued and 17,109,721 shares outstanding, with 1,066,416 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report, to the extent not set forth herein, is incorporated herein by reference from Registrant's definitive proxy statement to be filed within 120 days of December 31, 2007, pursuant to Regulation 14A under the Securities Exchange Act of 1934, for its 2008 annual meeting of stockholders to be held on May 21, 2007.

INTERSECTIONS INC.

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are subject to the safe harbor provisions of this legislation. We may, in some cases, use words such as "project," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "will," or "may," or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements.

These forward looking statements reflect current views about our plan, strategies and prospects, which are based upon the information currently available and on current assumptions. Even though we believe our expectations regarding future events are based on reasonable assumptions, forward-looking statements are not guarantees of future performance. Important factors could cause actual results to differ materially from our expectations contained in our forward-looking statements. These factors include, but are not limited to:

- our ability to replace subscribers we lose in the ordinary course of business;
- our ability to maintain our relationships with the three credit reporting agencies and other key providers;
- our ability to maintain our relationships with our key clients and obtain new clients;
- our ability to compete successfully with our competitors;
- our ability to introduce new products and services with broad appeal;
- our ability to protect and maintain our computer and telephone infrastructure;
- our ability to maintain the security of our data;
- changes in federal, state and foreign laws and regulations;
- our use of our cash and investments;
- our cash needs;
- implementation of our corporate strategy; and
- our financial performance.

There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include those that we discuss under the caption "Risk Factors." You should read these factors and other cautionary statements as being applicable to all related forward-looking statements wherever they appear. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We have no intention and undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. See "Item 1A, Risk Factors" for further discussion.

PART I

ITEM 1. *BUSINESS*

We are a leading provider of branded and fully customized identity management solutions. By integrating our technology solutions with our comprehensive services, we safeguard more than seven million customers, who are primarily received through marketing partnerships and consumer-direct marketing of our Identity Guard® brand. We also provide consumer-oriented insurance and membership products through marketing partnerships with the major mortgage services in the United States as well as other financial institutions through our subsidiary, Intersections Insurance Services, Inc. Additionally, through our majority-owned subsidiary Screening International LLC, we provide pre-employment background screening services domestically and internationally in partnership with Control Risks Group Limited of the United Kingdom.

We offer consumers a variety of consumer protection services and other consumer products and services primarily on a subscription basis. These services help consumers protect themselves against identity theft or fraud and understand and monitor their credit profiles and other personal information. Through our subsidiary Intersections Insurance Services, Inc., we offer a portfolio of services which include consumer discounts on healthcare, home, and auto related expenses, access to professional financial and legal information, and life, accidental death and disability insurance products. Our consumer services are offered through relationships with clients, including many of the largest financial institutions in the United States and Canada and clients in other industries. We also offer our services directly to consumers.

Through our majority owned subsidiary Screening International, LLC, we provide personnel and vendor background screening services to businesses worldwide. Screening International was formed in May 2006, with Control Risks Group, Ltd., a company based in the UK. Screening International has offices in Winchester, Virginia, London, United Kingdom, and Singapore. Screening International's clients include leading US, UK and global companies in such areas as manufacturing, healthcare, telecommunications and financial services. Screening International provides a variety of risk management tools for the purpose of personnel and vendor background screening, including criminal background checks, driving records, employment verification and reference checks, drug testing and credit history checks. We acquired American Background Information Services, Inc. in November 2004. In May 2006, we created Screening International by combining American Background Information Services, Inc. with Control Risks Group's background screening division. We own 55% of Screening International, and have the right to designate a majority of the five-member board of directors, and Control Risks Group owns 45%. Our agreement with Control Risks Group provides that in the event of a change of control of either party, the other party shall have the option to purchase the acquired party's equity interests in Screening International at an appraised price. We and Control Risks Group have agreed to cooperate to meet any future financing needs of Screening International, including agreeing to guarantee third party loans and making additional capital contributions on a pro rata basis, if necessary, subject to certain capital call and minority protection provisions. In 2007, we and Control Risks Group made capital contributions to Screening International of $2.0 million. Control Risks Group also agreed to provide certain support and marketing assistance and services and license certain trademarks to Screening International, and we agreed to provide certain management services to the company.

Through our wholly owned subsidiary, Captira Analytical, LLC, we provide software and automated service solutions for the bail bond industry, including office automation tools, accounting, reporting, employee background screening and underwriting decisioning tools. Captira Analytical was formed in August 2007, through our acquisition of substantially all of the assets of Hide N' Seek, LLC.

Through our wholly owned subsidiary, Net Enforcers, Inc., we provide corporate identity theft protection services, including online brand monitoring, online auction monitoring and enforcement, intellectual property monitoring and other services. We acquired Net Enforcers, Inc. in November 2007.

We have three reportable segments. Our Consumer Products and Services segment includes our consumer protection and other consumer products and services. This segment also includes the data security breach services we provide to assist organizations in responding to compromises of sensitive personal information. We help these clients notify the affected individuals, and we provide the affected individuals with identity theft recovery and credit monitoring services offered by our clients at no charge to the affected individual. Our Background Screening

segment includes the personnel and vendor background screening services provided by Screening International. Our Other segment includes the bail bonds industry management software solutions offered by Captira Analytical and the corporate identity theft protection services offered by Net Enforcers.

We were incorporated in Delaware in 1999. Through our predecessor companies, we have been offering consumer protection services since 1996. Intersections Insurance Services, through its predecessor companies, has been offering consumer products and services since 1982. Our principal executive offices are located at 14901 Bogle Drive, Chantilly, Virginia 20151 and our telephone number is (703) 488-6100. Our web site address is www.intersections.com. We make available on this web site under "Investors," free of charge, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, Forms 3, 4 and 5 filed via Edgar by our directors and executive officers and various other SEC filings, including amendments to these reports, as soon as reasonably practicable after we electronically file or furnish such reports to the SEC.

We also make available on our web site our Corporate Governance Guidelines and Principles, Code of Business Conduct and Ethics, and Statement of Policy with Respect to Related Person Transactions, and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. This information is also available by written request to Investor Relations at our executive office address listed above. The information on our web site, or on the site of our third-party service provider, is not incorporated by reference into this report. Our web site address is included here only as an inactive technical reference.

Consumer Products and Services

Our Services and Subscribers

We offer consumers their credit reports, and daily, monthly and quarterly monitoring of their credit files, at one or all three of the major credit reporting agencies, Equifax, Experian and TransUnion. We also offer reports and monitoring services based on additional information sources, including public records and new financial account applications, along with services that help subscribers detect unauthorized use of their account information. In addition, we offer credit scores and credit score analysis tools, credit education, identity theft recovery services, and identity theft cost reimbursement. Our products and services also include consumer discounts on healthcare, home, and auto related expenses, access to professional financial and legal information, and life, accidental death and disability insurance, provided through our subsidiary, Intersections Insurance Services.

Our products and services are offered to consumers principally on a monthly subscription basis. Subscription fees are generally billed directly to the subscriber's credit card, mortgage bill or demand deposit account. The prices to subscribers of various configurations of our products and services range generally from $4.99 to $25.00 per month. As a means of allowing customers to become familiar with our services, we sometimes offer free trial or guaranteed refund periods.

A substantial number of our subscribers cancel their subscriptions each year. Because there is an investment cost to acquire a new subscriber and produce initial fulfillment materials, subscribers typically must be retained for a number of months in order to cover these costs. Not all subscribers are retained for a sufficient period of time to achieve positive cash flow returns on these investment costs.

We also offer data security breach services to organizations responding to compromises of sensitive personal information. We help these clients notify the affected individuals, and we provide the affected individuals with identity theft recovery and credit monitoring services offered by our clients at no charge to the affected individuals. We generally are paid fees by the clients for the services we provide their customers.

Our Marketing

Our products and services are marketed to customers of our clients, and often are branded and tailored to meet our clients' specifications. Our clients principally are credit card, direct deposit or mortgage issuing financial institutions, including many of the largest financial institutions in the United States and Canada. With certain of our financial institution clients, we have broadened our marketing efforts to access demand deposit accounts and selling at the point of personal contact in branches. Our financial institution clients currently account for the majority of our existing subscriber base. We also are continuing to augment our client base through relationships with insurance

companies, mortgage companies, brokerage companies, associations, travel companies, retail companies, web and technology companies and other service providers with significant market presence and brand loyalty.

With our clients, our services are marketed to potential subscribers through a variety of marketing channels, including direct mail, outbound telemarketing, inbound telemarketing, inbound customer service and account activation calls, email, mass media and the internet. Our marketing arrangements with our clients sometimes call for us to fund and manage marketing activity. The mix between our company-funded and client-funded marketing programs varies from year to year based upon our and our clients' strategies. In 2007, we substantially increased our own investment in marketing with one of our clients. We expect to continue our own investment in marketing with one or more clients in 2008.

In 2007, we continued our expansion efforts to market our consumer products and services directly to consumers. We conduct our consumer direct marketing primarily through the internet. We also may market through other channels, including direct mail, outbound telemarketing, inbound telemarketing, email and mass media.

Our Clients

Our client arrangements are distinguished from one another by the allocation between us and the client of the economic risk and reward of the marketing campaigns. The general characteristics of each arrangement are described below, although the arrangements with particular clients may contain unique characteristics:

- *Direct marketing arrangements:* Under direct marketing arrangements, we bear most of the new subscriber marketing costs and pay our client a commission for revenue derived from subscribers. These arrangements generally result in negative cash flow over the first several months after a program is launched due to the upfront nature of the marketing investments. In some arrangements we pay the client a service fee for access to the client's customers or billing of the subscribers by the client.

- *Indirect marketing arrangements:* Under indirect marketing arrangements, our client bears the marketing expense and pays us a service fee or percentage of the revenue. Because the subscriber acquisition cost is borne by our client under these arrangements, our revenue per subscriber is typically lower than that under direct marketing arrangements. Indirect marketing arrangements generally provide positive cash flow earlier than direct arrangements and the ability to obtain subscribers and utilize marketing channels that the clients otherwise may not make available.

- *Shared marketing arrangements:* Under shared marketing arrangements, marketing expenses are shared by us and the client in various proportions, and we may pay a commission to or receive a service fee from the client. Revenue generally is split in proportion to the investment made by our client and us.

The classification of a client relationship as direct, indirect or shared is based on whether we or the client pay the marketing expenses. Our accounting policies for revenue recognition, however, are not based on the classification of a client arrangement as direct, indirect or shared. We look to the specific client arrangement to determine the appropriate revenue recognition policy, as discussed in detail in Note 2 to our consolidated financial statements.

Our typical contracts for direct marketing arrangements, and some indirect and shared marketing arrangements, provide that after termination of the contract we may continue to provide our services to existing subscribers, for periods ranging from two years to no specific termination period, under the economic arrangements that existed at the time of termination. Under certain of our agreements, however, including most indirect marketing arrangements and some shared marketing arrangements, the clients may require us to cease providing services under existing subscriptions. Clients under some contracts may also require us to cease providing services to their customers under existing subscriptions if the contract is terminated for material breach by us.

Revenue from subscribers obtained through our largest clients in 2006 and 2007, as a percentage of our total revenue, was: Bank of America (including MBNA, which was acquired by Bank of America in 2006) — 13% and 33%; Citibank — 14% and 11%; Discover — 15% and 13%; Capital One (directly, and, for subscribers acquired prior to January 1, 2005, through our relationship with Equifax) — 13% and 10%; American Express — 7% and 0%.

Operations

Our operations platform for our consumer products and services, which consists principally of customer service, information processing and technology, is designed to serve the needs of both our clients and our subscribers. Our services are tailored to meet our clients' requirements for branding and presentation, service levels, accuracy and security. We believe our operations offer a significant competitive advantage for us in our ability to produce high quality services in both online and offline environments while delivering high levels of both customer and client service and data security.

Customer Service

We have designed our customer service for our consumer products and services to achieve customer satisfaction by responding quickly to subscriber requests with value-added responses and solutions. In addition, we work to gain customer satisfaction through our policy of selective recruiting, hiring, training, retaining and management of customer service representatives who are focused exclusively on identity theft protection and credit management services. We also effectively manage numerous providers of outsourced call center and other services in order to achieve client and customer satisfaction. Prior to working with subscribers, service representatives are required to complete a training program that focuses on the fundamentals of the credit industry, regulation, credit reporting and our products and services. This classroom training is then followed by a closely monitored on-the-job training program with assigned mentors and call simulations. Service representatives then continue to be monitored and receive feedback based on the standards of our quality assurance program. In addition to call quality, we are bound by client-driven metrics specified by our client agreements.

We maintain in-house customer care centers in Chantilly, Virginia, Arlington Heights, Illinois, and Rio Rancho, New Mexico. Additionally, we utilize the services of outsourced vendors with capacity for additional customer service representatives trained to handle billing inquiries, subscription questions and account retention.

Information Processing

Our in-house information processing capabilities for our consumer products and services are designed to provide prompt, high quality, secure and cost-effective delivery of subscribers' personal data. Proprietary software creates consumer friendly presentation, tracks delivery at the page level and stores the consolidated credit data for member servicing. For the purpose of ensuring accuracy and security of subscribers' personal data, credit reports are electronically inspected upon receipt and again before final delivery. Operational auditing of fulfillment events is also conducted regularly. We have fulfillment centers in Chantilly, Virginia, Manassas, Virginia, and Arlington Heights, Illinois. We believe that these centers provide additional capacity to handle projected growth, provide contingency backup and efficiently respond to volume spikes.

We also make our services available to most subscribers via the internet. Upon enrollment, each subscriber is provided a personal identification number that enables immediate activation and access. We deliver these services through client-branded web sites and our own branded web sites.

Information Technology

We continue to make significant investments in technology to enable continued growth in our subscriber base. This also allows us to provide flexible solutions for our subscribers and clients with a secure and reliable platform. Our customer resource management platform, which is the basis for our service delivery, integrates certain industry and application specific software. Since inception, we have contracted a portion of our credit data processing to Digital Matrix Systems, Inc. A portion of our web development is contracted to nVault, Inc.

We employ a range of information technology solutions, physical controls, procedures and processes to safeguard the security of data, and regularly evaluate those solutions against the latest available technology and security literature. We use respected third parties to review and test our security, we continue to be audited by our clients, and we have obtained a TruSecure Web Certification from Cybertrust, which is now part of Verizon Business.

We have undertaken several projects for the purpose of ensuring that the infrastructure expands with client and subscriber needs. We have a dedicated disaster recovery computing capability in Rio Rancho, New Mexico for the back office operations, a primary online data center in the Virginia area and a secondary hosted data center in Canada. Our back office and online environments are designed with high volume processing in mind and are constructed to optimize performance, reliability, and scalability.

Data and Analytics Providers

Under our agreements with Equifax, Experian and TransUnion, we purchase data for use in providing our services to consumers. The Experian and TransUnion contracts may be terminated by them on 30 days and 60 days notice, respectively. Our agreement with Equifax expires in November 2010. Each of these credit reporting agencies is a competitor of ours in providing credit information directly to consumers.

We have entered into contracts with several additional providers of data and analytics for use in our identity theft and fraud protection services, including new data sources, advanced tools and analytical capabilities, more timely notification of activities and more useable content. We expect those third party data and analytics sources to be of increasing significance to our business in the future to the extent we are successful in marketing our new services. Our other consumer products and services are delivered by third party providers, including insurance companies, discount service providers and software distributors.

Competition

The markets for our Consumer Products and Services segment are highly competitive. A number of divisions or subsidiaries of large, well-capitalized firms with strong brand names operate in the industry. We compete with these firms to provide our services to our clients' customers and our direct subscribers. We compete for these clients on the basis of our reputation in the market, ability to offer client-branded solutions, flexible service configurations, high quality standards and price.

We believe that our principal competitors for our Consumer Products and Services segment include: Equifax; Experian and its subsidiary, Consumerinfo.com; TransUnion and its subsidiary, Truelink; First Advantage, through its affiliate CREDCO; Affinion; and Vertrue. A number of additional competitors in providing identity theft protection services to consumers, including LifeLock and TrustedID, have entered the market recently, and more may enter the market. We believe that these competitors primarily market their services directly to the consumer through the Web, except for Affinion and CREDCO, which we believe primarily market offline and compete with us for financial institution clients. We believe that certain of our competitors, including Equifax, Experian and TransUnion, are and will continue to make efforts to compete with us in marketing offline and providing branded solutions for financial institution clients.

Background Screening

Our Services

Through our majority owned subsidiary, Screening International, we provide a variety of risk management tools for the purpose of personnel and vendor background screening, including criminal background checks, driving records, employment verification and reference checks, drug testing and credit history checks. Our background screening services integrate data from various automated sources throughout the world, additional manual research findings from employees and subcontractors, and internal business logic provided both by Screening International and by our clients into reports that assist in decision making. Our background screening services are generally sold to corporate clients under contractual arrangements with individual per unit prices for specific service specifications. Due to substantial difference in both service specifications and associated data acquisition costs, prices for our background screening services vary significantly among clients and geographies.

Our Marketing

We generally market our background screening services to businesses through an internal sales force. Our services are offered to businesses on a local or global basis. Prices for our services vary based upon the complexity

of the services offered, the cost of performing these services and competitive factors. Control Risks Group provides marketing assistance and services, and licenses certain trademarks to Screening International under which our services are branded in certain geographic areas.

Our Clients

Our clients include leading US, UK and global companies in such areas as manufacturing, healthcare, telecommunications and financial services. Our clients are primarily located in the United States and the United Kingdom. Several of our clients have operations in other countries, and use our services in connection with those operations. We have other clients in various countries, and expect the number of these clients to increase as we develop our global background screening business. Because we currently service the majority of our clients through our operations in the US and the UK, we consider those two locations to be the sources of our business for purposes of allocating revenue on a geographic basis. We have several clients that contribute greater than 10% of this segment's revenue. The loss of one of these clients could have a material adverse impact on this segment's financial results. Revenue through our largest client in 2006 and 2007 was 19% and 16% of the segment's revenue. None of these clients constitutes 10% or more of our consolidated revenue.

Operations

Our operations platforms for the background screening segment, which consist of both operational staff and information technology, are designed to meet the unique service specifications of our clients while facilitating providing common client needs such as access to information gateways and enforcement of data security standards. Our background screening services have primary operations centers in Winchester, Virginia, and London, UK. As part of our global marketing and operations strategy for this segment, we opened an office in Singapore in 2007 which operates on a limited basis. We are in the process of adding additional operating capacity for our background screening services to handle anticipated future business volumes. These centers may be wholly owned facilities or operated through subcontractor relationships and may be located throughout the world.

Information Technology

For our background screening services, we manage in-house information technology platforms in both Winchester, VA and London, UK. In addition, in certain cases, we leverage external technology platforms operated by subcontractors who conduct all or part of certain background screening services on our behalf. We are investing in software systems and infrastructure that further expand both our capabilities to meet global client demands. We are scaling our infrastructure as well, including increases in network capacity linking our offices, to support our business growth. We employ a range of information technology solutions, physical controls, procedures and processes to safeguard the security of data, and regularly evaluate those solutions against the latest available technology and security literature.

Data and Analytics Providers

Our background screening services rely on multiple sources of data globally. Those data sources include commercial providers of public record data, credit reporting agencies, state and local government agencies, and data collectors in various locations. We use subcontractors to collect certain data that is not generally available in an automated format. Our data provider agreements are generally non-exclusive and may be cancelled by either party within time periods as short as thirty days. Certain providers of data for our background screening services may also be competitors of ours in providing background screening services to corporate clients. We continually evaluate our data provider relationships based upon a combination of cost, quality and coverage attributes and may make changes in our portfolio of data providers from time to time.

Competition

Our Background Screening segment operates in a variety of highly competitive local and global markets with differing characteristics. In the United States, the employment background screening market is well established but remains highly fragmented and competitive. We believe that our competitors include national employment

background screening providers such as First Advantage Corporation, ChoicePoint, Axiom, and HireRight, regional and local background screening providers, and smaller, independent private investigations firms. Outside the United States, the screening market is less developed but growing rapidly. In these global markets, we believe that our services compete with a smaller universe of companies that have committed to developing an international delivery capability, as well as smaller local background screening providers and private investigative firms.

Other

Our Services

Through our wholly owned subsidiary, Captira Analytical, we provide automated service solutions for the bail bonds industry. These services include accounting, reporting, and decision making tools which allow bail bondsmen, general agents and sureties to run their offices more efficiently, to exercise greater operational and financial control over their businesses, and to make better underwriting. We believe Captira Analytical's services are the only fully integrated suite of bail bonds management applications of comparable scope available in the marketplace today. Captira Analytical's services are sold to retail bail bondsman on a "per seat" license basis plus additional one-time or transaction related charges for various optional services. As Captira Analytical's business model is relatively new, pricing and service configurations are subject to change at any time.

Through our wholly owned subsidiary, Net Enforcers, we provide corporate identity theft protection services, including online brand monitoring, online auction monitoring and enforcement, intellectual property monitoring and other services. NetEnforcers' services include the use of sophisticated technology to search the internet in search of potential property right infringements, value added analysis and recommendation from our trained staff of analysts, and manual or automated enforcement activities as directed by our clients. Net Enforcers' services are typically priced as monthly subscriptions for a defined set of monitoring and analysis services, as well as per transaction charges for enforcement related services. Prices for our services vary based upon the specific configuration of services purchased by each client and range from several hundred dollars per month to thousands of dollars per month.

Our Marketing

Captira Analytical primarily markets its services through an internal sales force both directly to bail bondsmen and indirectly via bail bonds industry intermediaries such as trade associations, general agents, sureties and insurance companies. Captira Analytical has secured exclusive endorsements from the largest trade association in the bail bonds industry as well as several large general agents and sureties. Captira Analytical is actively working with these industry intermediaries to roll out their services to affiliated retail bail bondsmen.

Net Enforcers primarily uses an internal sales forces to market its services to corporate brand owners or law firms working on behalf of corporate brand owners. We believe Net Enforcers' offers a broader range of corporate identity protection services than our competitors due to our emphasis on analysis and enforcement activities in addition to data collection on potential brand infringements.

Our Clients

Captira Analytical's clients are bail bonds industry participants including insurance companies, sureties, general agents and retail bail bondsmen. Captira Analytical is at an early stage in its commercial operations and their operating results do not significantly impact consolidated financial results.

Net Enforcers' clients are typically corporate brand owners or law firms working on behalf of corporate brand owners. Generally, client contracts have terms of one year with automatic annual renewals. We have one client that contributes greater than 10% of this segment's revenue. The loss of this client could have a material adverse impact on this segment's financial results. Revenue from this client in 2007 was approximately 39% of the segment's revenue. This client does not constitute 10% or more of our consolidated revenue.

Operations, Information Technology & Customer Service

Captira Analytical has custom developed its technology and operational processes based upon an in depth understanding of the operational activities of the bail bonds industry. Captira Analytical's primary offices are located in Albany, NY. Captira Analytical has additional sales and customer support personnel located throughout the country. Captira Analytical outsources hosting and management of its operational technology platforms to a domestic third party data center provider. Services are generally delivered to clients on a remote basis over the internet via secure connections. On site support is sometimes provided to clients, particularly during initial data migration and account setup. Captira Analytical continues to invest in its operational and technology platforms to improve functionality, scalability and the security of its offerings.

Among the functionality offered by Captira Analytical to its customers is the ability to retrieve reports for use in evaluating bail bonds applications. To provide these reports, Captira Analytical utilizes a combination of publicly available information extracted from websites and commercial providers of public record data, credit reporting agencies, state and local government agencies, and data collectors in various locations.

Net Enforcers has developed its operational and technology platforms through years of experience detecting and taking action to remediate online brand abuse. Net Enforcers uses sophisticated web crawling technology to detect and log potential brand infringements on behalf of clients. Some of these technologies are licensed from third parties. These logs are typically shared with clients via an online portal, and may be augmented at the client's request with value added analysis and/or enforcement activities. Net Enforcers' enforcement activities have been designed through years of experience to interact effectively and under the appropriate control of external parties such as the corporate brand owners, third party law firms, online auction sites, and others. Net Enforcers primary offices are in Gainesville, FL and Phoenix, AZ.

Data and Analysis Providers

Captira Analytical utilizes a combination of publicly available information extracted from websites and commercial providers of public record data, credit reporting agencies, state and local government agencies, and data collectors in various locations.

Net Enforcers primarily utilizes publicly available information extracted from websites in their service offerings.

Competition

We believe that Captira Analytical is the only provider of an integrated suite of bail bonds industry office automation and decisioning tools of comparable scope. Captira Analytical competes in part with providers of a limited suite of bail bonds industry tools such as Creative Software Solutions, Bailbooks and others.

Net Enforcers has a number of competitors that offer brand protection services similar in whole or part to Net Enforcers own offerings. These competitors include Mark Monitor, Cyveillance, Name Protect and Op Sec. In addition, Net Enforcers at times competes for business against both internal and external legal counsel for corporate brand owners.

Government Regulation

Our business is subject to a variety of laws and regulations, some of which are summarized below. Should we fail to comply with these laws or regulations, we could be subject to a variety of criminal and civil enforcement actions, lawsuits and sanctions, any of which could have a material adverse effect on our company. Changes in these laws or regulations, or new laws or regulations, could affect our business.

Credit Reporting Laws

Our services involve the use of consumer credit reports governed by the federal Fair Credit Reporting Act and similar state laws governing the use of consumer credit information. The Fair Credit Reporting Act establishes a set of requirements that "consumer reporting agencies" must follow in conducting their business. A "consumer

reporting agency" generally means any person who for monetary fees regularly engages in assembling consumer credit information for the purpose of furnishing consumer reports to third parties. Each of the major credit reporting agencies is a "consumer reporting agency" under the Fair Credit Reporting Act. Except for our Background Screening segment, and certain of our bail bonds industry services in our Other Services segment, we are not a "consumer reporting agency" within the meaning of the Fair Credit Reporting Act. Certain provisions of the Fair Credit Reporting Act, however, apply to users of consumer reports and others, such as ourselves. In addition, we are required by our contracts with Equifax, Experian and TransUnion, to comply with certain requirements of the Fair Credit Reporting Act. Some states have adopted laws and regulations governing the use of consumer credit information. Many of those laws are similar in effect to the Fair Credit Reporting Act, although some state laws have different provisions.

The Fair Credit Reporting Act provides consumers the ability to receive one free consumer credit report per year from each major consumer credit reporting agency, and requires each major consumer credit reporting agency to provide the consumer a credit score along with his or her credit report for a reasonable fee as determined by the Federal Trade Commission. Laws in several states, including Colorado, Georgia, Illinois, Maine, Maryland, Massachusetts, New Jersey and Vermont, require consumer reporting agencies to provide each consumer one credit report per year (or two credit reports, in the case of Georgia) upon request without charge. The Fair Credit Reporting Act and state laws give consumers other rights with respect to the protection of their credit files at the credit reporting agencies. For example, the Fair Credit Reporting Act gives consumers the right to place "fraud alerts" at the credit reporting agencies, and the laws in approximately 40 states give consumers the right to place "freezes" to block access to their credit files. We are not required to comply with these requirements because we are not a consumer reporting agency. These laws do apply to the three major credit reporting agencies from which we purchase data for our services. The rights of consumers to obtain free annual credit reports credit scores from consumer reporting agencies, and place fraud alerts and credit freezes directly with them, could cause consumers to perceive that the value of our services is reduced or replaced by those benefits, which could have a material adverse effect on our business.

The major credit reporting agencies that are obligated to provide free credit reports are required to maintain a centralized source through which consumers may request their free credit reports. The Federal Trade Commission has promulgated rules which allow the credit reporting agencies to advertise their paid products on the centralized source. The Federal Trade Commission's rules restrict the manner of such advertising, and also prohibit the credit reporting agencies from using for marketing purposes the consumer information gathered through the centralized source. Nevertheless, advertising by the credit reporting agencies through the centralized source may compete with the marketing of our services.

Privacy

Generally, the Gramm-Leach-Bliley Act governs information about consumers received or obtained by "financial institutions." The Gramm-Leach-Bliley Act, together with implementing regulations adopted by the Federal Trade Commission and other federal agencies, require, among other things, that financial institutions issue privacy policies to consumer customers and comply with various restrictions on use and disclosure of "nonpublic personal information." The Gramm-Leach-Bliley Act and implementing regulations also restrict the use, disclosure and safeguarding of nonpublic personal information by non-financial institutions that receive such information from financial institutions. Some of our business, including use of nonpublic personal information we receive in connection with our services, is subject to the Gramm-Leach-Bliley Act and implementing regulations.

In addition, some states have or may adopt laws applicable to the privacy of consumer information and data security for such information, including laws that require notification of consumers in the event of unauthorized access to private information. Numerous states have adopted and may continue to adopt laws concerning the protection and usage of personal information, such as Social Security numbers, that may negatively impact our business and operations primarily by imposing usage limitations. Various states, as well as the federal government, may adopt such laws and other laws and regulations that may impede or increase the costs of the use of private consumer information in our business. Such restrictions also could impede the ability of third party data and analytics providers to provide us data for use in our new consumer services.

Marketing Laws and Regulations

We market our consumer products and services through a variety of marketing channels, including direct mail, outbound telemarketing, inbound telemarketing, inbound customer service and account activation calls, email, mass media and the internet. These channels are subject to both federal and state laws and regulations. Federal and state laws and regulations may limit our ability to market to new subscribers or offer additional services to existing subscribers.

Telemarketing of our services is subject to federal and state telemarketing regulation. Federal statutes and regulations adopted by the Federal Trade Commission and Federal Communications Commission impose various restrictions on the conduct of telemarketing. The Federal Trade Commission also has enacted the national Do Not Call Registry, which enables consumers to elect to prohibit telemarketers from calling them. We may not be able to reach potential subscribers because they are placed on the national Do Not Call Registry. Many states have adopted, and others are considering adopting, statutes or regulations that specifically affect telemarketing activities. Although we do not control the telemarketing firms that we engage to market our programs, in some cases we are responsible for compliance with these federal and state laws and regulations. In addition, the Federal Trade Commission and virtually all state attorneys general have authority to prevent marketing activities that constitute unfair or deceptive acts or practices.

Federal laws govern email communications. Some of these laws may affect our use of email to market to or communicate with subscribers or potential subscribers.

Insurance Laws

Some of the services provided by Intersections Insurance Services include insurance components governed by insurance laws. Insurance generally is regulated by each of the fifty states of the United States and the District of Columbia. Some insurance laws require licensing, and impose other extensive restrictions. The applicability of some insurance laws to various services and activities may vary by state, and may be uncertain within a state, which may result in unanticipated costs or restrictions on our business.

Canadian Laws

Various Canadian federal and provincial laws govern our consumer products and services in Canada, including provincial credit reporting laws similar in scope to the Fair Credit Reporting Act in the United States and privacy laws. Many of these laws vary by province within Canada.

Laws and Regulations Particularly Affecting Our Background Screening and Other Segments

Our background screening and bail bonds industry services depend on information about individuals from private and public sources. In the United States, these services are governed by the federal Fair Credit Reporting Act, various state consumer reporting laws, the federal Drivers' Privacy Protection Act, and other federal and state laws. Our background screening services also are subject to the European Data Privacy Directive, and other privacy laws in Europe and other countries where we obtain data or provide background screening reports. We or our clients also must comply with laws that govern the data that may be used in making employment decisions. As we expand our background screening services around the world, we will be required to analyze and comply with a variety of laws in other countries and jurisdictions, which may significantly increase the costs of our business and may result in unanticipated restrictions on our planned activities.

Net Enforcers' services depend in part on federal and state laws governing intellectual property ownership and enforcement, and may be governed by laws on the rights of third parties to conduct investigations and act on behalf of intellectual property owners. Net Enforcers' services also depend in part on the private rules adopted by internet auction and portal sites in order to comply with the safe harbor requirements of intellectual property laws and other legal requirements. Changes in these laws or rules or how they are interpreted or implemented may adversely affect the ability of Net Enforcers to provide its services.

Intellectual Property

We consider certain of our processes, systems, methodologies, databases, tangible and intangible materials and software and trademarks to be proprietary. We rely on a combination of trade secret, patent, copyright, trademark and other laws, license agreements and non-disclosure, non-competition and other contractual provisions and technical measures to protect our proprietary and intellectual property rights. Various tools available for use on our website utilize software under license from several third parties. We do not believe that these software licenses are material to our business, and believe that they may be replaced on similar terms with software licensed from other third parties or developed by us or on our behalf, including by vendors currently under contract with us. When we market our services in client-branded programs, we rely on licenses from our clients to use their trademarks.

Financial Information About Segments and Geographic Areas

See Note 18 to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for financial information about our segments and geographic areas.

Employees

As of December 31, 2007, we had approximately 1,022 employees, including at our majority-owned subsidiary Screening International. Our future performance depends significantly on the continued service of our key personnel. None of our employees are covered by collective bargaining arrangements. We believe our employee relations are good.

ITEM 1A. *RISK FACTORS*

We believe the following risk factors, as well as the other information contained in this Annual Report on Form 10-K, are material to an understanding of our company. Any of the following risks as well as other risks and uncertainties discussed in this Annual Report on Form 10-K could have a material adverse effect on our business, financial condition, results of operations or prospects and cause the value of our stock to decline. Additional risks and uncertainties that we are unaware of, or that are currently deemed immaterial, also may become important factors that affect us.

Risks Related to our Business

We must replace the subscribers we lose in the ordinary course of business and, if we fail to do so, our revenue and subscriber base will decline.

A substantial number of subscribers to our consumer products and services cancel their subscriptions each year. Cancellations may occur due to numerous factors, including:

- changing subscriber preferences;
- competitive price pressures;
- general economic conditions;
- subscriber dissatisfaction;
- cancellation of subscribers due to credit card declines; and
- credit or charge card holder turnover.

The number of cancellations to our consumer products and services within the first 90 days as a percentage of new subscribers was 29.3% in 2005, 24.5% in 2006 and 25.2% in 2007. We analyze subscriber cancellations during the first 90 days because we believe this time period affords the subscriber the opportunity to evaluate the service. The number of cancellations after the first 90 days, as a percentage of the number of subscribers at the beginning of the year plus the net of new subscribers and cancellations within the first 90 days, was 25.6% in 2005, 27.7% in 2006, and 31.6% in 2007.

If we fail to replace subscribers to our consumer products and services we lose in the ordinary course of business, our revenue may decline, causing a material adverse impact on the results of our operations. There can be no assurance that we can successfully replace the large number of subscribers that cancel each year.

We historically have depended upon a few clients to derive a significant portion of our revenue.

Revenue from subscribers obtained through our largest clients — Bank of America (including MBNA, which was acquired by Bank of America in 2006), Citibank, Discover, Capital One (directly, and, for subscribers acquired prior to January 1, 2005, through our relationship with Equifax), and American Express — as a percentage of our total revenue was 62.2% in 2006 and 67.3% in 2007. The loss of any of our key clients could have a material adverse effect on our results of operations. For example, in February, 2008, our client Discover terminated its indirect agreement with us, effective September 1, 2008. Upon termination of that agreement, we will cease providing services to Discover customers governed by that agreement. In 2007, Discover customers governed by that agreement accounted for approximately 10% of the revenues of Intersections.

If one or more of our agreements with clients were to be terminated or expire, or one or more of our clients were to reduce or change (or threaten to reduce or change) the marketing of our services, we would lose access to prospective subscribers and could lose sources of revenue and profit.

Many of our key client relationships are governed by agreements that may be terminated without cause by our clients upon notice of as few as 60 days without penalty. Under many of these agreements, our clients may cease, reduce or change their marketing of our services in their discretion, which might cause us to lose access to prospective subscribers and significantly reduce our revenue and operating profit. In addition, certain of our largest clients have used the short term nature of our agreements as a means to re-negotiate lower prices with us over the last few months, which has materially impacted our gross margin and operating profit. We cannot assure you that this will not continue in the future.

Our typical contracts for direct marketing arrangements, and some indirect and shared marketing arrangements, provide that after termination of the contract we may continue to provide our services to existing subscribers, for periods ranging from two years to indefinite, under the economic arrangements at the time of termination. Under certain of our agreements, however, including most indirect marketing arrangements and some shared marketing arrangements, the clients may require us to cease providing services under existing subscriptions after time periods ranging from immediately after termination of the contract to three years after termination. For example, in February, 2008, our client Discover terminated its indirect agreement with us, effective September 1, 2008. Upon termination of that agreement, we will cease providing services to Discover customers governed by that agreement. In 2007, Discover customers governed by that agreement accounted for approximately 10% of the revenues of Intersections. In addition, upon termination or expiration of a client contract, we may enter into a transition agreement with the client that modifies the original terms of the agreement.

We are substantially dependent upon our consumer products and services for a significant portion of our revenue, and market demand for these services could decrease.

Approximately 88% in 2006 and 89% of our revenue in 2007 was derived from our consumer products and services, with the balance coming from our background screening and other services. We expect to remain dependent on revenue from our consumer products and services for the foreseeable future. Any significant downturn in the demand for these services would materially decrease our revenue.

If we lose our ability to purchase data from any of the three major credit reporting agencies, each of which is a competitor of ours, demand for our services could decrease.

We rely on the three major credit reporting agencies, Equifax, Experian and TransUnion, to provide us with essential data for our consumer identity theft protection and credit management services. Our agreement with Equifax expires in November 2010. Our agreements with Experian and TransUnion may be terminated by them on 30 days and 60 days notice, respectively. Each of the three major credit reporting agencies owns its consumer credit

data and is a competitor of ours in providing credit information directly to consumers, and may decide that it is in their competitive interests to stop supplying data to us. Any interruption, deterioration or termination of our relationship with one or more of the three credit reporting agencies would be disruptive to our business and could cause us to lose subscribers.

We may incur substantial marketing expenses as we enter new businesses, develop new products or increase our direct marketing arrangements, which could cause our operating income to decline on a quarterly basis and our stock price to drop.

We are committing significant resources to our strategic effort to market our services to the broader direct-to-consumer marketplace. As a result, our marketing expenses for 2006 and 2007 were significantly higher than for 2005, and we anticipate this increased spending to continue in 2008. In addition, if we were to increase our direct marketing arrangements with new or existing clients, where we bear most of the new subscriber marketing costs and pay our client a commission for revenue derived from subscribers, this would generally result in higher marketing costs and negative cash flow over the first several months after a program is launched. These upfront costs resulted in a reduction in our operating income and earnings per share for 2007. This could cause our stock price to decline. In addition, we can not assure you that our investment in the direct-to-consumer business or other new businesses or products or any increase in direct marketing arrangements will be successful in increasing our subscribers or generating future revenue or profits on our projected timeframes or at all, which could have a material adverse effect on our results of operations and financial condition.

If we experience system failures or interruptions in our telecommunications or information technology infrastructure, our revenue could decrease and our reputation could be harmed.

Our operations depend upon our ability to protect our telecommunications and information technology systems against damage or system interruptions from natural disasters, technical failures and other events beyond our control. We receive credit data electronically, and this delivery method is susceptible to damage, delay or inaccuracy. A significant portion of our business involves telephonic customer service as well as mailings, both of which depend upon the data generated from our computer systems. Unanticipated problems with our telecommunications and information technology systems may result in a significant system outage or data loss, which could interrupt our operations. Our infrastructure may also be vulnerable to computer viruses, hackers or other disruptions entering our systems from the credit reporting agencies, our clients and subscribers or other authorized or unauthorized sources.

We and our clients outsource telemarketing to third parties who may take actions that lead to negative publicity and consumer dissatisfaction.

We and our clients solicit some of our subscribers through outbound telemarketing that we outsource to third-party contractors. In outbound telemarketing, the third-party contractors make the initial contact with potential subscribers. We attempt to control the level and quality of the services provided by these third parties through a combination of contractual provisions, monitoring, on-site visits and records audits. In arrangements where we bear the marketing cost, which represented 44% of new subscribers acquired in 2006, approximately 57% of new subscribers were obtained through outbound telemarketing by our vendors. In arrangements where the clients bear the marketing cost, which represented 56% of new subscribers acquired in 2007, approximately 57% of new subscribers were obtained through outbound telemarketing by outsourced vendors. Any quality problems could result in negative publicity and customer dissatisfaction, which could cause us to lose clients and subscribers and decrease our revenue.

We may lose subscribers and customers and significant revenue if our existing products and services become obsolete, or if we fail to introduce new products and services with broad appeal or fail to do so in a timely or cost-effective manner.

Our growth depends upon developing and successfully introducing new products and services that generate client and consumer interest, including new data sources, advanced tools and analytical capabilities, more timely notification of activities and more useable content. We have made or may make significant investments in these new products and services, including development costs and prepayment of royalties and fees to third party providers.

Although we have a limited history of developing and introducing products and services outside the areas of identity theft protection and consumer credit management, we are currently developing or introducing new products and services in the area of small business credit information and fraud detection. If we fail to develop, introduce or expand successfully our products and services, our business and prospects will be materially adversely affected.

We may lose subscribers and significant revenue if our subscribers cease to maintain the accounts through which they are billed for our products and services, or our clients change their billing or credit practices or policies.

Most of our subscribers are billed for our products and services through accounts with our clients, such as mortgage and credit card accounts. Market factors such as a high degree of mortgage refinancing may result in cancellation of those accounts, which will result in a loss of subscribers. Client decisions, such as changes in their credit card billing practices or policies, may result in our inability to bill for our products and services, which also may result in a loss of subscribers. These subscriber losses may have a material adverse impact on our revenue.

We may not be able to develop and maintain relationships with third party providers, and failures by those third parties could harm our business and prospects.

Our fraud protection and small business services are substantially dependent on third party data and analytics providers, as well as third party call center and customer service providers. Our failure to develop and maintain these third party relationships could harm our ability to provide those services. Our other consumer products and services are substantially dependent on third party providers, including insurance companies and software distributors. Our other services are dependent on other third party providers, including third party data sources, technology providers and outsourced service centers. Failure of any of the third party providers on which we depend to perform under our agreements with them, or to provide effective and competent services, could cause us to have liability to others or otherwise harm our business and prospects.

Our senior secured credit agreement provides our lenders with a first-priority lien against substantially all of our assets and contains financial covenants and other restrictions on our actions, and it could therefore limit our operational flexibility or otherwise adversely affect our financial condition.

We may fail to comply with the covenants in our credit agreement as a result of, among other things, changes in our results of operations or general economic changes. These covenants may restrict our ability to engage in transactions that would otherwise be in our best interests. Failure to comply with any of the covenants under our credit agreement could result in a default under the facility, which could cause the lenders to accelerate the timing of payments and exercise their lien on substantially all of our assets, which would have a material adverse effect on our business, operations, financial condition and liquidity. In addition, because our credit agreement bears interest at variable interest rates, increases in interest rates would increase our cost of borrowing, resulting in a decline in our net income and cash flow, which could cause the price of our common stock to decline.

We may be unable to meet our future capital requirements to grow our business, which could adversely impact our financial condition and growth strategy.

We may need to raise additional funds in the future in order to operate and expand our business. There can be no assurance that additional funds will be available on terms favorable to us, or at all. Our inability to obtain additional financing could have a material adverse effect on our financial condition.

We depend on key members of our management and marketing personnel.

If one or more of these individuals, particularly our chairman and chief executive officer, were unable or unwilling to continue in their present positions, our business could be materially adversely affected. In addition, we do not maintain key person life insurance on our senior management. We also believe that our future success will depend, in part, on our ability to attract, retain and motivate skilled managerial, marketing and other personnel.

We are subject to legal claims, including a consumer class action litigation, that could require us to pay damages and/or change our business practices.

Because we operate in a highly regulated industry and must comply with various foreign, federal, state and local laws, we may be subject to claims and legal proceedings in the ordinary course of our businesses and our clients' businesses. These legal actions might include lawsuits styled as class actions and alleging violations of various federal and state consumer and privacy protection laws, such as the pending action alleging that the *Credit Inform* credit monitoring service marketed by Capital One and provided by us violates certain procedural requirements under the federal Credit Repair Organizations Act and the Pennsylvania Credit Services Act. We cannot predict the outcome of this action or any other future actions or proceedings, and the cost of defending these claims might be material. If we are found liable in any actions or proceedings, we might have to pay substantial damages and change the way we conduct our business, any of which might have a material adverse effect on our profitability and business prospects.

If we determine in the future that we are required to establish reserves or we incur liabilities for any litigation that has been or may be brought against us, our results of operations, cash flow and financial condition could be materially and adversely affected.

We have not established reserves for any of the legal proceedings in which we are currently involved and we are unable to estimate at this time the amount of charges, if any, that may be required to provide reserves for these matters in the future. We may determine in the future that a reserve or a charge for all or a portion of any of our legal proceedings is required, including charges related to legal fees. In addition, we may be required to record an additional charge if we incur liabilities in excess of reserves that we have previously recorded. Such charges, particularly in the event we may be found liable in a large class-action lawsuit, could be significant and could materially and adversely affect our results of operations, cash flow and financial condition and result in a significant reduction in the value of our shares of common stock.

We may not be able to consummate acquisitions that are accretive or which improve our financial condition.

A principal component of our strategy going forward is to selectively acquire assets or complementary businesses in order to increase cash flow and earnings. This depends upon a number of factors, including our ability to identify acceptable acquisition candidates, consummate acquisitions on favorable terms, successfully integrate acquired assets and obtain financing to support our growth, and many other factors beyond our control. We may encounter delays or other problems or incur substantial expenses in connection with seeking acquisitions that could negatively impact our operating results.

In connection with any acquisitions or investments, we could issue stock that would dilute our stockholders, incur substantial debt, assume known, contingent and unknown liabilities and/or reduce our cash reserves. For example, in connection with the Net Enforcers acquisition, we financed the purchase price with a $14 million revolving loan borrowing under our amended credit facility, which requires monthly payments of interest, and assumed responsibility for all of Net Enforcers liabilities, subject to the terms of the customary indemnification and escrow provisions in the merger agreement. Also, as part of the formation of Screening International, we agreed to cooperate with Control Risks Group to meet any future financing needs of Screening International, including agreeing to guarantee third party loans and making additional capital contributions on a pro rata basis, if necessary. In 2007, we and Control Risks Group made capital contributions of $2.0 million as part of our ongoing ownership commitment. Acquisitions may also require material infrequent charges and could result in adverse tax consequences, impairment of goodwill, substantial depreciation and amortization, increased interest expense, deferred compensation charges, and the amortization of amounts related to deferred compensation and identifiable purchased intangible assets, any of which could negatively impact our results of operations in one or more future periods.

We may not realize planned benefits of our acquisitions.

We recently completed the acquisitions of Captira Analytical and Net Enforcers. In connection with these and other acquisitions, we may experience unforeseen operating difficulties as we integrate the acquired assets and businesses into our existing operations. These difficulties may require significant management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Any acquisition or business combination by us involves risks, including:

- unexpected losses of key employees, customers and suppliers of the acquired operations;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the acquired businesses with those of our existing operations;
- challenges in managing the increased scope, geographic diversity and complexity of our operations;
- establishing the internal controls and procedures that we are required to maintain under the Sarbanes-Oxley Act of 2002;
- mitigating contingent or assumed liabilities or unexpected costs; and
- risks of entering new markets, such as the United Kingdom, or markets in which we have limited prior experience, such as the bail bond industry.

We may not realize planned benefits of our membership agreement or other customer portfolio acquisitions.

In February 2008, we entered into and closed an acquisition of substantially all of the membership agreements between our client Citibank and consumer customers relating to a membership program we were providing pursuant to one of our agreements with Citibank. The aggregate purchase paid by the Company in connection with the closing of the acquisition, which was based on the estimated number of acquired membership agreements as of the closing, was $30.8 million. The purchase price may be adjusted, based on the final calculation of the number of membership agreements actually acquired, and, up to an amount of $750 thousand based on the loss of customers, known as attrition, above certain levels during the first 180 days after the closing. We paid for the acquisition through a combination of existing cash and funding under our credit agreement with Bank of America. Although we received certain representations, warranties and covenants from Citibank, we have no guarantee that attrition of customers will not exceed expected levels for reasons that do not require Citibank to indemnify us. If attrition exceeds our expectations, the revenue expected from these membership agreements otherwise is less than we expected, or our costs of servicing these customers are higher than we expected, we may lose some or all of the investment we made in acquiring the membership agreements. We may continue to acquire membership agreements or other customer portfolio rights under agreements with our clients or third parties, and if attrition exceeds our expectations, the revenue expected from these acquisitions otherwise is less than we expected, or our costs of servicing these customers are higher than we expected, we may lose some or all of the investments we make in these acquisitions.

Screening International is subject to additional risks due to its international scope.

We have very limited experience in conducting and managing a business internationally, and our ability to sell products and services internationally will be reliant upon certain key relationships of our partner, Control Risks Group, which we may not be able to continue. We are also subject to currency risk relating to the overseas sales of the company. We cannot assure you that we will be successful in overcoming these risks, and if we fail to do so, these risks could have a negative effect on our business, financial condition and results of operations, and cause our stock price to decline.

In addition, our background screening business is and will be subject to a wide range of extensive local and international laws and regulations, which may materially increase our costs, impair our ability to provide our services, or expose us to legal claims or liability. Our background screening business depends on information about individuals from private and public sources. In the United States, these services are governed by the federal Fair Credit Reporting Act, various state consumer reporting laws, the federal Drivers' Privacy Protection Act, and other

federal and state laws. Our background screening business also is subject to the European Data Privacy Directive, and other privacy laws within the European Economic Area and other countries where Screening International obtains data or provides background screening reports. We or our clients also must comply with laws that govern the data that may be used in making employment decisions. As our background screening business expands around the world, we will be required to analyze and comply with a variety of laws in other countries and jurisdictions, which may significantly increase the costs of our business and may result in unanticipated restrictions on our planned activities that may have a material impact on our ability to carry on or expand our business as planned. In addition, any determination that we have violated any of these laws may result in liability for fines, damages, or other penalties, including the loss of the ability to carry on business, which may have a material adverse impact on our business.

Screening International, and any other business combination where we do not own 100% of the business, could be hindered if we fail to maintain a satisfactory working relationship with our partners.

There are special risks associated with business combination arrangements. While we own a majority interest in Screening International, we may not have the majority interest in, or control of, future business combinations that we may enter into. Any business combination partners, including Control Risks Group, may at times have economic, business or legal interests or goals that are inconsistent with our interests or goals or those of the business combination. The agreement with Control Risks Group restricts our ability to control Screening International and requires Control Risks Group and us to cooperate and mutually agree to significant matters in order to implement and expand upon Screening International's business strategy and to finance and manage its operations. We are also subject to exclusivity provisions pursuant to the agreement. There is also risk that Control Risks Group or future partners may be unable to meet their economic or other obligations and that we may be required to fulfill those obligations alone. A change in control of us or Control Risks Group could affect our relationship with each other and will trigger buy-out rights for the other party, which could have the effect of preventing or delaying a change of control transaction that our stockholders may favor. Finally, the risk of disagreement or deadlock is inherent in jointly controlled entities, and there is the risk that decisions against our interests could be made and that we may not realize the expected benefits from our business combination, including economies of scale and opportunities to realize potential synergies and cost savings.

Fluctuations of foreign currency values may adversely affect our reported revenue, results of operations and financial condition

We transact business in other parts of the world, including Canada, the United Kingdom and Singapore, where subsidiaries of Screening International are located. We also sell our consumer products and services in Canada. The fluctuations of these foreign currencies relative to the U.S. Dollar may adversely affect our reported revenue, results of operations and financial condition, and there can be no guarantee that our strategies to reduce these risks will be successful.

Our stock price fluctuates and may continue to fluctuate significantly over a short period of time.

In the past, our stock price has declined in response to period-to-period fluctuations in our revenue, expenses and operating results. In certain periods where our historical operating results have been below the expectations of analysts and investors, the price of our common stock has decreased significantly following earnings announcements. In addition, our stock price may continue to fluctuate significantly in the future as a result of a number of factors, many of which are beyond our control, including:

- the timing and rate of subscription cancellations and additions;
- the loss of a key client or a change by a key client in the marketing of our products and services;
- our ability to introduce new and improve existing products and services on a timely basis;
- the introduction of competing products and services by our competitors;
- the demand for consumer subscription services generally;

- the ability of third parties to market and support our services; and
- general economic conditions.

Insiders have substantial control over us and could delay or prevent a change in corporate control, which may harm the market price of our common stock.

Our directors, executive officers and principal stockholders, together with their affiliates, own, in the aggregate, approximately 54% of our outstanding common stock. These stockholders may have interests that conflict with the other public stockholders. If acting together, they have the ability to control the management and affairs of our company and determine the outcome of matters submitted to our stockholders for approval, including the election and removal of directors and any sale of the company. Accordingly, this concentration of ownership may harm the market price of our common stock by delaying, discouraging or preventing a change in control transaction.

Risks Related to our Industry

Our failure to protect private data could damage our reputation and cause us to expend capital and resources to protect against future security breaches or other unauthorized access.

We collect, distribute and protect sensitive private data in delivering our services. We are subject to the risk that unauthorized users might access that data or human error might cause the wrongful dissemination of that data. If we experience a security breach or other unauthorized access to information, the integrity of our services may be affected. We continue to incur significant costs to protect against security breaches or other mishaps and to minimize problems if a data breach was to occur. Moreover, any public perception that we mishandle private information could adversely affect our ability to attract and retain clients and subscribers and could subject us to legal claims and liability. In addition, unauthorized third parties might alter information in our databases, which would adversely affect both our ability to market our services and the credibility of our information.

We are subject to government regulation and increasing public scrutiny, which could impede our ability to market and provide our services and have a material adverse effect on our business.

Our business and activities, or the information we use in our business and activities, are subject to regulation by foreign, federal, state and local authorities, including the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act and similar foreign laws. In addition, certain of the services provided by Intersections Insurance Services include insurance components governed by insurance laws. Insurance generally is regulated by each of the fifty states of the United States and the District of Columbia. Some insurance laws require licensing, and impose other extensive restrictions. The applicability of some insurance laws to various services and activities may vary by state and may be uncertain within a state, which may result in conflicting rules and or unanticipated costs or restrictions on our business. In addition, as we expand our background screening business to other parts of the world, we will become subject to the laws and regulations of those countries, certain of which may conflict with the laws and regulations of other countries where we operate.

Net Enforcers' services depend in part on federal and state laws governing intellectual property ownership and enforcement, and may be governed by laws on the rights of third parties to conduct investigations and act on behalf of intellectual property owners. Net Enforcers' services also depend in part on the private rules adopted by internet auction and portal sites in order to comply with the safe harbor requirements of intellectual property laws and other legal requirements.

We incur significant costs to operate our business and monitor our compliance with these laws, regulations and rules. Any changes to the existing applicable laws, regulations or rules, or any determination that other laws, regulations or rules are applicable to us, could increase our costs or impede our ability to provide our services to our customers, which might have a material adverse effect on our business and results of operations. In addition, any of these laws, regulations or rules are subject to revision, and we cannot predict the impact of such changes on our business. Further, any determination that we have violated any of these laws, regulations or rules may result in liability for fines, damages, or other penalties, including suspension or loss of required licenses, which may have a material adverse impact on our business.

Marketing laws and regulations may materially limit our or our clients' ability to offer our products and services to consumers.

We market our consumer products and services through a variety of marketing channels, including direct mail, outbound telemarketing, inbound telemarketing, inbound customer service and account activation calls, email, mass media and the internet. These channels are subject to both federal and state laws and regulations. Federal and state laws and regulations may limit our ability to market to new subscribers or offer additional services to existing subscribers, which may have a material impact on our ability to sell our services.

Laws requiring the free issuance of credit reports by credit reporting agencies, and other services that must be provided by credit reporting agencies under the law, could impede our ability to obtain new subscribers or maintain existing subscribers and could have a material adverse effect on our revenue.

The Fair Credit Reporting Act provides consumers the ability to receive one free consumer credit report per year from each major consumer credit reporting agency, and requires each major consumer credit reporting agency to provide the consumer a credit score along with his or her credit report for a reasonable fee as determined by the Federal Trade Commission. Laws in several states, including Colorado, Georgia, Illinois, Maine, Maryland, Massachusetts, New Jersey and Vermont, require consumer reporting agencies to provide each consumer one credit report per year (or two credit reports, in the case of Georgia) upon request without charge. We are not required to comply with these requirements because we are not a consumer reporting agency in connection with our consumer products and services. These laws do apply to the three major credit reporting agencies from which we purchase data for our services. In addition, the Fair Credit Reporting Act and state laws give consumers other rights with respect to the protection of their credit files at the credit reporting agencies. For example, the Fair Credit Reporting Act gives consumers the right to place "fraud alerts" at the credit reporting agencies, and the laws in approximately 40 states give consumers the right to place "freezes" to block access to their credit files. The rights of consumers to obtain free annual credit reports credit scores from consumer reporting agencies, and place fraud alerts and credit freezes directly with them, could cause consumers to perceive that the value of our services is reduced or replaced by those benefits, which could have a material adverse effect on our business.

A significant downturn in the charge or credit card or mortgage industries or a trend in those industries to reduce or eliminate marketing programs could harm our business.

We depend upon clients in the charge and credit card and mortgage industries. Services marketed through our charge and credit card issuer clients account for a substantial percentage of our revenue. We also have relied on mortgage issuers and other mortgage companies to market our products. Therefore, a significant downturn, such as what we have witnessed over the past nine months, in those industries could harm our business. The reduction or elimination of marketing programs within our charge and credit card issuer or mortgage company clients could materially adversely affect our ability to acquire new subscribers and to expand the range of services offered to current subscribers. In addition, increases in credit card declines or credit card account or mortgage cancellations could result in the increased cancellation of our services that depend on those credit card accounts or mortgages as payment vehicles. These cancellations, and the accompanying loss of revenue, could have a materially adverse impact on our business.

Competition could reduce our market share or decrease our revenue.

We operate in highly competitive businesses. Our competitors may provide products and services comparable or superior to those provided by us, or at lower prices, adapt more quickly to evolving industry trends or changing market requirements, increase their emphasis on products and services similar to ours, enter the markets in which we operate or introduce competing products and services. Any of these factors could reduce our market share or decrease our revenue. Many of our competitors have greater financial and other resources than we do.

Several of our competitors offer products and services that are similar to, or that directly compete with, our products and services. Competition for new subscribers for our consumer products and services is also intense. Even after developing a client relationship, we compete within the client organization with other consumer products and services for appropriately targeted customers because client organizations typically have only limited capacity to market third-party products and services like ours. We also compete directly with the credit reporting agencies that control the credit file data that we use to provide our services. Although we believe that the major credit reporting agencies generally do not provide client branded services that meet our clients' specifications and needs, we have no assurance they will not do so in the future. In addition, our background screening business competes with a variety of companies that might provide a broader range of screening services and have a more established track record and brand name than we do.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

The following is a summary of our material leased facilities:

Location	Approx. Square Feet	Segment	Lease Expiration
Chantilly, VA	71,566	Consumer Products and Services	2009
Rio Rancho, NM	28,000	Consumer Products and Services	2013
Manassas, VA	11,500	Consumer Products and Services	2008
Arlington Heights, IL	2,670	Consumer Products and Services	2008
Winchester, VA	22,594	Background Screening	2010
Hammersmith, West London, UK	13,000	Background Screening	2008
Albany, NY	7,730	Other	2011
Phoenix, AZ	3,347	Other	2008
Gainesville, FL	2,700	Other	2008

We also own a 14,000 square foot facility located in Arlington Heights, Illinois, which is used by our Consumer Products and Services segment for office space, an inbound call center and fulfillment center.

We believe that our facilities will support our future business requirements or that we will be able to lease additional space, if needed, on reasonable terms. Certain properties are utilized by all of our segments and in such cases the property is reported in the segment with highest usage.

ITEM 3. *LEGAL PROCEEDINGS*

On December 23, 2005, an action captioned Mary Gay v. Credit Inform, Capital One Services, Inc. and Intersections, Inc., was commenced in the U.S. District Court for the Eastern District of Pennsylvania, alleging that the *Credit Inform* credit monitoring service marketed by Capital One and provided by us violates certain procedural requirements under the federal Credit Repair Organizations Act ("CROA") and the Pennsylvania Credit Services Act ("PA CSA"). The plaintiff contends that Capital One and we are "credit repair organizations" under the CROA and "credit services organizations" under the PA CSA. The plaintiff seeks certification of a class on behalf of all individuals who purchased such services from defendants within the five-year period prior to the filing of the complaint. The plaintiff seeks an unspecified amount of damages, including all fees paid by the class members for the services, attorneys' fees and costs. We responded with a motion seeking to dismiss the action and enforce a provision in the terms of use for the product which require disputes to be resolved in arbitration and without class actions. The plaintiff has voluntarily dismissed Capital One from the case. By order of June 12, 2006, the district court granted our motion, stayed the action and ordered the plaintiff to arbitrate her claims on an individual basis. The order of the district court was appealed by the plaintiff to the U.S. Court of Appeals for the Third Circuit. On December 17, 2007, the plaintiff's appeal was denied by the Third Circuit Court of Appeals. On January 29, 2008, the plaintiff's motion for rehearing was denied, and on February 6, 2008, the Third Circuit Court of Appeals entered an order and judgment upholding the ruling by the district court to stay the action and compel arbitration on an individual basis.

On February 29, 2008, we received written notice from our client Discover that, effective September 1, 2008, it was terminating the Agreement for Services Administration between us and Discover dated March 11, 2002, as amended (the "Services Agreement"), including the Omnibus Amendment dated December 22, 2005 (the "Omnibus Amendment"). On the same date, we filed a complaint for declaratory judgment in the Circuit Court for Fairfax County, Virginia. The complaint seeks a declaration that, if Discover uses for its own purposes credit report authorizations given by customers to Intersections or Discover, it will be in breach of the Services Agreement and Omnibus Amendment to the Services Agreement. Intersections contends that Discover or its new credit monitoring service provider must obtain new authorizations from the customers in order to provide credit

monitoring services to them. In the complaint, Intersections alleges that reliance on the credit report authorizations by Discover or its new provider would be a breach of the Services Agreement and Omnibus Amendment thereto, and thus seeks a declaratory judgment to prevent Discover from committing a breach of the parties' contract.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

None

Executive Officers of the Registrant

Our executive officers are as follows:

Name	Age	Position
Michael R. Stanfield	57	Chairman, Chief Executive Officer and Director
Madalyn C. Behneman	44	Senior Vice President and Principal Financial Officer
John G. Scanlon	40	Chief Operating Officer, Business Services
Neal B. Dittersdorf	48	Chief Legal Officer and Chief Administrative Officer
George (Chip) K. Tsantes	48	Executive Vice President and Chief Technology Officer
Steven A. Schwartz	47	Executive Vice President, Consumer Products
Christopher W. Shenefelt	49	Executive Vice President, Operations

Michael R. Stanfield co-founded CreditComm, the predecessor to Intersections, in May 1996 and has been Chairman, Chief Executive Officer and a Director since that time. Mr. Stanfield joined Loeb Partners Corporation, an affiliate of Loeb Holding Corporation, in November 1993 and served as a Managing Director at the time of his resignation in August 1999. Mr. Stanfield has been involved in management information services and direct marketing through investments and management since 1982, and has served as a director of CCC Information Services Inc. and BWIA West Indies Airways. Prior to beginning his operational career, Mr. Stanfield was an investment banker with Loeb, Rhoades & Co. and Wertheim & Co. He holds a B.B.A. in Business Administration from Emory University and an M.B.A. from Columbia University.

Madalyn C. Behneman served as our Vice President of Finance and Accounting from June 2005 until February 2006, when she was appointed Senior Vice President and Principal Financial Officer. Prior to joining Intersections, Ms. Behneman was employed by NII Holdings, Inc. as the Director of External Financial Reporting from June 2004 until June 2005. Ms. Behneman previously held various finance and accounting positions at other companies, including Director of Financial Reporting, with MCI, Inc. from April 1989 until June 2004. Ms. Behneman was employed on the audit staff of Ernst & Young and is a CPA. She earned her Bachelor of Science degree in Accounting from Virginia Tech.

John G. Scanlon who joined Intersections in November 13, 2006, was promoted to Executive Vice President in January 2007 and in December 2007 was appointed Chief Operating Officer, Business Services. Mr. Scanlon joined Intersections in November of 2006 from National Auto Inspections, LLC where he was President and Chief Operating Officer for this venture capital backed startup company. Mr. Scanlon previously served as a senior executive at Capital One Financial Corporation from 2000 to 2006 where he held general management responsibility for the company's direct banking business and previously led a large portion of the Information Technology organization. Mr. Scanlon holds a B.S. in Business Administration from Georgetown University, and a Masters of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University.

Neal B. Dittersdorf served as our Senior Vice President and General Counsel from February 2003 until June 2004, when he was appointed Chief Legal Officer. In December 2007 he was appointed Chief Administrative Officer. From January 2002 to January 2003, Mr. Dittersdorf was of counsel at the law firm of Venable, Baetjer, Howard & Civiletti LLP. He holds a B.A. from Brandeis University and a J.D. from the New York University School of Law.

George (Chip) K. Tsantes was hired as Intersections' Chief Technology Officer in January of 2005. Prior to joining Intersections, Mr. Tsantes was a Partner in Accenture's Capital Markets Group, part of the global firm's Financial Services practice and a member of its FSI Technology leadership. He was an employee or Partner with Accenture from August 1986 to January 2005. He holds a B.A from Virginia Wesleyan College and an M.B.A. from Old Dominion University.

Steven A. Schwartz was named Executive Vice President, Endorsed Credit and Security Sales in October 2006, after serving as Senior Vice President of the Client Services division since joining Intersections in July 2003. In December 2007 he was appointed Executive Vice President, Consumer Products. From April 2001 to April 2003, Mr. Schwartz served as Senior Vice President at The Motley Fool. Mr. Schwartz holds a B.S. from Syracuse University and an M.B.A. from Rutgers University.

Christopher W. Shenefelt was named Executive Vice President, Operations in December 2007, after serving as Senior Vice President, Operations from November 2003. Mr. Shenefelt has been at Intersections for more than five years. Prior to joining Intersections, Mr. Shenefelt held executive and technical management positions at AES, Winstar Communications and SAIC. Mr. Shenefelt holds a B.S.E.E from Michigan Technological University, an M.S.E.E. from the University of Central Florida and an M.B.A. from George Washington University

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

The Company's common stock trades on The NASDAQ Global Market under the symbol "INTX." As of February 29, 2008, the common stock was held by approximately 22 stockholders of record and an estimated 993 additional stockholders whose shares were held for them in street name or nominee accounts. Set forth below are the high and low closing sale prices per share of our common stock as reported on the Nasdaq Composite Tape.

	Sales Price per Share	
	High	Low
2006 Quarter ended:		
March 31, 2006	$11.63	$8.29
June 30, 2006	$11.87	$9.31
September 30, 2006	$11.19	$8.75
December 31, 2006	$11.05	$8.84

	Sales Price per Share	
	High	Low
2007 Quarter ended:		
March 31, 2007	$10.10	$9.76
June 30, 2007	$10.07	$9.89
September 30, 2007	$10.32	$9.94
December 31, 2007	$ 8.35	$8.01

We never have paid or declared any cash dividends on our common stock and have no plans to do so in the foreseeable future. We are prohibited from paying dividends under our credit agreement. We currently intend to retain future earnings, if any, to finance the growth and development of our business. Future dividends, if any, will depend on, among other things, our results of operations, capital requirements and such other factors as our board of directors may, in its discretion, consider relevant.

On April 25, 2005, we announced that our Board of Directors had authorized a share repurchase program under which we can repurchase up to $20 million of our outstanding shares of common stock from time to time, depending on market conditions, share price and other factors. The repurchases may be made on the open market, in block trades, through privately negotiated transactions or otherwise, and the program has no expiration date but may be suspended or discontinued at any time.

The following table contains information for shares repurchased during the three months ended December 31, 2007:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(2)
September 30, 2007				$10,966,683
October 1, 2007 through October 31, 2007	—	—	—	$10,966,683
November 1, 2007 through November 30, 2007	48,694	$8.97	48,694	$10,534,414
December 1, 2007 through December 31, 2007	1,300	$9.48	1,300	$10,522,045
TOTAL	49,994	$9.03	49,994	$10,522,045

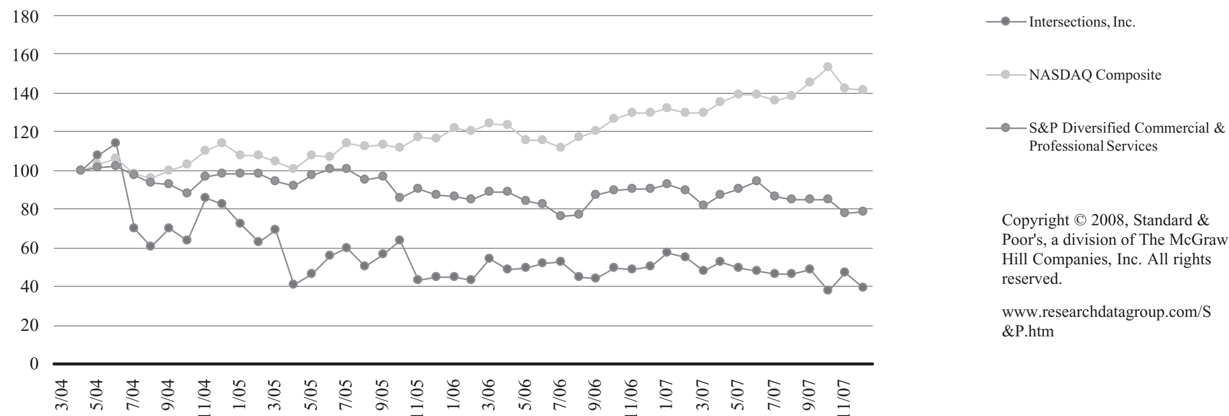
(1) Average price per share excludes commissions.

(2) For the three months ended December 31, 2007, the aggregate cost of shares of common stock repurchased, including commissions, was approximately $445 thousand.

The following graph shows the cumulative total return as of December 31, 2007 of a $100 investment made on April 30, 2004 in our common stock (with dividends, if any, reinvested), as compared with similar investments based on the value of the NASDAQ Composite and the S&P Diversified Commercial & Professional Services. The peer group was determined by our inclusion in the NASDAQ as a publicly traded company and the S&P Diversified Commercial & Professional Services index covers companies that primarily provide commercial, industrial and professional services to businesses and governments not classified elsewhere. The stock performance shown below is not necessarily indicative of future performance.

Comparison of 44 Month Cummulative total Return*

***$100 invested on 04/30/04 in stock or index-including reinvestment of dividends. Fiscal year ending December 31**



ITEM 6. *SELECTED FINANCIAL DATA*

SELECTED CONSOLIDATED FINANCIAL DATA

This section presents our historical financial data. The selected consolidated financial data is qualified by reference to and should be read carefully in conjunction with the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere of this Form 10-K. The selected consolidated financial data in this section is not intended to replace the financial statements.

	Year Ended December 31,				
	2003	2004	2005	2006	2007
	(In thousands, except per share data)				
Statement of Operations Data(1):					
Revenue	$147,306	$152,916	$165,171	$201,051	$271,723
Operating expenses:					
Marketing	20,325	19,328	19,646	25,173	36,285
Commission	55,206	46,719	26,687	25,786	52,624
Cost of revenue	35,669	40,093	57,351	75,188	101,815
General and administrative	18,312	23,330	34,518	49,978	59,386
Depreciation and amortization	2,233	3,991	6,457	10,018	12,427
Impairment of software development costs(2)	—	—	1,515	—	—
Total operating expenses	131,745	133,461	146,174	186,143	262,537
Operating income	15,561	19,455	18,997	14,908	9,186
Interest (expense) income	(1,008)	56	1,183	780	(581)
Other income	12	31	37	173	1,139
Income before income taxes and minority interest	14,565	19,542	20,217	15,861	9,744
Income tax benefit (expense)	4,811(3)	(8,597)(4)	(7,747)	(6,328)	4,329
Minority interest in net income (loss) of subsidiary	35	—	—	(97)	1,451
Net income	$ 19,411	$ 10,945	$ 12,470	$ 9,436	$ 6,866
Net income per share:					
Basic	$ 3.92	$ 0.85	$ 0.73	$ 0.56	$ 0.40
Diluted	$ 1.36	$ 0.64	$ 0.70	$ 0.54	$ 0.39
Weighted average shares outstanding:					
Basic	4,954	12,929	17,002	16,770	17.096
Diluted	14,965	17,517	17,815	17,606	17,479
Balance Sheet Data:					
Cash and cash equivalents	$ 14,411	$ 12,027	$ 17,555	$ 15,580	$ 19,780
Deferred subscription solicitation costs	9,768	9,185	8,818	11,786	21,912
Working capital	10,344	55,984	52,493	26,858	30,365
Total assets	49,900	109,111	123,187	179,467	206,268
Long-term obligations	972	1,764	2,797	13,304	23,046
Total stockholders' (deficit) equity	$ 5,485	$ 87,127	$ 92,944	$104,576	$114,848
Statement of Cash Flow Data:					
Cash (outflows) inflows from:					
Operating activities	$ 11,193	$ 21,808	$ 17,597	$ 17,897	$ 4,589
Investing activities	(5,297)	(68,320)	(3,225)	(33,596)	(10,731)
Financing activities	(944)	44,128	(8,844)	13,583	10,348

	Year Ended December 31,				
	2003	2004	2005	2006	2007
	(Dollars in thousands)				
Other Data:					
Subscribers at beginning of period	1,562,537	2,274,605	2,885,223	3,659,975	4,625,831
New subscribers — indirect	1,491,282	1,609,469	2,180,964	2,459,032	2,270,211
New subscribers — direct(5)	793,365	805,217	700,297	1,168,002	1,825,205
Cancelled subscribers within first 90 days of subscription	(662,058)	(586,680)	(845,522)	(887,629)	(1,030,678)
Cancelled subscribers after first 90 days of subscription	(910,521)	(1,217,388)	(1,260,987)	(1,773,549)	(2,431,234)
Subscribers at end of period	2,274,605	2,885,223	3,659,975	4,625,831	5,259,335
Total revenue	$ 147,306	$ 152,916	$ 165,171	$ 201,051	$ 271,723
Revenue from transactional sales	(18,450)	(3,093)	(16,263)	(31,702)	(35,349)
Revenue from lost/stolen credit card registry	(93)	(85)	(77)	(81)	(46)
Subscription revenue	$ 128,763	$ 149,738	$ 148,831	$ 169,268	$ 236,328
Marketing and commissions	$ 75,531	$ 66,047	$ 46,333	$ 50,959	$ 88,909
Commissions paid on transactional sales	(10,475)	(759)	(105)	(30)	(13)
Commissions paid on lost/stolen credit card registry	(12)	(9)	(36)	(31)	(38)
Marketing and commissions associated with subscription revenue	$ 65,044	$ 65,279	$ 46,192	$ 50,898	$ 88,858

(1) Our financial results include American Background Information Services for the period November 12, 2004 through May 30, 2006, and Screening International, which combined American Background Information Services with Control Risks Group background screening business, for the period May 31, 2006 through December 31, 2007. Our financial results also include Intersections Insurance Services, which we acquired on July 3, 2006. In addition, our financial results include Captira Analytical, LLC beginning August 2007 and Net Enforcers, Inc. beginning December 2007.

(2) During the year ended December 31, 2005, we re-assessed the development effort related to our small business product. As a result, we recognized an impairment loss of approximately $1.4 million related to software development costs. In addition, we agreed with a client to change certain processes that required new software resulting in an additional impairment loss of approximately $150 thousand.

(3) For periods prior to 2003, we did not record a tax benefit from net operating losses but instead recorded an offsetting valuation allowance. The valuation allowance was required because it was more likely than not that some or all of the net deferred tax assets would not be realized. Based on positive and anticipated projected income it was determined during the third quarter of 2003 that the valuation allowance was no longer necessary and we recognized a $6.5 million tax benefit.

(4) Income tax expense in 2004 reflects a write-off based on the reduction of approximately $912,000 in deferred tax assets related to the conversion, at the time of the Company's initial public offering, of a senior secured convertible note obligation. The write-off was made in connection with FASB Statement No. 109, *Accounting for Income Taxes*, which requires an analysis of deferred tax items at year-end, and in accordance with Emerging Issues Task Force 94-10, *Accounting by a Company for the Income Tax Effects of Transactions*

among or with Its Shareholders Under FASB Statement No. 109. As a result of the reduction, the company's federal tax rate for 2004 was approximately 44%, as opposed to 39% without the reduction.

(5) We classify subscribers from shared marketing arrangements with direct marketing arrangements.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of our financial condition and results of operations should be read together with "Selected Consolidated Financial Data," and our financial statements and accompanying notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements, based on current expectations and related to future events and our future financial performance, that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under "Risk Factors" "Forward-Looking Statements" and elsewhere in this Annual Report on Form 10-K.

Overview

We have three reportable segments. Our Consumer Products and Services segment includes our consumer protection and other consumer products and services. Our Background Screening segment includes the personnel and vendor background screening services provided by Screening International. Our Other segment includes management software solutions for the bail bonds industry provided by Captira Analytical, LLC and corporate identity theft protection services offered by Net Enforcers, Inc. The components of our Other segment were acquired in the latter part of 2007.

Consumer Products and Services

We offer consumers a variety of consumer protection services and other consumer products and services primarily on a subscription basis. Our services help consumers protect themselves against identity theft or fraud and understand and monitor their credit profiles and other personal information. Through our subsidiary Intersections Insurance Services, we offer a portfolio of services to include consumer discounts on healthcare, home, and auto related expenses, access to professional financial and legal information, and life, accidental death and disability insurance products. Our consumer services are offered through relationships with clients, including many of the largest financial institutions in the United States and Canada, and clients in other industries. We also offer our services directly to consumers.

We also offer data security breach services to organizations responding to compromises of sensitive personal information. We help these clients notify the affected individuals and we provide the affected individuals with identity theft recovery and credit monitoring services offered by our clients at no charge to the affected individuals. We generally are paid fees by the clients for the services we provide their customers.

Our products and services are marketed to customers of our clients, and often are branded and tailored to meet our clients' specifications. Our clients are principally credit card, direct deposit or mortgage issuing financial institutions, including many of the largest financial institutions in the United States and Canada. With certain of our financial institution clients, we have broadened our marketing efforts to access demand deposit accounts and selling at the point of personal contact in branches. Our financial institution clients currently account for the majority of our existing subscriber base. We also are continuing to augment our client base through relationships with insurance companies, mortgage companies, brokerage companies, associations, travel companies, retail companies, web and technology companies and other service providers with significant market presence and brand loyalty.

With our clients, our services are marketed to potential subscribers through a variety of marketing channels, including direct mail, outbound telemarketing, inbound telemarketing, inbound customer service and account activation calls, email, mass media and the internet. Our marketing arrangements with our clients sometimes call for us to fund and manage marketing activity. The mix between our company-funded and client-funded marketing programs varies from year to year based upon our and our clients' strategies. In 2007, we substantially increased our own investment in marketing with one or more clients, and anticipate this increased investment continuing over the next 12 months.

In 2007 we expanded our efforts to market our consumer products and services directly to consumers. We conduct our consumer direct marketing primarily through the internet. We also may market through other channels, including direct mail, outbound telemarketing, inbound telemarketing, email and mass media. We expect to continue making an investment in marketing direct to consumers in 2008.

Our client arrangements are distinguished from one another by the allocation between us and the client of the economic risk and reward of the marketing campaigns. The general characteristics of each arrangement are described below, although the arrangements with particular clients may contain unique characteristics:

- *Direct marketing arrangements:* Under direct marketing arrangements, we bear most of the new subscriber marketing costs and pay our client a commission for revenue derived from subscribers. These arrangements generally result in negative cash flow over the first several months after a program is launched due to the upfront nature of the marketing investments. In some arrangements we pay the client a service fee for access to the client's customers or billing of the subscribers by the client.

- *Indirect marketing arrangements:* Under indirect marketing arrangements, our client bears the marketing expense and pays us a service fee or percentage of the revenue. Because the subscriber acquisition cost is borne by our client under these arrangements, our revenue per subscriber is typically lower than that under direct marketing arrangements. Indirect marketing arrangements generally provide positive cash flow earlier than direct arrangements and the ability to obtain subscribers and utilize marketing channels that the clients otherwise may not make available.

- *Shared marketing arrangements:* Under shared marketing arrangements, marketing expenses are shared by us and the client in various proportions, and we may pay a commission to or receive a service fee from the client. Revenue generally is split in proportion to the investment made by our client and us.

The classification of a client relationship as direct, indirect or shared is based on whether we or the client pay the marketing expenses. Our accounting policies for revenue recognition, however, are not based on the classification of a client arrangement as direct, indirect or shared. We look to the specific client arrangement to determine the appropriate revenue recognition policy, as discussed in detail in Note 2 to our consolidated financial statements.

Our typical contracts for direct marketing arrangements, and some indirect and shared marketing arrangements, provide that after termination of the contract we may continue to provide our services to existing subscribers, for periods ranging from two years to no specific termination period, under the economic arrangements that existed at the time of termination. Under certain of our agreements, however, including most indirect marketing arrangements and some shared marketing arrangements, the clients may require us to cease providing services under existing subscriptions. Clients under some contracts may also require us to cease providing services to their customers under existing subscriptions if the contract is terminated for material breach by us.

As shown in the following table, the number of subscribers from our indirect, direct and shared marketing arrangements, have increased over the past three fiscal years:

	As of December 31,		
	2005	**2006**	**2007**
Indirect marketing arrangements	2,470,883	3,182,728	3,301,429
Direct and shared marketing arrangements	1,189,092	1,443,103	1,957,906
Total subscribers	3,659,975	4,625,831	5,259,335

Subscribers in our Consumer Products and Services segment from indirect marketing arrangements were 67.5% as of December 31, 2005 and 68.8% of total subscribers as of December 31, 2006. Through our increased direct marketing efforts in 2007, our subscribers from indirect marketing arrangements has decreased to 62.8% as of December 31, 2007.

The number of cancellations within the first 90 days as a percentage of new subscribers was 29.3% in 2005, 24.5% in 2006 and 25.2% in 2007. The number of cancellations within the first 90 days of subscription, as a percentage of new subscribers was higher during the year ended December 31, 2007 compared to the same period last year. We analyze subscriber cancellations during the first 90 days because we believe this time period affords

the subscriber the opportunity to evaluate the service. The number of cancellations after the first 90 days, which are measured as a percentage of the number of subscribers at the beginning of the year plus new subscribers during the year less cancellations within the first 90 days, was 25.6% in 2005, 27.7% in 2006 and 31.6% in 2007. The total number of cancellations during the year as a percentage of the beginning of the year subscribers plus new subscriber additions, was 36.5% in 2005 and 2006 and 39.7% in 2007. Conversely, our retention rates, calculated by taking subscribers at the end of the year divided by subscribers at the beginning of the year plus additions for the year, decreased from 63.5% in 2005 and 2006 to 60.3% in 2007. The retention rate decreased in 2007 primarily due to a significant increase in the rate of credit card declines in the fourth quarter of 2006 at one of our clients due to changes to the manner in which the client administers third-party products. We cancelled service to these affected subscribers in 2007, which had an impact on our retention rate for the year ended December 31, 2007.

Revenue from subscribers obtained through our largest clients in 2005, 2006 and 2007 as a percentage of total revenue, and the principal contract arrangements with those clients, were as follows:

Percentage of Revenue for the Years Ended December 31,

Client	Relationship	2005	2006	2007
American Express	Shared Marketing	22%	7%	—
Discover	Direct Marketing	7%	5%	3%
Discover	Indirect Marketing	9%	11%	10%
Capital One (direct and through Equifax agreement)	Indirect Marketing	12%	13%	10%
Citibank	Direct Marketing	6%	6%	5%
Citibank	Indirect Marketing	6%	8%	6%
Bank of America (includes MBNA)	Shared/Direct Marketing	11%	13%	33%

Our relationship with American Express Travel Related Services, or American Express, was a shared marketing arrangement under an agreement that expired on December 31, 2005. Under a Services Transition Agreement with American Express, we provided our current consumer services through May 31, 2006, to subscribers who paid for the service through their Amex credit cards. We were compensated for those services through April 30, 2006, based on the commission structure in effect under the existing agreement with American Express, and from May 1, 2006, to May 31, 2006, based on a service fee per subscriber. We have not serviced those subscribers since May 31, 2006. The Services Transition Agreement also provided that we maintain the perpetual and unrestricted right to provide our services to all subscribers who are currently paying for the consumer services through payment vehicles other than American Express credit cards, and to all subscribers who are receiving our combined personal and business credit information services regardless of how those subscribers are billed. We have not been required to pay any commission on those subscribers since January 1, 2006. We will have the right to offer our other products and services to those subscribers, and the Services Transition Agreement prohibits either party from knowingly soliciting subscribers retained by the other party under the agreement. As a result of the Services Transition Agreement, since May 31, 2006, we ceased servicing approximately 95% of our subscribers obtained through American Express, which accounts for approximately 95% of the revenue generated through the American Express relationship. American Express also reimbursed us in the amount of one million dollars ($1,000,000) for certain marketing expenses incurred in 2005.

On February 29, 2008, we received written notice from our client Discover that, effective September 1, 2008, it was terminating the Agreement for Services Administration between us and Discover dated March 11, 2002, as amended (the "Services Agreement"), including the Omnibus Amendment dated December 22, 2005 (the "Omnibus Amendment"). On the same date, we filed a complaint for declaratory judgment in the Circuit Court for Fairfax County, Virginia. The complaint seeks a declaration that, if Discover uses for its own purposes credit report authorizations given by customers to Intersections or Discover, it will be in breach of the Services Agreement and Omnibus Amendment to the Services Agreement. Intersections contends that Discover or its new credit monitoring service provider must obtain new authorizations from the customers in order to provide credit

monitoring services to them. In the complaint, Intersections alleges that reliance on the credit report authorizations by Discover or its new provider would be a breach of the Services Agreement and Omnibus Amendment thereto, and thus seeks a declaratory judgment to prevent Discover from committing a breach of the parties' contract.

In November 2001, we entered into a master services agreement with Equifax under which we provided various services. We recently amended the master agreement to continue the term to November 26, 2010. Even if the master agreement is not terminated, however, either party may terminate the receipt of particular services from the other party on 60 days' prior notice. With the exception of services to Capital One customers acquired prior to January 1, 2005, we are not providing any services under that agreement. Prior to January 1, 2005, we provided our identity theft protection and credit management services under the master agreement with Equifax to customers of Capital One Bank, or Capital One, which marketed those services to consumers under an agreement between Capital One and Equifax. On September 1, 2004, we entered into a marketing and services agreement with Capital One under which, effective January 1, 2005, our services are marketed by Capital One to its customers. The services marketed to Capital One customers under this agreement are substantially all of the services previously marketed through the master agreement between us and Equifax, in addition to other services. Through our agreement with Equifax, however, we continue to provide our services to the customers of Capital One who enrolled for the services prior to January 1, 2005.

Some of our top 5 revenue producing clients have re-negotiated pricing with us over the last few months. Although some of these efforts resulted in lower prices for some products, we expect that increasing volumes and changing of the sales mix to higher priced products will provide continued growth with these clients.

Background Screening

Through our majority owned subsidiary, Screening International, LLC, we provide a variety of risk management tools for the purpose of personnel and vendor background screening services, including criminal background checks, driving records, employment verification and reference checks, drug testing and credit history checks to businesses worldwide. Our background screening services integrate data from various automated sources throughout the world, additional manual research findings from employees and subcontractors, and internal business logic provided by both Screening International and by our clients into reports that assist in decision making. Our background screening services are generally sold to corporate clients under contractual arrangements with individual per unit prices for specific service specifications. Due to substantial difference in both service specifications and associated data acquisition costs, prices for our background screening services vary significantly among clients and geographies.

Our clients include leading US, UK and global companies in such areas as manufacturing, healthcare, telecommunications and financial services. Our clients are primarily located in the United States and the United Kingdom. Several of our clients have operations in other countries, and use our services in connection with those operations. We have other clients in various countries, and expect the number of these clients to increase as we develop our global background screening business. Because we currently service the majority of our clients through our operations in the US and the UK, we consider those two locations to be the sources of our business for purposes of allocating revenue on a geographic basis. We have several clients that contribute greater than 10% of this segment's revenue. The loss of one of these clients could have a material adverse impact on this segment's financial results. Revenue through our largest client in 2006 and 2007 was 19% and 16% of the segment's revenue. None of these clients constitutes 10% or more of our consolidated revenue.

We generally market our background screening services to businesses through an internal sales force. Our services are offered to businesses on a local or global basis. Prices for our services vary based upon complexity of the services offered, the cost of performing these services and competitive factors. Control Risks Group provides marketing assistance and services, and licenses certain trademarks to Screening International under which our services are branded in certain geographic areas.

Other

Through our wholly owned subsidiary, Captira Analytical, we provide automated service solutions for the bail bonds industry. These services include accounting, reporting, and decision making tools which allow bail

bondsmen, general agents and sureties to run their offices more efficiently, to exercise greater operational and financial control over their businesses, and to make better underwriting. We believe Captira Analytical's services are the only fully integrated suite of bail bonds management applications of comparable scope available in the marketplace today. Captira Analytical's services are sold to retail bail bondsman on a "per seat" license basis plus additional one-time or transaction related charges for various optional services. As Captira Analytical's business model is relatively new, pricing and service configurations are subject to change at any time.

Through our wholly owned subsidiary, Net Enforcers, we provide corporate identity theft protection services, including online brand monitoring, online auction monitoring and enforcement, intellectual property monitoring and other services. Net Enforcers' services include the use of sophisticated technology to search the internet in search of potential property right infringements, value added analysis and recommendation from our trained staff of analysts, and manual or automated enforcement activities as directed by our clients. Net Enforcers' services are typically priced as monthly subscriptions for a defined set of monitoring and analysis services, as well as per transaction charges for enforcement related services. Prices for our services vary based upon the specific configuration of services purchased by each client and range from several hundred dollars per month to thousands of dollars per month.

The pro forma impact of Captira, Hide N'Seek or Net Enforcers on our historical operating results is not material.

Critical Accounting Policies

In preparing our consolidated financial statements, we make estimates and assumptions that can have a significant impact on our financial position and results of operations. The application of our critical accounting policies requires an evaluation of a number of complex criteria and significant accounting judgments by us. In applying those policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions. We have identified the following policies as critical to our business operations and the understanding of our results of operations. For additional information, see Note 2 to our consolidated financial statements.

Revenue Recognition

We recognize revenue on 1) identity theft, credit management and background services, 2) accidental death insurance and other membership products and 3) other monthly subscription products.

Our products and services are offered to consumers principally on a monthly subscription basis. Subscription fees are generally billed directly to the subscriber's credit card, mortgage bill or demand deposit accounts. The prices to subscribers of various configurations of our products and services range generally from $4.99 to $25.00 per month. As a means of allowing customers to become familiar with our services, we sometimes offer free trial or guaranteed refund periods.

Identity Theft, Credit Management and Background Services

We recognize revenue from our services in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements* as amended by SAB No. 104 *Revenue Recognition.* Consistent with the requirements of SAB No.'s 101 and 104, revenue is recognized when: a) persuasive evidence of arrangement exists as we maintain signed contracts with all of our large financial institution customers and paper and electronic confirmations with individual purchases, b) delivery has occurred once the product is transmitted over the internet,

c) the seller's price to the buyer is fixed as sales are generally based on contract or list prices and payments from large financial institutions are collected within 30 days with no significant write-offs, and d) collectibility is reasonably assured as individual customers pay by credit card which has limited our risk of non-collection. Revenue for monthly subscriptions is recognized in the month the subscription fee is earned. For subscriptions with refund provisions whereby only the prorated subscription fee is refunded upon cancellation by the subscriber, deferred subscription fees are recorded when billed and amortized as subscription fee revenue on a straight-line basis over the subscription period, generally one year. We generate revenue from one-time credit reports and background screenings which are recognized when the report is provided to the customer electronically, which is generally at the time of completion.

Revenue for annual subscription fees must be deferred if the subscriber has the right to cancel the service. Annual subscriptions include subscribers with full refund provisions at any time during the subscription period and pro-rata refund provisions. Revenue related to annual subscription with full refund provisions is recognized on the expiration of these refund provisions. Revenue related to annual subscribers with pro-rata provisions is recognized based on a pro rata share of revenue earned. An allowance for discretionary subscription refunds is established based on our actual cancellation experience.

We also provide services for which certain financial institution clients are the primary obligors directly to their customers. Revenue from these arrangements is recognized when earned, which is at the time we provide the service, generally on a monthly basis. In addition, we generate revenue from the sale of one-time credit reports and background screens, which is generally at the time of completion.

The amount of revenue recorded by us is determined in accordance with Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, which addresses whether a company should report revenue based on the gross amount billed to a customer or the net amount retained by us (amount billed less commissions or fees paid). We generally record revenue on a gross basis in the amount that we bill the subscriber when our arrangements with financial institution clients provide for us to serve as the primary obligor in the transaction, we have latitude in establishing price and we bear the risk of physical loss of inventory and credit risk for the amount billed to the subscriber. We generally record revenue in the amount that we bill our financial institution clients, and not the amount billed to their customers, when our financial institution client is the primary obligor, establishes price to the customer and bears the credit risk.

Accidental Death Insurance and other Membership Products

We recognize revenue from our services in accordance with SAB No. 101, as amended by SAB No. 104. Consistent with the requirements of SAB No.'s 101 and 104, revenue is recognized when: a) persuasive evidence of arrangement exists as we maintain paper and electronic confirmations with individual purchases, b) delivery has occurred at the completion of a product trial period, c) the seller's price to the buyer is fixed as the price of the product is agreed to by the customer as a condition of the sales transaction which established the sales arrangement, and d) collectibility is reasonably assured as evidenced by our collection of revenue through the monthly mortgage payments of our customers or through checking account debits to our customers' accounts. Revenues from insurance contracts are recognized when earned. Marketing of our insurance products generally involves a trial period during which time the product is made available at no cost to the customer. No revenues are recognized until applicable trial periods are completed.

The amount of revenue recorded by us is determined in accordance with FASB's EITF 99-19. For insurance products we generally record revenue on a net basis as we perform as an agent or broker for the insurance products without assuming the risks of ownership of the insurance products. For membership products, we generally record revenue on a gross basis as we serve as the primary obligor in the transactions, have latitude in establishing price and bear credit risk for the amount billed to the subscriber.

We participate in agency relationships with insurance carriers that underwrite insurance products offered by us. Accordingly, insurance premiums collected from customers and remitted to insurance carriers are excluded from our revenues and operating expenses. Insurance premiums collected but not remitted to insurance carriers as of

December 31, 2006 and 2007 totaled $1.8 million and $1.3 million, respectively, and is included in accrued expenses and other current liabilities in our consolidated financial statements.

Other Monthly Subscription Products

We generate revenue from other types of subscription based products provided from our Other segment. We recognize revenue from providing management service solutions, offered by Captira Analytical, on a monthly subscription basis and online brand protection and brand monitoring, offered by Net Enforcers, on a monthly subscription basis.

Deferred Subscription Solicitation and Commission Costs

Deferred subscription solicitation and commission costs include direct-response marketing costs and deferred commissions.

Our deferred subscription solicitation costs consist of subscription acquisition costs, including telemarketing, web-based marketing expenses and direct mail such as printing and postage. Telemarketing, web-based marketing and direct mail expenses are direct response advertising costs, which are accounted for in accordance with American Institute of Certified Public Accountants Statement of Position ("SOP") 93-7, *Reporting on Advertising Costs* ("SOP 93-7"). The recoverability of amounts capitalized as deferred subscription solicitation costs are evaluated at each balance sheet date, in accordance with SOP 93-7, by comparing the carrying amounts of such assets on a cost pool basis to the probable remaining future benefit expected to result directly from such advertising costs. Probable remaining future benefit is estimated based upon historical subscriber patterns, and represents net revenues less costs to earn those revenues. In estimating probable future benefit (on a per subscriber basis) we deduct our contractual cost to service that subscriber from the known sales price. We then apply the future benefit (on a per subscriber basis) to the number of subscribers expected to be retained in the future to arrive at the total probable future benefit. In estimating the number of subscribers we will retain (i.e., factoring in expected cancellations), we utilize historical subscriber patterns maintained by us that show attrition rates by client, product and marketing channel. The total probable future benefit is then compared to the costs of a given marketing campaign (i.e., cost pools), and if the probable future benefit exceeds the cost pool, the amount is considered to be recoverable. If direct response advertising costs were to exceed the estimated probable remaining future benefit, an adjustment would be made to the deferred subscription costs to the extent of any shortfall.

We amortize deferred subscription solicitation costs on a cost pool basis over the period during which the future benefits are expected to be received, but no more than 12 months.

In accordance with SAB No. 101, as amended by SAB No. 104, commissions that relate to annual subscriptions with full refund provisions and monthly subscriptions are expensed in the month incurred, unless we are entitled to a refund of the commissions. If annual subscriptions are cancelled prior to their initial terms, we are generally entitled to a full refund of the previously paid commission for those annual subscriptions with a full refund provision and a pro-rata refund, equal to the unused portion of their subscription, for those annual subscriptions with a pro-rata refund provision. Commissions that relate to annual subscriptions with full commission refund provisions are deferred until the earlier of expiration of the refund privileges or cancellation. Once the refund privileges have expired, the commission costs are recognized ratably in the same pattern that the related revenue is recognized. Commissions that relate to annual subscriptions with pro-rata refund provisions are deferred and charged to operations as the corresponding revenue is recognized. If a subscription is cancelled, upon receipt of the refunded commission from our client, we record a reduction to the deferred commission.

We have prepaid commission agreements with some of our clients. Under these agreements, we pay a commission on new subscribers in lieu of ongoing commission payments. We amortize these prepaid commissions, on an accelerated basis, over a period of time not to exceed three years, which is the average expected life of customers. The prepaid commissions are shown in prepaid expenses and other current assets on our consolidated balance sheet. Amortization is included in commissions expense on our consolidated statement of operations.

Software Development Costs

We develop software for internal use and capitalize software development costs incurred during the application development stage in accordance with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* and EITF 00-2, *Accounting for Web Site Development Cost.* Costs incurred prior to and after the application development stage are charged to expense. When the software is ready for its intended use, capitalization ceases and such costs are amortized on a straight-line basis over the estimated useful life, which is generally three to five years.

In accordance with SOP 98-1, the Company regularly reviews its capitalized software projects for impairment in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* We did not have any impairments in the year ended December 31, 2007.

Goodwill and Other Intangibles

We record as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The determination of fair value of the identifiable net assets acquired was determined based upon a third party valuation and evaluation of other information.

Statements of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, prescribes a two-step process for impairment testing of goodwill and intangibles with indefinite lives, which is performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. We have elected to perform our annual analysis as of October 31 of each fiscal year. As of October 31, 2007, no indicators of impairment have been identified.

Intangible assets subject to amortization include trademarks, customer marketing and technology related asses. Such intangible assets, excluding customer related, are amortized on a straight-line basis over their estimated useful lives, which are generally three to ten years. Customer related intangible assets are amortized on either a straight-line or accelerated basis, dependent upon the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up.

The goodwill and intangibles balances as of December 31, 2007 pertain to the acquisitions of American Background Information Services on November 12, 2004, Screening International on May 31, 2006, Intersections Insurance Services on July 3, 2006, Captira Analytical on August 7, 2007 and Net Enforcers on November 30, 2007.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position No. FAS 157-2, *Effective Dates of FASB Statement No. 157,* which defers the effective date of SFAS No. 157 for all nonrecurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. We are currently in the process of evaluating the impact, if any, that SFAS No. 157 will have on our consolidated financial statements.

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 permits an entity, at specified election dates, to choose to measure certain financial instruments and other items at fair value. The objective of SFAS No. 159 is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently, without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for accounting periods beginning after November 15, 2007. We are in the process of evaluating the impact, if any, that SFAS No. 159 will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R replaces SFAS No. 141 on accounting for business combinations, specifically the cost-allocation process. SFAS No. 141R requires an acquirer to recognize the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, at their fair values as of that date. In addition, an acquirer is required to recognize assets or liabilities arising from contractual contingencies as of the acquisition date, at their acquisition date fair values. Acquisition related costs that were previously allocated to the assets acquired and liabilities assumed under SFAS No. 141 should be recognized separately from the acquisition under SFAS No. 141R. The provisions of SFAS No. 141R are effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are in the process of evaluating the impact, if any, that SFAS No. 141R will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB No. 51.* SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The presentation of a noncontrolling interest has been modified for both the income statement and balance sheet, as well as expanded disclosure requirements that clearly identify and distinguish between the interests of the parent's owners and the interest of the noncontrolling owners of a subsidiary. The provisions of SFAS No. 160 are effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are in the process of evaluating the impact, if any, that SFAS No. 160 will have on our consolidated financial statements.

Results of Operations

The following table sets forth, for the periods indicated, certain items on our consolidated statement of operations as a percentage of revenue:

	Year Ended December 31,		
	2005	2006	2007
Revenue	100.0%	100.0%	100.0%
Operating expenses:			
Marketing	11.9	12.5	13.3
Commission	16.2	12.8	19.3
Cost of revenue	34.7	37.4	37.5
General and administrative	20.9	24.9	21.9
Depreciation and amortization	3.9	5.0	4.6
Impairment of software development	0.9	—	—
Total operating expenses	88.5	92.6	96.6
Operating income	11.5	7.4	3.4
Interest income, net	0.7	0.4	(0.2)
Other income, net	—	0.1	0.4
Income before taxes and minority interest	12.2	7.9	3.6
Income tax (expense) benefit	(4.7)	(3.2)	(1.6)
Minority interest in net loss of subsidiary	—	—	0.5
Net income	7.5%	4.7%	2.5%

We have three reportable segments. Our Consumer Products and Services segment includes our consumer protection and other consumer products and services. Our Background Screening segment includes the personnel and vendor background screening services provided by Screening International. Our Other segment includes management software solutions for the bail bonds industry provided by Captira Analytical and corporate identity theft protection services provided by Net Enforcers.

Years Ended December 31, 2006 and 2007 (in thousands):

The consolidated results of operations are as follows:.

	Consumer Products and Services	Background Screening	Other	Consolidated
Year Ended December 31, 2006				
Revenue	$176,942	$24,109	$ —	$201,051
Operating expenses:				
Marketing	25,173	—	—	25,173
Commission	25,786	—	—	25,786
Cost of revenue	62,544	12,644	—	75,188
General and administrative	41,023	8,955	—	49,978
Depreciation and amortization	9,004	1,014	—	10,018
Total operating expenses	163,530	22,613	—	186,143
Operating income	$ 13,412	$ 1,496	$ —	$ 14,908
Year Ended December 31, 2007				
Revenue	$241,968	$29,508	$ 247	$271,723
Operating expenses:				
Marketing	36,285	—	—	36,285
Commission	52,624	—	—	52,624
Cost of revenue	83,891	17,738	186	101,815
General and administrative	44,028	14,542	816	59,386
Depreciation and amortization	10,745	1,405	277	12,427
Total operating expenses	227,573	33,685	1,279	262,537
Operating income	$ 14,395	$ (4,177)	$(1,032)	$ 9,186

Consumer Products and Services Segment

	Years Ended December 31,			
	2006	2007	Difference	%
Revenue	$176,942	$241,968	$65,026	36.8%
Operating expenses:				
Marketing	25,173	36,285	11,112	44.1%
Commissions	25,786	52,624	26,838	104.1%
Cost of revenue	62,544	83,891	21,347	34.1%
General and administrative	41,023	44,028	3,005	7.3%
Depreciation and amortization	9,004	10,745	1,741	19.3%
Total operating expenses	163,530	227,573	64,043	39.2%
Operating income	$ 13,412	$ 14,395	$ 983	7.3%

Revenue. The increase in Consumer Products and Services is primarily the result of an increase in our subscriber base to 5.3 million subscribers for the year ended December 31, 2007 from 4.6 million for the year ended December 31, 2006, an increase of 13.7% as well as an increase the proportion of revenue from direct marketing arrangements. The growth in our subscriber base has been accomplished primarily through direct marketing efforts from a new client arrangement in 2007 and additional subscribers through continued indirect marketing efforts.

Revenue from direct marketing arrangements, in which we recognize the gross amount billed to the customer, has increased to 68.2% for the year ended December 31, 2007 from 59.3% in the year ended December 31, 2006.

On February 29, 2008, we received written notice from our client Discover that effective, September 1, 2008, it was terminating the Agreement for Services Administration between us and Discover dated March 11, 2002, as amended (the "Services Agreement"), including the Omnibus Amendment dated December 22, 2005 (the "Omnibus Amendment"). On the same date, we filed a complaint for declaratory judgment in the Circuit Court for Fairfax County, Virginia. The complaint seeks a declaration that, if Discover uses for its own purposes credit report authorizations given by customers to Intersections or Discover, it will be in breach of the Services Agreement and Omnibus Amendment to the Services Agreement. Intersections contends that Discover or its new credit monitoring service provider must obtain new authorizations from the customers in order to provide credit monitoring services to them. In the complaint, Intersections alleges that, under the Omnibus Amendment to the Services Agreement, the authorizations given by customers to Intersections or Discover were obtained solely on behalf of Intersections, for the sole purpose of enabling Intersections to provide its credit monitoring services. Intersections further alleges that Discover has stated that its new credit monitoring provider will rely on the authorizations given to Intersections and not obtain new authorizations. Intersections alleges that reliance on the credit report authorizations by Discover or its new provider would be a breach of the Services Agreement and Omnibus Amendment thereto, and thus seeks a declaratory judgment to prevent Discover from committing a breach of the parties' contract. In 2007, Discover customers governed by the Services Agreement accounted for approximately 10% of the consolidated revenues.

The table below shows the percentage of subscribers generated from indirect marketing arrangements.

	Years Ended December 31,	
	2006	2007
Percentage of subscribers from indirect marketing arrangements to total subscribers	68.8%	62.8%
Percentage of new subscribers acquired from indirect marketing arrangements to total new subscribers acquired	67.8%	55.3%
Percentage of revenue from indirect marketing arrangements to total subscription revenue	40.7%	31.8%

Marketing Expenses. Marketing expenses consist of subscriber acquisition costs, including telemarketing, web-based marketing and direct mail expenses such as printing and postage. Marketing expenses increased 44.1% to $36.3 million for the year ended December 31, 2007 from $25.2 million for the year ended December 31, 2006. The increase in marketing is primarily a result of increased investment in direct marketing arrangements, as well as increased marketing costs related to additional insurance and membership costs as a result of the acquisition of Intersections Insurance Services in 2006. Amortization of deferred subscription solicitation costs related to marketing for the years ended December 31, 2007 and 2006 were $33.8 million and $19.2 million, respectively. Subscription solicitation costs related to marketing costs expensed as incurred for the years ended December 31, 2007 and 2006 were $2.5 million and $6.0 million, respectively.

As a percentage of revenue, marketing expenses increased to 15.0% for the year ended December 31, 2007 from 14.2% for the year ended December 31, 2006 primarily as the result of an increased investment in marketing for direct marketing arrangements.

Commission Expenses. Commission expenses consist of commissions paid to clients. Commission expenses increased 104.1% to $52.6 million for the year ended December 31, 2007 from $25.8 million for the year ended December 31, 2006. The increase is related to an increase in sales and subscribers from our direct subscription business and a new client arrangement in 2007.

As a percentage of revenue, commission expenses increased to 21.8% for year ended December 31, 2007 from 14.6% for year ended December 31, 2006 primarily due to increased proportion of revenue from direct marketing arrangements.

Cost of Revenue. Cost of revenue consists of the costs of operating our customer service and information processing centers, data costs, and billing costs for subscribers and one-time transactional sales. Cost of revenue

increased 34.1% to $83.9 million for the year ended December 31, 2007 from $62.5 million for the year ended December 31, 2006. The increase in Consumer Products and Services is primarily the result of $19.5 million in increased data costs, higher cost of revenue for initial fulfillment and customer service costs for new subscribers, which are incurred prior to the commencement of related revenue due to the trial periods, as well as a 13.7% growth in our customer base.

As a percentage of revenue, cost of revenue was 34.7% for the year ended December 31, 2007 compared to 35.3% for the year ended December 31, 2006.

General and Administrative Expenses. General and administrative expenses consist of personnel and facilities expenses associated with our executive, sales, marketing, information technology, finance, program and account management functions. General and administrative expenses increased 7.3% to $44.0 million for the year ended December 31, 2007 from $41.0 million for the year ended December 31, 2006. The increase in Consumer Products and Services is primarily attributable to additional payroll and administrative expenses associated with the acquisition of Intersections Insurance Services of approximately $2.3 million as well as a $1.6 million increase in share based payment expenses and a $557 thousand increase in consulting and professional fees. The increase is partially offset by a decline in severance costs.

Total share based compensation expense for the years ended December 31, 2007 and 2006 was $2.7 million and $1.1 million, respectively.

As a percentage of revenue, general and administrative expenses decreased to 18.2% for the year ended December 31, 2007 from 23.2% for the year ended December 31, 2006.

Depreciation and Amortization. Depreciation and amortization expenses consist primarily of depreciation expenses related to our fixed assets and capitalized software, and the amortization of our intangible assets. Amortization increased $1.9 million to $3.3 million for the year ended December 31, 2007 from $1.4 million for the year ended December 31, 2006 primarily attributable to the increase in intangible assets as the result of the acquisition of Intersections Insurance Services and the modification to the amortization method for customer related intangible assets in 2007. We expect amortization to increase due to the acquisition of membership agreements from Citibank on January 31, 2008.

As a percentage of revenue, depreciation and amortization expenses decreased to 4.4% for the year ended December 31, 2007 from 5.1% for the year ended December 31, 2006.

Operating Income. Operating income in the year ended December 31, 2007 for the Consumer Products and Services segment was $14.4 million. This compares with $13.4 million in the year ended December 31, 2006. Operating income in the year ended December 31, 2007 includes a net impact of $1.1 million in settlement payments from ongoing partner relationships in the normal course of business.

Background Screening Segment

	Years Ended December 31,			
	2006	2007	Difference	%
Revenue	$24,109	$29,508	$ 5,399	22.4%
Operating expenses:				
Cost of revenue	12,644	17,738	5,094	40.3%
General and administrative	8,955	14,542	5,587	62.4%
Depreciation and amortization	1,014	1,405	391	38.6%
Total operating expenses	22,613	33,685	11,072	49.0%
Operating (loss) income	$ 1,496	$ (4,177)	$ (5,673)	379.2%

Revenue. Revenue for Background Screening increased 22.4% to $29.5 million for the year ended December 31, 2007 from $24.1 million for the year ended December 31, 2006. The increase in revenue is primarily attributable to increased revenue in the UK operations. The incremental revenue from the UK operations is

approximately $4.5 million as the client base remained constant. The UK operation successfully expanded services outside its traditional UK market as we try to capture a larger portion of the emerging global market for background screening. Domestic revenue increased 4.5% or $810 thousand, primarily the result of new clients from our small business marketing efforts. The company's strategic focus for 2007 was to upgrade, deploy and migrate key clients to the unified operating platform to lay the foundation for future growth at the expense of top-line growth.

Cost of Revenue. Cost of revenue consists of the costs to fulfill background screens and is composed of direct labor costs, consultant costs, database fees and access fees. Cost of revenue increased 40.3% to $17.7 million for the year ended December 31, 2007 from $12.6 million for the year ended December 31, 2006. Cost of revenue increases are primarily attributable to the UK operations of $4.8 million, specifically direct labor costs in the UK. As a percentage of revenue, labor costs increased from 46.5%, or $2.8 million, in the year ended December 31, 2006 to 58.7%, or $6.2 million, in the year ended December 31, 2007. Cost of revenue for the domestic entity increased $256 thousand as a result of increased case volume in the year ended December 31, 2007.

As a percentage of revenue, cost of revenue was 60.1% for the year ended December 31, 2007 compared to 52.4% for the year ended December 31, 2006.

General and Administrative Expenses. General and administrative expenses consist of personnel and facilities expenses associated with our sales, marketing, information technology, finance, and account management functions. General and administrative expenses increased 62.4% to $14.5 million for the year ended December 31, 2007 from $9.0 million for the year ended December 31, 2006. The increase in Background Screening is primarily a result of the acquisition of the UK operations of $3.1 million. There was an overall increase in salaries and benefits of approximately $1.9 million related to our global operations, increased professional fees of $332 thousand for global compliance and $132 thousand increase in expenses other than salaries to initiate the Singapore operations center.

In the first quarter of 2008, we paid approximately $250 thousand of severance related costs.

As a percentage of revenue, general and administrative expenses increased to 49.3% for the year ended December 31, 2007 from 37.1% for the year ended December 31, 2006.

Depreciation and Amortization. Depreciation and amortization expenses consist primarily of depreciation expenses related to our fixed assets and capitalized software, and the amortization of our intangible assets. Depreciation and amortization increased 38.6% to $1.4 million for the year ended December 31, 2007 from $1.0 million for the year ended December 31, 2006. The increase is primarily attributable to the increase in intangible asset amortization from the formation of Screening International.

As a percentage of revenue, depreciation and amortization expenses increased to 4.8% for the year ended December 31, 2007 from 4.2% for the year ended December 31, 2006.

Other Segment

	Years Ended December 31,	
	2006	**2007**
Revenue	$—	$ 247
Operating expenses:		
Cost of revenue	—	186
General and administrative	—	816
Depreciation and amortization	—	277
Total operating expenses	—	1,279
Operating loss	$—	$(1,032)

On August 7, 2007, our wholly owned subsidiary, Captira Analytical LLC, acquired substantially all of the assets of Hide N' Seek, LLC, an Idaho limited liability company, for $3.1 million, which included

approximately $105 thousand in acquisition costs. The purchase price consists of approximately $833 thousand in cash and the right to earn an additional amount of approximately $2.5 million in cash if the company achieves certain cash flow milestones in the future. In addition, Captira agreed to assume approximately $637 thousand in operating liabilities of the seller and we agreed to cancel and forgive $1.5 million in loans from Intersections to the seller and $67 thousand of accrued interest.

Captira has successfully completed development of an initial commercial version of their applications and is in the early stages of market development and adoption of their service offerings by the bail bonds industry. As such, Captira has few clients and revenues are immaterial. However, Captira still incurs substantial monthly overhead expenses for management functions, business development and sales, customer support, technology operations and other functions despite the lack of a large customer base. From the time of acquisition through the end of 2007, these expenses averaged $144 thousand per month.

On November 30, 2007, we completed the acquisition of Net Enforcers, Inc. ("Net Enforcers"), a Florida S corporation, which is a leading provider of corporate identity theft protection services. The preliminary purchase price paid in connection with the acquisition of Net Enforcers was approximately $14.3 million in cash. Additional cash earnout payments of up to $3.5 million may also be made based on specific financial statement metrics and net revenue targets during the first five years following the acquisition.

Net Enforcers' results became a part of our consolidated financial results as of December 31, 2007. Net Enforcers did not contribute materially to our consolidated revenue, cost of revenue, general and administrative expense or depreciation and amortization for 2007. Net Enforcers contributed approximately 88.4% of Other segment revenue in 2007 and was essentially breakeven on an after tax basis.

Interest Income

Interest income decreased 51.7% to $799 thousand for the year ended December 31, 2007 from $1.7 million for the year ended December 31, 2006. This is primarily attributable to the reduction in short term investments in 2007.

Interest Expense

Interest expense increased 57.6% to $1.4 million for the year ended December 31, 2007 from $875 thousand for the year ended December 31, 2006. This is primarily attributable to a full year of interest expense on our outstanding long term debt, as well as an additional draw on the revolving credit facility in November 2007.

In February 2008, we entered into an interest rate swap to effectively fix our variable rate term loan and a portion of the revolving credit facility under our Credit Agreement.

Other Income

Other income increased to $1.1 million for the year ended December 31, 2007 from $173 thousand for the year ended December 31, 2006. This is primarily attributable to a transaction gain from a settlement with an ongoing marketing partner.

Income Taxes

Our consolidated effective tax rate for the year ended December 31, 2007 was 44.5% as compared to 39.9% in the year ended December 31, 2006. The increase is primarily a result of losses outside of the United States, which are subject to tax at rates different than the statutory income tax rate.

Years Ended December 31, 2005 and 2006 (in thousands):

The consolidated result of operations are as follows:

	Consumer Products and Services	Background Screening	Other	Consolidated
Year Ended December 31, 2005				
Revenue	$151,326	$13,845	$—	$165,171
Operating expenses:				
Marketing	19,646	—	—	19,646
Commission	26,687	—	—	26,687
Cost of revenue	50,814	6,537	—	57,351
General and administrative	28,838	5,680	—	34,518
Impairment of software development costs	1,515	—	—	1,515
Depreciation and amortization	5,798	659	—	6,457
Total operating expenses	133,298	12,876	—	146,174
Operating income	$ 18,028	$ 969	$—	$ 18,997
Year Ended December 31, 2006				
Revenue	$176,942	$24,109	$—	$201,051
Operating expenses:				
Marketing	25,173	—	—	25,173
Commission	25,786	—	—	25,786
Cost of revenue	62,544	12,644	—	75,188
General and administrative	41,023	8,955	—	49,978
Depreciation and amortization	9,004	1,014	—	10,018
Total operating expenses	163,530	22,613	—	186,143
Operating income (loss)	$ 13,412	$ 1,496	$—	$ 14,908

Consumer Products and Services Segment

	Years Ended December 31,			
	2005	2006	Difference	%
Revenue	$151,326	$176,942	$25,616	16.9%
Operating expenses:				
Marketing	19,646	25,173	5,527	28.1%
Commissions	26,687	25,786	(901)	(3.4)%
Cost of revenue	50,814	62,544	11,730	23.1%
General and administrative	28,838	41,023	12,185	42.3%
Impairment of software development costs	1,515	—	(1,515)	100.0%
Depreciation and amortization	5,798	9,004	3,206	55.3%
Total operating expenses	133,298	163,530	30,232	22.7%
Operating income	$ 18,028	$ 13,412	$ (4,616)	(25.6)%

Revenue. Revenue increased 16.9% to $176.9 million for the year ended December 31, 2006 from $151.3 million for the year ended December 31, 2005. The increase in Consumer Products and Services is primarily the result of an increase in our subscriber base to 4.6 million subscribers for the year ended December 31, 2006 from 3.7 million for the year ended December 31, 2005, an increase of 26.4%. The growth in our subscriber

base has been accomplished primarily through continued marketing efforts with new and existing clients, as well as increased revenue from additional insurance and other consumer products and services as a result of the acquisition of Intersections Insurance Services. This increase was partially offset by a decline in revenue as a result of the loss of American Express as a client in May of 2006.

Our relationship with American Express (Amex), was a shared marketing arrangement under an agreement that expired on December 31, 2005. On December 21, 2005 we entered into a Services Transition Agreement with American Express. As a result of the Services Transition Agreement, after May 31, 2006, we ceased servicing approximately 95% of our subscribers obtained through American Express, which accounted for approximately 95% of the revenue generated through American Express relationship. In order to maintain and continue to grow our revenue, we have offset this loss of revenue from existing and new client relationships and other products and services.

In addition, during the fourth quarter of 2006, we experienced a significant increase in the rate of credit card declines at one of our clients due to changes to the manner in which the client administers third-party products. This increase in decline rates occurred simultaneously with a system conversion implemented at the client, and was originally believed to be the result of conversion errors. As a result, we continued providing service to these customers throughout the fourth quarter and into the beginning of 2007, while working with the client to investigate and address the causes of the increased decline rates. We estimate the lost revenue impact to fourth quarter 2006 to be $1.4 million as a result of this increase in credit card decline rates. In the first quarter of 2007, we successfully collected approximately $490 thousand in revenue by re-billing the impacted customers. We cancelled service to approximately 250 to 300 thousand subscribers from this client, and have made adjustments to our going forward assumptions on credit card decline rates associated with this client.

The table below shows the percentage of subscribers generated from indirect marketing arrangements.

	Year Ended December 31,	
	2005	2006
Percentage of subscribers from indirect marketing arrangements to total subscribers	67.5%	68.8%
Percentage of new subscribers acquired from indirect marketing arrangements to total new subscribers acquired	75.1%	67.8%
Percentage of revenue from indirect marketing arrangements to total subscription revenue	33.8%	40.7%

Marketing Expenses. Marketing expenses consist of subscriber acquisition costs, including telemarketing, web-based marketing and direct mail expenses such as printing and postage. Marketing expenses increased 28.1% to $25.2 million for the year ended December 31, 2006 from $19.6 million for the year ended December 31, 2005. This increase is primarily a result of an increase in the cost of marketing directly to the consumer, as well as increased marketing costs related to additional insurance and membership costs as the result of the acquisition of Intersections Insurance Serivces. Amortization of deferred subscription solicitation costs related to marketing for the years ended December 31, 2006 and 2005 were $19.2 million and $19.3 million, respectively. Subscription solicitation costs related to marketing costs expensed as incurred for the years ended December 31, 2006 and 2005 were $6.0 million and $401 thousand, respectively.

As a percentage of revenue, marketing expenses increased to 14.2% for the year ended December 31, 2006 from 13.0% for year ended December 31, 2005 primarily as the result of an increase in direct to consumer marketing.

During 2006, we saw a shift back to more direct marketing due to the acquisition of Intersections Insurance Services, the increase in our commitment to consumer direct and the relationship with a major new financial institution client. In 2006, our marketing expense was $25.2 million and we expect it to be about 50% higher in 2007.

The Services Transition Agreement with American Express signed December 21, 2005 provided for a payment to us of $1.0 million for certain expenses related to marketing costs we incurred through May 2006 and transition costs. We had $675 thousand of deferred marketing expenses as of December 31, 2005 which was offset by the

$1.0 million payment between January 1, 2006 and May 31, 2006. The remaining balance of $325 thousand was recorded to other income in May 2006.

Commission Expenses. Commission expenses consist of commissions paid to clients. Commission expenses decreased 3.4% to $25.8 million for the year ended December 31, 2006 from $26.7 million for the year ended December 31, 2005. The decrease is related to the loss of American Express partially offset by the additional commissions related to insurance and marketing products as the result of the acquisition of Intersections Insurance Services.

As a percentage of revenue, commission expenses decreased to 14.6% for year ended December 31, 2006 from 17.6% for year ended December 31, 2005 primarily as the result of the loss of American Express.

Cost of Revenue. Cost of revenue consists of the costs of operating our customer service and information processing centers, data costs, costs to provide background screening and billing costs for subscribers and one-time transactional sales. Cost of revenue increased 23.1% to $62.5 million for the year ended December 31, 2006 from $50.8 million for the year ended December 31, 2005.

The increase in Consumer Products and Services is primarily the result of a 26.4% increase in our subscriber base. The growth in our subscriber base has been accomplished primarily through continued marketing efforts with new and existing clients and the addition of insurance and other products and services to our client based business as a result of the acquisition of Intersections Insurance Services.

As a percentage of revenue, cost of revenue was 35.3% for the year ended December 31, 2006 compared to 33.6% for the year ended December 31, 2005.

General and Administrative Expenses. General and administrative expenses consist of personnel and facilities expenses associated with our executive, sales, marketing, information technology, finance, and program and account management functions. General and Administrative expenses increased 42.1% to $41.0 million for the year ended December 31, 2006 from $28.8 million for the year ended December 31, 2005.

Contributing to the increase in Consumer Products and Services were increases in payroll, stock based compensation, severance and professional services, costs related to additional insurance and membership products to our client based business as a result of the acquisition of Intersections Insurance Services, as well as various overhead expenses as a result of our growth and being a public company. During the year ended December 31, 2006 we terminated several executives, which resulted in severance expense of approximately $1.6 million, of which $418 thousand was paid in 2006. In addition, we recorded $1.1 million for stock based compensation expense and $300 thousand related to outside organizational consulting services.

In addition we incurred approximately $200 thousand for termination fees in connection with our terminating a letter of intent to acquire a company.

As a percentage of revenue, general and administrative expenses increased to 23.2% for the year ended December 31, 2006 from 19.1% for the year ended December 31, 2005.

Depreciation and Amortization. Depreciation and amortization expenses consist primarily of depreciation expenses related to our fixed assets and capitalized software, and the amortization of our intangible assets. Depreciation and amortization increased 55.3% to $9.0 million in 2006 from $5.8 million in 2005 primarily as a result of capital expenditures totaling $10.6 million and $8.3 million in 2005 and 2006, as we continue to expand our infrastructure to meet our growth.

As a percentage of revenue, depreciation and amortization expenses increased to 5.1% in 2006 from 3.8% in 2005. Amortization of intangible assets increased $1.0 million due to assets acquired in 2006.

Capital expenditures for the Consumer Products and Services business are expected to reduce as we move forward, which will improve profitability.

Impairment of Software Development Costs. During the year ended December 31, 2005, we re-assessed the development effort related to our small business product in an effort to launch the product sooner and with less additional investment. Consequently, we decided to adopt an alternative approach resulting in the recognition of an

impairment loss of approximately $1.4 million related to software development costs. In addition, we entered into a new agreement with a client that required an investment in new software resulting in an additional impairment loss of approximately $150 thousand in the first quarter of 2005.

Background Screening Segment

	Years Ended December 31,			
	2005	2006	Difference	%
Revenue	$13,845	$24,109	$10,264	74.1%
Operating expenses:				
Cost of revenue	6,537	12,644	6,107	93.4%
General and administrative	5,680	8,955	3,275	57.7%
Depreciation and amortization	659	1,014	355	53.9%
Total operating expenses	12,876	22,613	9,737	75.6%
Operating income	$ 969	$ 1,496	$ 527	54.4%

Revenue. Revenue increased 74.1% to $24.1 million for the year ended December 31, 2006 from $13.8 million for the year ended December 31, 2005. The increase is primarily attributable to the acquisition of the UK operations in May 2006 of approximately $6.0 million. In addition, domestic revenue increased $4.3 million or 31.0% due to new client arrangements and increased volume with existing clients.

Cost of Revenue. Cost of revenue increased 93.4% to $12.6 million for the year ended December 31, 2006 from $6.5 million for the year ended December 31, 2005. The increase is primarily attributable to the acquisition of the UK operations in May 2006 of $3.9 million and domestic cost of revenue increase of $2.2 million from increased cash volume in the year ended December 31, 2006.

As a percentage of revenue, cost of revenue was 52.4% for the year ended December 31, 2006 compared to 47.2% for the year ended December 31, 2005.

General and Administrative Expenses. General and administrative expenses increased 58.7% to $9.0 million for the year ended December 31, 2006 from $5.7 million for the year ended December 31, 2005. The increase in Background Screening is primarily a result of the acquisition of the UK operations in May 2006 of $2.0 million and increased payroll expenses of $799 thousand.

As a percentage of revenue, general and administrative expenses decreased to 37.1% for the year ended December 31, 2006 from 41.0% for the year ended December 31, 2005.

Depreciation and Amortization. Depreciation and amortization expenses increased 53.9% to $1.0 million for the year ended December 31, 2006 from $659 thousand for the year ended December 31, 2005.

As a percentage of revenue, depreciation and amortization expenses decreased to 4.2% for the year ended December 31, 2006 from 4.8% for the year ended December 31, 2005.

Income Taxes

Our consolidated effective tax rate for the year ended December 31, 2006 was 39.9% as compared to 38.3% in the year ended December 31, 2005. The increase is primarily a result of losses outside of the United States, which are subject to tax at rates different than the statutory income tax rate.

Liquidity and Capital Resources

Cash and cash equivalents were $19.8 million as of December 31, 2007 compared to $15.6 million as of December 31, 2006. Cash includes $1.9 million within our 55% owned subsidiary Screening International, and is not directly accessible by us. Our cash and cash equivalents are highly liquid investments and consist primarily of short-term U.S. Treasury securities with original maturity dates of less than 90 days. During the year ended

December 31, 2007 we sold $10.5 million of short-term investments primarily to fund business operations, which include an increased investment in marketing.

Accounts receivable balance as of December 31, 2007 was $25.5 million, including approximately $3.7 million related to Screening International, compared to $22.4 million, including approximately $3.5 million related to Screening International, as of December 31, 2006. Our accounts receivable balance consists of credit card transactions that have been approved but not yet deposited into our account, several large balances with some of the top financial institutions and accounts receivable associated with background screening clients. The likelihood of non-payment has historically been remote with respect to clients billed under indirect marketing arrangements, however, we do provide for an allowance for doubtful accounts with respect to background screening clients and for a refund allowance against transactions that may be refunded in subsequent months. This allowance is based on historical results.

Our liquidity is impacted by our ability to generate cash from operations and working capital management. We had a working capital surplus of $30.4 million as of December 31, 2007 compared to $26.9 million as of December 31, 2006.

Net cash provided by operations was $4.6 million for the year ended December 31, 2007 compared to $17.9 million for the year ended December 31, 2006. The $13.3 million decrease in net cash provided by operations was primarily the result of increased marketing expenditures.

Net cash used in investing activities was $11.5 million for the year ended December 31, 2007 compared to $33.6 million for the year ended December 31, 2006. Cash used in investing activities for the year ended December 31, 2007 was primarily attributable to the acquisitions of Net Enforcers and Captira, partially offset by $10.5 million provided by the sale of short-term investments.

Net cash provided by financing activities was $11.1 million for the year ended December 31, 2007 compared to $13.6 million used for the year ended December 31, 2006. We used cash for financing activities for the year ended December 31, 2007 of $3.3 million was primarily the result of notes payable repayments on our outstanding credit facility.

In the year ended December 31, 2007, we and Control Risk Group made capital contributions to Screening International of $2.0 million as part of our ongoing ownership commitment. We anticipate making additional capital contributions to this entity in 2008.

On July 3, 2006, we entered into a $40 million credit agreement with Bank of America, N.A. (the "Credit Agreement"). The Credit Agreement consists of a revolving credit facility in the amount of $25 million and a term loan facility in the amount of $15 million. Pursuant to the terms of the Credit Agreement, we agreed that the proceeds of the term loan facility were to be used solely to pay a portion of the purchase price of the acquisition by Intersections of Intersections Insurance Services and related costs and expenses of such acquisition. We borrowed the full $15 million under the term loan facility. The Credit Agreement provides that the term loan and all loans under the revolving credit facility will generally bear interest at a rate per annum equal to LIBOR plus an applicable rate per annum ranging from 1.000% to 1.750%. As of December 31, 2007, the outstanding interest rate was 6.22% and principal balance under the Credit Agreement was $11.7 million.

On November 29, 2007, we amended our Credit Agreement's financial covenants to remove the requirement that we maintain compliance with a minimum consolidated tangible net worth covenant. In addition, on November 30, 2007, we borrowed $14 million on the revolving loan to finance the acquisition of Net Enforcers, Inc.

The Credit Agreement contains certain customary covenants including, limits or restrictions on the incurrence of liens; the making of investments; the incurrence of certain indenture mergers, dissolutions, liquidation, or consolidations; acquisitions (other than certain permitted acquisitions); sales of substantially all of our or any co-borrowers' assets; the declaration of certain dividends or distributions; transactions with affiliates (other than co-borrowers under the credit agreement) other than on fair and reasonable terms; and the creation or acquisition of any direct or indirect subsidiary of the Company that is not a domestic subsidiary unless such subsidiary becomes a guarantor. We are also required to maintain compliance with certain financial covenants which include our consolidated leverage ratios, consolidated fixed charge coverage ratios as well as customary covenants,

representations and warranties, funding conditions and events of default. We are currently in compliance with all such covenants.

Effective January 31, 2008, we amended our Credit Agreement in order to increase the term loan facility to $28 million. In addition, pursuant to the amendment the Company's subsidiaries Captira Analytical and Net Enforcers were added as co-borrowers under the Credit Agreement.

The amendment provides that the maturity date for the revolving credit facility and the term loan facility under the Credit Agreement will be December 31, 2011. The amendment also amends certain financial covenants which we are required to maintain compliance with under the Credit Agreement, including minimum consolidated EBIDTA and consolidated leverage ratio covenants, provides new mandatory term loan prepayments based on excess cash flow and the sale or issuance of equity interests, provides a new amortization schedule for the term loan, and revises the acquisition covenant to reduce permitted costs of acquisitions. The amendment requires us to deliver to Bank of America certain information schedules relating to Net Enforcers and Captira within 30 days following the date of the amendment, and it requires the Company to take certain additional post-closing actions to perfect the security interest in the collateral.

On February 1, 2008, we borrowed an additional $16.6 million under the term loan facility. The Credit Agreement consists of a revolving credit facility in the amount of $25 million and a term loan facility in the amount of $28 million, and is secured by substantially all of our assets and a pledge by us of stock and membership interests we hold in certain subsidiaries.

Our short-term capital needs consist primarily of day-to-day operating expenses, capital expenditures and contractual obligations with respect to facility leases, capital equipment leases and software licenses. We expect cash flow generated by operations and existing cash balances will provide sufficient resources to meet our short-term obligations. Long-term capital requirements will consist of capital expenditures required to sustain our growth and contractual obligations with respect to facility leases, capital equipment leases, software licenses and service agreements. We anticipate that continued cash generated from operations as well as existing cash balances will provide sufficient resources to meet our long-term obligations.

On April 25, 2005, we announced that our Board of Directors had authorized a share repurchase program under which we can repurchase up to $20 million of our outstanding shares of common stock from time to time, depending on market conditions, share price and other factors. The repurchases may be made on the open market, in block trade, through privately negotiated transactions or otherwise, and the program has no expiration date but may be suspended or discontinued at any time.

For the year ended December 30, 2007, the aggregate cost of shares of common stock repurchased, including commissions, was approximately $916 thousand, respectively, leaving an authorized amount for repurchases of $10.5 million. For the year ended December 31, 2007, we repurchased approximately 102 thousand shares of common stock under our repurchase program. The average price per share, excluding commissions, was $9.06. See Item 5 of Part II of this filing for further information on this repurchase program.

The following table sets forth information regarding our contractual obligations at December 31, 2007 (in thousands):

	Year Ending December 31,						
	Total	2008	2009	2010	2011	2012	Thereafter
Contractual Obligations at December 31, 2007							
Capital leases(1)	$ 1,754	$ 1,077	$ 498	$ 179	$ —	$ —	$ —
Operating leases	5508	2,382	1,311	770	375	340	330
Long term debt(2)	25,693	3,346	3,347	3,333	15,667	—	—
Software license & other arrangements(3)	9,784	6,784	3,000	—	—	—	—
	$42,739	$13,589	$8,156	$4,282	$16,042	$340	$330

(1) Includes interest expenses

(2) Effective as of January 31, 2008, we amended our Credit Agreement in order to increase the term loan facility to $28 million. The amendment provides that the maturity date for the revolving credit facility and the term loan facility under the Credit Agreement will be December 31, 2011. The amendment also amends certain financial covenants which we are required to maintain compliance with under the Credit Agreement, including minimum consolidated EBIDTA and consolidated leverage ratio covenants, provides new mandatory term loan prepayments based on excess cash flow and the sale or issuance of equity interests, provides a new amortization schedule for the term loan and revises the acquisition covenant to reduce permitted costs of acquisitions. This does not include interest expense.

(3) Other arrangements include payments related to agreements to a service provider under which we receive data and other information for use in our new fraud protection services. Under these arrangements we pay royalties based on usage of the data or analytics, and make certain minimum royalty payments in exchange for defined limited exclusivity rights. In 2008 the Company is obligated to pay a) an additional $6.0 million of minimum royalties in which any further minimum royalty payments by us are either paid at our sole discretion or are subject to termination by us under certain contingent conditions, b) an increasing adjustment based on the greater of the cumulative change in the Consumer Price Index over the prior 60 months or 2% and c) $432 thousand to our related party under these contracts through December 31, 2008. The amounts in the table represent only the noncanceable portion of each respective arrangement. In general, contracts can be terminated with 90 day notice.

As part of the acquisition of Net Enforcers, additional consideration of $3.5 million in cash is if Net Enforcers achieves certain financial statement metrics and revenue targets in the future. Based on the limited time of ownership, we are unable to determine the probability of these payments.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest Rate

We had cash and cash equivalents totaling $19.8 million and $15.6 million at December 31, 2007 and 2006, respectively. Our cash and cash equivalents are highly liquid investments and consist primarily of short term U.S. Treasury securities with original maturity dates of less than 90 days. We do not enter into investments for trading or speculative purposes. Due to the short term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income.

Market risks related to our operations result primarily from changes in interest rates. Our interest rate exposure is related to long-term debt obligations. A significant portion of our interest expense is based upon changes in the benchmark interest rate (LIBOR). Based upon our outstanding long term debt subject to variable interest rates as of December 31, 2007 of $25.7 million, a 60 basis point movement in the LIBOR rate would result in a change in annual pretax interest expense of approximately $152 thousand based on our current level of borrowing.

In February 2008, we entered into an interest rate swap to effectively fix our variable rate term loan and a portion of the revolving credit facility under our Credit Agreement.

Foreign Currency

We have a foreign majority-owned subsidiary, Screening International, and therefore, are subject to foreign currency rate exposure. Screening International's wholly-owned subsidiary, Control Risks Screening Limited, is located in the United Kingdom, conducts international business and prepares financial statements per UK statutory requirements in British pounds. Control Risks Screening's financial statements are translated to US dollars for US GAAP reporting. As a result, our financial results are affected by fluctuations in the foreign currency exchange rates. The impact of the transaction gains and losses on the income statement was a loss of $61 thousand for the year ended December 31, 2007. We have determined that the impact of the conversion has an insignificant effect on our consolidated financial position results of operations and cash flows and we believe that a near term 10%

appreciation or depreciation of the US dollar will continue to have an insignificant effect on our consolidated financial position, results of operations and cash flows.

We have international sales in Canada and, therefore, are subject to foreign currency rate exposure. We collect fees from subscriptions in Canadian currency and pay a portion of the related expenses in Canadian currency, which mitigates our exposure to currency exchange rate risk. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions. We have determined that the impact of the depreciation of the U.S. dollar had an insignificant effect on our financial position, results of operations and cash flows and we believe that a near term 10% appreciation or depreciation of the U.S. dollar will continue to have an insignificant effect on our financial position, results of operations and cash flows.

We have commenced startup operations in Singapore and therefore, are subject to foreign currency rate exposure. Due to the limited nature of operations to date, we believe that we do not have any material exposure to changes in the foreign currency.

We do not maintain any derivative instruments to mitigate the exposure to translation and transaction risk; however, this does not preclude our adoption of specific hedging strategies in the future. We will assess the need to utilize financial instruments to hedge currency exposures on an ongoing basis. The foreign exchange transaction gains and losses are included in our results of operations, and were not material for all periods presented.

Fair Value

We do not have material exposure to market risk with respect to investments, as our investments consist primarily of short term U.S. Treasury securities. We do not use derivative financial instruments for speculative or trading purposes; however, this does not preclude our adoption of specific hedging strategies in the future.

In February 2008, we entered into an interest rate swap to effectively fix our variable rate term loan and a portion of the revolving credit facility under our Credit Agreement.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The information required by this item is set forth beginning on page F-1 of this Annual Report on Form 10-K.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None

ITEM 9A. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of its "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Our officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our chief executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Internal Control over Financial Reporting

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes self-monitoring mechanisms and actions taken to correct deficiencies as they are identified. Because of the inherent limitations in any internal control, no matter how well designed, misstatements may occur and not be prevented or detected. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Management conducted an evaluation of the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2007 based on the framework set forth in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, management concluded that, as of December 31, 2007, the Company's internal control over financial reporting is effective based on the specified criteria.

During the year ended December 31, 2007, we completed our acquisitions of Captira Analytical, LLC and Net Enforcers, Inc. As part of the post-closing integration, we are engaged in the process of assessing the internal controls and processes of Captira Analytical and Net Enforcers under COSO framework and, where Captira Analytical's and Net Enforcers' controls are different from those of the Company, we are revising their controls to make them consistent with the Company's controls. We believe this process will be completed in 2008. Management has excluded the internal controls of Captira Analytical and Net Enforcers from its annual assessment of the effectiveness of the company's internal control over financial reporting (Section 404) for 2007. This exclusion is in accordance with the Securities and Exchange Commission guidance that an assessment of a recently acquired business may be omitted from management's report on internal control over financial reporting in the year of acquisition. The Company has not identified any material weaknesses in the internal controls of these entities.

Attestation Report of Registered Public Accounting Firm

The information required by this item is set forth beginning on page F-3 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. ***OTHER INFORMATION***

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by Item 10 as to executive officers of the Company is disclosed in Part I under the caption "Executive Officers of the Registrant." The other information required by Item 10 as to the directors of the Company is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 11 is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by Item 12 regarding security ownership of certain beneficial owners and executive officers and directors is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND INDEPENDENCE*

The information required by Item 13 is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required by Item 14 is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

(a) 1. and 2. Financial Statements and Financial Statement Schedules

The consolidated financial statements and financial statement schedules of Intersections Inc. required by Part II, Item 8, are included in Part IV of this report. See Index to Consolidated Financial Statements and Financial Statement Schedules beginning on page F-1.

3. Exhibits

Exhibit Number	Description
2.1	Merger Agreement, by and among the Registrant, CMSI Merger Inc., Chartered Marketing Services, Inc., and Chartered Holdings, LLC and other shareholders of Chartered Marketing Services, Inc., dated as of June 9, 2006 (Incorporated by reference to Exhibit 2.1, filed with the Form 8-K dated July 7, 2006)
2.2	Letter Agreement by and among the Registrant, Chartered Marketing Services, Inc. and Michael J. Kennealy, dated as of June 30, 2006 (Incorporated by reference to Exhibit 2.2, filed with the Form 8-K dated July 7, 2006)
2.3*	Membership Purchase Agreement dated January 31, 2008 between Registrant and Citibank (South Dakota), N.A.
2.4	Asset Purchase Agreement dated August 7, 2007 among Registrant, Captira Analytical, LLC, Hide N'Seek, LLC and certain members of Hide N'Seek, LLC (Incorporated by reference to Exhibit 2.1 filed with the Form 8-k dated August 7, 2007).
3.1	Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1, filed with the Registrant's Registration Statement on Form S-1 (File No. 333-111194) (the "Form S-1"))
3.2	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1, filed with the Form 8-K dated October 14, 2007)
10.1	Amended and Restated Marketing and Services Agreement dated April 20, 2007, by and between the Registrant, on the one hand, and Capital One Bank and Capital One Services Inc., on the other hand (Incorporated by reference to Exhibit 10.1, filed with the Registrant's Form 8-K dated April 20, 2007).
10.2.1†	Consumer Credit Information Service Agreement, dated as of March 12, 1997, by and between CreditComm Services LLC and American Express Travel Related Services Company, Inc., as amended. (Incorporated by reference to Exhibit 10.2, filed with the Form S-1)
10.2.2	Services Transition Agreement, dated as of December 21, 2005, between the Registrant and American Express Travel Related Services (Incorporated by reference to Exhibit 10.1, filed with Form 8-K dated December 29, 2005).
10.3†	Agreement, dated as of April 29, 2001, between the Registrant and Discover Financial Services, Inc. (Incorporated by reference to Exhibit 10.3, filed with the Form S-1)
10.4†	Agreement for Services Administration, dated as of March 11, 2002, between the Registrant and Discover Bank (Incorporated by reference to Exhibit 10.4, filed with the Form S-1)
10.5†	Program Provider Agreement, dated as of August 1, 2002, among the Registrant, Citibank (South Dakota), N.A., Citibank USA N.A. and Citicorp Credit Services, Inc. (Incorporated by reference to Exhibit 10.5, filed with the Form S-1)
10.6.1†	Agreement -- Consumer Disclosure Services, dated as of April 7, 1997, by and between CreditComm Services LLC, Equifax Credit Information Services, Inc. and Digital Matrix Systems, as amended by the First Addendum dated March 30, 2001 and the Second Addendum dated November 27, 2001. (Incorporated by reference to Exhibit 10.6, filed with the Form S-1)
10.6.2	Amendment, effective as of January 24, 2006, of Agreement -- Consumer Disclosure Service, between the Registrant and Equifax Credit Information Services, Inc. (Incorporated by reference to Exhibit 10.3, filed with the Form 8-K dated January 30, 2006).
10.7.1	Agreement for Credit Monitoring Batch Processing Services, dated as of November 27, 2001, among the Registrant, CreditComm Services LLC and Equifax Services, Inc. (Incorporated by reference to Exhibit 10.7, filed with the Form S-1)
10.7.2	Amendment, effective as of January 24, 2006, of Agreement for Credit Monitoring Batch Processing Services, between the Registrant and Equifax Consumer Services, Inc. (Incorporated by reference to Exhibit 10.2, filed with the Form 8-K dated January 30, 2006).
10.8.1	Master Agreement for Marketing, Operational and Cooperative Services, dated as of November 27, 2001, among the Registrant, CreditComm Services LLC and Equifax Consumer Services, Inc., as amended, together with Addendum Number Two, dated May 31, 2002. (Incorporated by reference to Exhibit 10.8, filed with the Form S-1)

Exhibit Number	Description
10.8.2	Amendment, effective as of January 24, 2006, of Master Agreement for Marketing, Operational and Cooperative Services, between the Registrant and Equifax Consumer Services, Inc. (Incorporated by reference to Exhibit 10.1, filed with the Form 8-K dated January 30, 2006).
10.9†	CapitalOne Project Agreement pursuant to Addendum Number Two to Master Agreement for Marketing, Operational and Cooperative Services, dated May 31, 2002. (Incorporated by reference to Exhibit 10.9, filed with the Form S-1)
10.10†	CapitalOne Project Agreement Two pursuant to Addendum Number Two to Master Agreement for Marketing, Operational and Cooperative Services, dated December 23, 2002. (Incorporated by reference to Exhibit 10.10, filed with the Form S-1)
10.11†	CapitalOne Project Agreement Three pursuant to Addendum Number Three to Master Agreement for Marketing, Operational and Cooperative Services, dated November 22, 2002. (Incorporated by reference to Exhibit 10.11, filed with the Form S-1)
10.12.1†	Consumer Review Service Reseller Service Agreement between the Registrant and Experian Information Solutions, Inc. (Incorporated by reference to Exhibit 10.12, filed with the Form S-1)
10.12.2†	Amendment, dated November 15, 2006, to the Pricing Schedule to the Consumer Review Services Reseller Agreement, dated July 1, 2003 between the Registrant and Experian Information Solutions, Inc. (Incorporated by reference to Exhibit 10.12.2 filed with the Form 10-K for the year ended December 31, 2006).
10.13†	Agreement, effective as of December 1, 2003, between Citibank (South Dakota), N.A., Citibank USA, N.A. and Citicorp Credit Services, Inc. and the Registrant. (Incorporated by reference to Exhibit 10.13, filed with the Form S-1)
10.14†	Service Agreement for Consumer Resale, dated as of August 31, 1999 by and between CreditComm Services LLC and TransUnion Corporation. (Incorporated by reference to Exhibit 10.14, filed with the Form S-1)
10.15.1	Master Agreement dated March 8, 2007 by and between Digital Matrix Systems, Inc. and the Registrant. (Incorporated by reference to Exhibit 10.3 filed with the Form 10-Q for the quarter ended March 31, 2007).
10.15.2	Data Services Agreement For Credit Bureau Simulator, effective as of September 1, 2004, between Digital Matrix Systems, Inc. and the Registrant. (Incorporated by reference to Exhibit 10.1, filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
10.15.3	Professional Services Agreement, dated November 11, 2005, between Digital Matrix Systems, Inc. and the Registrant. (Incorporated by reference to Exhibit 10.15.4 filed with the Form 10-K for the year ended December 31, 2006).
10.15.4	Disaster Recovery Site Agreement, by and among the Registrant and Digital Matrix Systems, dated as of March 16, 2006 (Incorporated by reference to Exhibit 10.1, filed with the Form 10-Q dated May 5, 2006)
10.16	Employment Agreement between the Registrant and Michael R. Stanfield (Incorporated by reference to Exhibit 10.1, filed with the Form S-1)
10.17	Severance and Release Agreement, by and between the Registrant and Kenneth D. Schwarz, dated as of January 5, 2007 (Incorporated by reference to Exhibit 10.1, filed with the Form 8-K dated January 5, 2007)
10.18	Employment Agreement between the Registrant and Neal Dittersdorf. (Incorporated by reference to Exhibit 10.19, filed with the Form S-1)
10.19	Data Services Agreement for Credit Browser, dated as of December 17, 2004, by and between Digital Matrix Systems, Inc. and the Registrant (Incorporated by reference to Exhibit 10.21, filed with the 2004 10-K)
10.20	Employment Agreement, dated as of January 13, 2005, by and between the Registrant and George K. Tsantes (Incorporated by reference to Exhibit 10.22, filed with the 2004 10-K).
10.21.1	Credit Agreement, by and among the Registrant, certain Subsidiaries thereof, Bank of America, N.A., and L/C Issuer, dated as of July 3, 2006 (Incorporated by reference to Exhibit 10.1, filed with the Form 8-K dated July 7, 2006)

Exhibit Number	Description
10.21.2*	Amendment dated November 29, 2007 to Credit Agreement dated as of July 3, 2006 by and among Registrant, certain Subsidiaries thereof, Bank of America, N.A. and L/C Issuer.
10.21.3*	Amendment effective as of January 31, 2008 to Credit Agreement dated as of July 3, 2006 by and among Registrant, certain Subsidiaries thereof, Bank of America, N.A. and L/C Issuer.
10.22	Joint Venture Agreement, between the Registrant, Control Risk Group Limited, Control Risk Group Holdings Limited, and Screening International LLC, dated as of May 15, 2006 (Incorporated by reference to Exhibit 10.1, filed with the Form 10-Q dated August 8, 2006)
10.23	Employment Agreement by and between the Registrant and John G. Scanlon (Incorporated by reference to Exhibit 10.2, filed with the Form 8-K dated January 5, 2007)
10.24*	Stock Purchase Agreement dated November 9, 2007 among Registrant, Net Enforcers, Inc. and Joseph C. Loomis.
14.1	Code of Ethics of the Registrant (Incorporated by reference to Exhibit 14.1, filed with the 2004 10-K).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Michael R. Stanfield, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Madalyn Behneman, Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Michael R. Stanfield, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Madalyn Behneman, Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

† Confidential treatment requested as to certain portions, which portions are omitted and filed separately with the Securities and Exchange Commission.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Intersections Inc.
Chantilly, Virginia

We have audited the accompanying consolidated balance sheets of Intersections Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index to the Financial Statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Intersections Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

McLean, Virginia
March 14, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Intersections Inc.
Chantilly, Virginia

We have audited the internal control over financial reporting of Intersections Inc. and subsidiaries (the "Company") as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Captira Analytical, LLC and Net Enforcers, Inc., which were acquired on August 7, 2007 and November 30, 2007, respectively, and whose financial statements constitute 9.0 percent of total assets and 0.1 percent of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2007. Accordingly, our audit did not include the internal control over financial reporting at Captira Analytical, LLC and Net Enforcers, Inc. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2007 of the Company and our report dated March 14, 2008 expressed an unqualified opinion on those financial statements and the financial statement schedule.

DELOITTE & TOUCHE LLP

McLean, Virginia
March 14, 2008

INTERSECTIONS INC.

CONSOLIDATED BALANCE SHEETS
December 31, 2006 and 2007
(In thousands)

	December 31, 2006	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,580	$ 19,780
Short-term investments	10,453	—
Accounts receivable, net of allowance of doubtful accounts of $38 and $37	22,369	25,471
Prepaid expenses and other current assets	5,241	6,217
Income tax receivable	2,113	4,329
Note receivable	750	—
Deferred subscription solicitation costs	11,786	21,912
Total current assets	68,292	77,709
PROPERTY AND EQUIPMENT — net	21,699	18,817
GOODWILL	66,663	76,506
INTANGIBLE ASSETS — net	12,388	16,855
OTHER ASSETS	10,425	16,381
TOTAL ASSETS	$179,467	$206,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable — current portion	$ 3,333	$ 3,346
Note payable to Control Risks Group Ltd.	—	900
Capital leases — current portion	1,176	1,001
Accounts payable	5,193	10,647
Accrued expenses and other current liabilities	15,690	15,187
Accrued payroll and employee benefits	7,073	4,945
Commissions payable	1,194	2,413
Deferred revenue	5,292	2,886
Deferred tax liability — current portion	2,483	6,019
Total current liabilities	41,434	47,344
NOTE PAYABLE — less current portion	11,667	22,347
OBLIGATIONS UNDER CAPITAL LEASES — less current portion	1,637	699
OTHER LONG-TERM LIABILITIES	551	2,071
DEFERRED TAX LIABILITY — less current portion	8,152	8,935
TOTAL LIABILITIES	63,441	81,396
MINORITY INTEREST	11,450	10,024
STOCKHOLDERS' EQUITY:		
Common stock ($0.01 par); shares authorized: 50,000; shares issued 17,836 shares (2006) and 18,172 shares (2007); 16,871 shares outstanding (2006) and 17,105 (2007)	178	182
Additional paid-in capital	95,462	99,706
Treasury stock, 965 and 1,067 shares at cost in 2006 and 2007	(8,600)	(9,516)
Retained earnings	17,447	24,357
Accumulated other comprehensive income	89	119
Total stockholders' equity	104,576	114,848
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$179,467	$206,268

See notes to consolidated financial statements.

INTERSECTIONS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2005, 2006 and 2007

	2005	2006	2007
	(In thousands, except per share amounts)		
REVENUE	$165,171	$201,051	$271,723
OPERATING EXPENSES:			
Marketing	19,646	25,173	36,285
Commission	26,687	25,786	52,624
Cost of revenue	57,351	75,188	101,815
General and administrative	34,518	49,978	59,386
Depreciation and amortization	6,457	10,018	12,427
Impairment of software development costs	1,515	—	—
Total operating expenses	146,174	186,143	262,537
INCOME FROM OPERATIONS	18,997	14,908	9,186
Interest income	1,265	1,655	799
Interest expense	(82)	(875)	(1,380)
Other income — net	37	173	1,139
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	20,217	15,861	9,744
INCOME TAX EXPENSE	(7,747)	(6,328)	(4,329)
MINORITY INTEREST IN NET (INCOME) LOSS OF SUBSIDIARY	—	(97)	1,451
NET INCOME	$ 12,470	$ 9,436	$ 6,866
NET INCOME PER SHARE — basic	$ 0.73	$ 0.56	$ 0.40
NET INCOME PER SHARE — diluted	$ 0.70	$ 0.54	$ 0.39
Weighted average common shares outstanding — basic	17,002	16,770	17,096
Weighted average common shares outstanding — diluted	17,815	17,606	17,479

See notes to consolidated financial statements.

INTERSECTIONS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2005, 2006 and 2007

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
				(In thousands)				
BALANCE, JANUARY 1, 2005	17,325	$173	$91,413	—	$ —	$ —	$ (4,459)	$ 87,127
Issuance of common stock upon exercise of stock options & warrants	285	3	1,140	—	—	—	—	1,143
Amortization of deferred compensation	—	—	20	—	—	—	—	20
Repurchase of Company stock	—	—	—	965	(8,600)	—	—	(8,600)
Tax benefit of stock options exercised	—	—	784	—	—	—	—	784
Net income	—	—	—	—	—	—	12,470	12,470
BALANCE, DECEMBER 31, 2005	17,610	$176	$93,357	965	$(8,600)	$ —	$ 8,011	$ 92,944
Issuance of common stock upon exercise of stock options & warrants	226	$ 2	$ 470	—	$ —	$ —	$ —	$ 472
Amortization of deferred compensation	—	—	10	—	—	—	—	10
Stock based compensation	—	—	1,111	—	—	—	—	1,111
Tax benefit of stock options exercised	—	—	514	—	—	—	—	514
Net income	—	—	—	—	—	—	9,436	9,436
Foreign currency translation adjustments	—	—	—	—	—	89	—	89
Comprehensive Income	—	—	—	—	—	—	—	9,525
BALANCE, DECEMBER 31, 2006	17,836	$178	$95,462	965	$(8,600)	$ 89	$17,447	$104,576
Issuance of common stock upon exercise of stock options & warrants	336	$ 4	$ 1,031	—	$ —	$ —	$ —	$ 1,035
Stock based compensation	—	—	2,715	—	—	—	—	2,715
Tax benefit of stock options exercised	—	—	498	—	—	—	—	498
Adoption of FIN No. 48	—	—	—	—	—	—	44	44
Repurchase of Company stock	—	—	—	102	(916)	—	—	(916)
Net income	—	—	—	—	—	—	6,866	6,866
Foreign currency translation adjustments	—	—	—	—	—	30	—	30
Comprehensive Income	—	—	—	—	—	—	—	6,896
BALANCE, DECEMBER 31, 2007	18,172	$182	$99,706	1,067	$(9,516)	$119	$24,357	$114,848

See notes to consolidated financial statements.

INTERSECTIONS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005, 2006 and 2007

	2005	2006	2007
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 12,470	$ 9,436	$ 6,866
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,457	10,113	12,556
Amortization of gain from sale leaseback	—	(95)	(94)
Loss on disposal of fixed assets	15	54	60
Excess tax benefit from share based compensation	784	—	—
Amortization of debt issuance cost	—	31	75
Provision for doubtful accounts	19	33	(2)
Deferred income tax	2,418	2,142	4,417
Shared based compensation	20	1,121	2,715
Amortization of deferred subscription solicitation costs	21,714	21,175	35,012
Impairment of software development costs	1,515	—	—
Minority interest in net income (loss) of Screening International, LLC	—	97	(1,451)
Foreign currency transaction losses, net	—	—	61
Changes in assets and liabilities, net of businesses acquired:			
Accounts receivable	(4,795)	(3,998)	(2,663)
Prepaid expenses and other current assets	(294)	129	(1,018)
Income tax receivable	—	(2,341)	(2,740)
Deferred subscription solicitation costs	(21,347)	(20,583)	(46,718)
Other assets	(5,807)	(4,085)	(4,375)
Accounts payable	183	(2,154)	4,806
Accrued expenses and other current liabilities	1,969	3,921	(836)
Accrued payroll and employee benefits	888	2,932	(2,151)
Commissions payable	34	(771)	1,220
Current tax payable	1,116	(1,115)	—
Deferred revenue	197	1,403	(2,640)
Other long-term liabilities	41	452	1,489
Net cash provided by operating activities	$ 17,597	$ 17,897	$ 4,589
NET CASH USED IN INVESTING ACTIVITIES:			
Acquisition of property and equipment	$(10,552)	$ (8,331)	$ (6,075)
Cash received in the acquisition of Screening International, LLC	—	1,710	—
Cash paid in the acquisition of Intersections Insurances Services Inc.	—	(50,609)	(5)
Cash paid in the acquisition of Hide N' Seek, LLC, net of cash received	—	—	(1,686)
Cash paid in the acquisition of Net Enforcers, Inc., net of cash received	—	—	(14,168)
Proceeds from sale-leaseback	1,243	—	—
Sale of short-term investments	6,084	23,634	10,453
Net cash used in investing activities	$ (3,225)	$(33,596)	$(11,481)
CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES:			
Cash proceeds from stock options exercised	1,143	471	1,035
Excess tax benefit of stock options exercised	—	514	498
Proceeds from debt issuance	—	15,000	14,900
Debt issuance costs	—	(261)	—
Note receivable	—	(750)	—
Repurchase of common stock	(8,600)	—	(916)
Repayments on note payable	—	—	(3,382)
Capital lease payments	(1,387)	(1,391)	(1,037)
Net cash (used in) provided by financing activities	$ (8,844)	$ 13,583	$ 11,098
EFFECT OF EXCHANGE RATE ON CASH	—	141	(6)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,528	(1,975)	4,200
CASH AND CASH EQUIVALENTS — Beginning of period	12,027	17,555	15,580
CASH AND CASH EQUIVALENTS — End of period	$ 17,555	$ 15,580	$ 19,780
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 117	$ 655	$ 1,084
Cash paid for taxes	$ 3,437	$ 5,384	$ 3,078
NONCASH FINANCING AND INVESTING ACTIVITIES:			
Equipment obtained under capital lease	$ 1,596	$ —	$ —
Equipment financed	$ 203	$ —	$ —
Equipment accrued but not paid	$ 248	$ 185	$ 363
Equipment under sale lease back	$ 1,243	$ —	$ —

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2005, 2006 and 2007

1. Organization and Business

We offer consumers a variety of consumer protection services and other consumer products and services primarily on a subscription basis. Our services help consumers protect themselves against identity theft or fraud and understand and monitor their credit profiles and other personal information. Through our acquisition of Intersections Insurance Services Inc. ("IISI"), formerly known as Chartered Marketing Services, Inc., in July of 2006, we expanded our portfolio of services to include consumer discounts on healthcare, home and auto related expenses, access to professional financial and legal information, and life, accidental death and disability insurance products. Our consumer services are offered through relationships with clients, including many of the largest financial institutions in the United States and Canada, and clients in other industries. In addition, we also offer our services directly to consumers.

Through our majority owned subsidiary Screening International, LLC ("SI"), we provide personnel and vendor background screening services to businesses worldwide. SI was formed in May 2006, with Control Risks Group, Ltd., ("CRG"), a company based in the UK. SI has offices in Winchester, Virginia, London, in the UK, and Singapore. SI's clients include leading United States, UK and global companies in such areas as manufacturing, healthcare, telecommunications and financial services. SI provides a variety of risk management tools for the purpose of personnel and vendor background screening, including criminal background checks, driving records, employment verification and reference checks, drug testing and credit history checks.

We acquired American Background Information Services, Inc. ("ABI"), in November 2004. In May 2006, we created SI with CRG by combining ABI with CRG's background screening division. We own 55% of SI, and have the right to designate a majority of the five-member board of directors. CRG owns 45% of SI. We and CRG have agreed to cooperate to meet any future financing needs of SI, including guaranteeing third party loans and making additional capital contributions on a pro rata basis, if necessary, subject to certain capital call and minority protection provisions.

We have three reportable segments. Our Consumer Products and Services segment includes our consumer protection and other consumer products and services. This segment also includes the data security breach services we provide to assist organizations in responding to compromises of sensitive personal information. We help these clients notify the affected individuals, and we provide the affected individuals with identity theft recovery and credit monitoring services offered by our clients at no charge to the affected individual. Our Background Screening segment includes the personnel and vendor background screening services provided by SI. Our Other segment includes the newly acquired Captira Analytical, LLC ("Captira"), which provides software and automated service solutions for the bail bonds industry and Net Enforcers, Inc ("Net Enforcers"), which provides corporate identity theft protection services.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared by us in accordance with accounting principles generally accepted in the United States of America. Our financial results include ABI for the period January 1, 2005 through May 30, 2006, and SI, which combined ABI with CRG's background screening business, for the period May 31, 2006 through December 31, 2007. We own 55% of SI. Our financial results also include IISI, which we acquired on July 3, 2006. In addition, our financial results for the year ended December 31, 2007 include Captira, which we acquired from Hide N'Seek, LLC on August 7, 2007 and Net Enforcers which we acquired on November 30, 2007. In the opinion of management, all adjustments consisting of only normal recurring adjustments necessary for a fair presentation of the financial position of the Company, the results of its operations and cash flows have been made. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments, including those with an original maturity of three months or less, to be cash equivalents. Cash and cash equivalents consist primarily of interest-bearing accounts.

Short-Term Investments

Our investments consist of short-term U.S. Treasury securities with original maturities greater than 90 days but no greater than six months. These investments are categorized as held to maturity and are carried at amortized cost because we have both the intent and the ability to hold these investments until they mature. Discounts are accreted into earnings over the life of the investment. Interest income is recognized when earned. Our short-term investments were sold during 2007 to fund business operations, which include an increased investment in marketing.

Foreign Currency Translation

We account for foreign currency translation and transaction gains and losses in accordance with Statements of Financial Accounting Standards ("SFAS") No. 52, *Foreign Currency Translation*. We translate the assets and liabilities of our foreign subsidiary at the exchange rates in effect at the end of the period and the results of operations at the average rate throughout the period. The translation adjustments are recorded directly as a separate component of shareholders equity, while transaction gains and losses are included in net income.

Our financial results for the year ended December 31, 2007 includes a net impact of $1.1 million related to a foreign currency transaction gain.

Accounts Receivable and Note Receivable

Accounts receivable represents trade receivables as well as in-process credit card billings. We provide an allowance for doubtful accounts on trade receivables based upon factors related to historical trends, a specific review of outstanding invoices and other information. We also record a provision for estimated sales refunds and allowances related to sales in the same period that the related revenues are recorded. These estimates are based on historical refunds and other known factors.

In December 2006, we entered into a note receivable with Captira in the amount of $750 thousand. In addition, we increased the note receivable by $750 thousand in 2007. In conjunction with the acquisition of Captira, we forgave the outstanding note balance of $1.5 million in the year ended December 31, 2007, including $67 thousand of interest, as discussed in Note 3.

Property and Equipment

Property and equipment, including property and equipment under finance leases, are recorded at cost and are depreciated on a straight-line basis over the following estimated useful lives:

	Life (In years)
Machinery and equipment	3-5
Software	3-5
Furniture and fixtures	5
Leasehold improvements	Shorter of lease term or useful life
Building	30

Goodwill and Intangible Assets

We record as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired in accordance with SFAS No. 141, *Business Combinations*. The determination of fair value of the identifiable net assets acquired was determined based upon a third party valuation and evaluation of other information.

SFAS No. 142, *Goodwill and Other Intangible Assets*, prescribes a two-step process for impairment testing of goodwill and intangibles with indefinite lives, which is performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. We have elected to perform our annual analysis as of October 31 of each fiscal year. As of October 31, 2007, no indicators of impairment have been identified.

Intangible assets subject to amortization include trademarks, customer marketing and technology related assets. Such intangible assets are amortized on a straight-line or accelerated basis over their estimated useful lives, which are generally three to ten years.

Impairment of Long-Lived Assets

We review long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. We had no such impairments in the years ended December 31, 2005, 2006 or 2007.

Fair Value of Financial Instruments

The carrying value of our financial instruments, which include cash, short-term investments, accounts receivable, accounts payable and other accrued expenses, approximate fair value due to their short maturities. The carrying value of our notes receivable, notes payable and capital leases approximates fair value due to similar rates being offered to us from competing financial institutions.

Revenue Recognition

We recognize revenue on 1) identity theft, credit management and background services, 2) accidental death insurance and other membership products and 3) other monthly subscription products.

Our products and services are offered to consumers principally on a monthly subscription basis. Subscription fees are generally billed directly to the subscriber's credit card, mortgage bill or demand deposit accounts. The prices to subscribers of various configurations of our products and services range generally from $4.99 to $25.00 per

month. As a means of allowing customers to become familiar with our services, we sometimes offer free trial or guaranteed refund periods. No revenues are recognized until applicable trial periods are completed.

Identity Theft, Credit Management and Background Services

We recognize revenue from our services in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements* as amended by SAB No. 104 *Revenue Recognition*. Consistent with the requirements of SAB No.'s 101 and 104, revenue is recognized when: a) persuasive evidence of arrangement exists as we maintain signed contracts with all of our large financial institution customers and paper and electronic confirmations with individual purchases, b) delivery has occurred once the product is transmitted over the internet, c) the seller's price to the buyer is fixed as sales are generally based on contract or list prices and payments from large financial institutions are collected within 30 days with no significant write-offs, and d) collectibility is reasonably assured as individual customers pay by credit card which has limited our risk of non-collection. Revenue for monthly subscriptions is recognized in the month the subscription fee is earned. For subscriptions with refund provisions whereby only the prorated subscription fee is refunded upon cancellation by the subscriber, deferred subscription fees are recorded when billed and amortized as subscription fee revenue on a straight-line basis over the subscription period, generally one year. We generate revenue from one-time credit reports and background screenings which are recognized when the report is provided to the customer electronically, which is generally at the time of completion.

Revenue for annual subscription fees must be deferred if the subscriber has the right to cancel the service. Annual subscriptions include subscribers with full refund provisions at any time during the subscription period and pro-rata refund provisions. Revenue related to annual subscription with full refund provisions is recognized on the expiration of these refund provisions. Revenue related to annual subscribers with pro-rata provisions is recognized based on a pro rata share of revenue earned. An allowance for discretionary subscription refunds is established based on our actual cancellation experience.

We also provide services for which certain financial institution clients are the primary obligors directly to their customers. Revenue from these arrangements is recognized when earned, which is at the time we provide the service, generally on a monthly basis.

The amount of revenue recorded by us is determined in accordance with Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, which addresses whether a company should report revenue based on the gross amount billed to a customer or the net amount retained by us (amount billed less commissions or fees paid). We generally record revenue on a gross basis in the amount that we bill the subscriber when our arrangements with financial institution clients provide for us to serve as the primary obligor in the transaction, we have latitude in establishing price and we bear the risk of physical loss of inventory and credit risk for the amount billed to the subscriber. We generally record revenue in the amount that we bill our financial institution clients, and not the amount billed to their customers, when our financial institution client is the primary obligor, establishes price to the customer and bears the credit risk.

Accidental Death Insurance and other Membership Products

We recognize revenue from our services in accordance with SAB No. 101, as amended by SAB No. 104. Consistent with the requirements of SAB No.'s 101 and 104, revenue is recognized when: a) persuasive evidence of arrangement exists as we maintain paper and electronic confirmations with individual purchases, b) delivery has occurred at the completion of a product trial period, c) the seller's price to the buyer is fixed as the price of the product is agreed to by the customer as a condition of the sales transaction which established the sales arrangement, and d) collectibility is reasonably assured as evidenced by our collection of revenue through the monthly mortgage payments of our customers or through checking account debits to our customers' accounts. Revenues from insurance contracts are recognized when earned. Marketing of our insurance products generally involves a trial

period during which time the product is made available at no cost to the customer. No revenues are recognized until applicable trial periods are completed.

The amount of revenue recorded by us is determined in accordance with FASB's EITF 99-19. For insurance products we generally record revenue on a net basis as we perform as an agent or broker for the insurance products without assuming the risks of ownership of the insurance products. For membership products, we generally record revenue on a gross basis as we serve as the primary obligor in the transactions, have latitude in establishing price and bear credit risk for the amount billed to the subscriber.

We participate in agency relationships with insurance carriers that underwrite insurance products offered by us. Accordingly, insurance premiums collected from customers and remitted to insurance carriers are excluded from our revenues and operating expenses. Insurance premiums collected but not remitted to insurance carriers as of December 31, 2006 and 2007 totaled $1.8 million and $1.3 million, respectively.

Other Monthly Subscription Products

We generate revenue from other types of subscription based products provided from our Other segment. We recognize revenue from providing management service solutions, offered by Captira Analytical, on a monthly subscription basis and online brand protection and brand monitoring, offered by Net Enforcers.

Deferred Subscription Solicitation and Commission Costs

Deferred subscription solicitation and commission costs include direct-response marketing costs and deferred commissions.

We expense advertising costs as incurred except for direct-response marketing costs. Direct-response marketing costs include telemarketing, web-based marketing and direct mail costs related directly to subscription solicitation. In accordance with American Institute of Certified Public Accountants Statement of Position ("SOP") 93-7, *Reporting on Advertising Costs*, direct-response advertising costs are deferred and charged to operations on a cost pool basis as the corresponding revenues from subscription fees are recognized, but not for more than one year.

The recoverability of the amounts capitalized as deferred subscription solicitation and commission costs are evaluated at each balance sheet date, in accordance with SOP 93-7, by comparing the carrying amounts of such assets on a cost pool basis to the probable remaining future benefit expected to result directly from such advertising. Probable remaining future benefit is estimated based upon historical customer patterns, and represents net revenues less costs to earn those revenues.

In accordance with SAB No. 101, as amended by SAB No. 104, commissions that relate to annual subscriptions with full refund provisions and monthly subscriptions are expensed when incurred, unless we are entitled to a refund of the commissions. If annual subscriptions are cancelled prior to their initial terms, we are generally entitled to a full refund of the previously paid commission for those annual subscriptions with a full refund provision and a pro-rata refund, equal to the unused portion of the subscription, for those annual subscriptions with a pro-rata refund provision. Commissions that relate to annual subscriptions with full commission refund provisions are deferred until the earlier of expiration of the refund privileges or cancellation. Once the refund privileges have expired, the commission costs are recognized ratably in the same pattern that the related revenue is recognized. Commissions that relate to annual subscriptions with pro-rata refund provisions are deferred and charged to operations as the corresponding revenue is recognized. If a subscription is cancelled, upon receipt of the refunded commission from our client, we record a reduction to the deferred commission.

Deferred subscription solicitation costs included in the accompanying balance sheet as of December 31, 2006 and 2007, were $11.8 million and $21.9 million, respectively. Amortization of deferred subscription solicitation and commission costs, which are included in either marketing or commissions expense in our consolidated statement of operations, for the years ended December 31, 2005, 2006, and 2007 was $21.7 million, $21.2 million, and

$35.0 million, respectively. Subscription solicitation costs expensed as incurred related to marketing costs, which are included in marketing expenses in our consolidated statement of operations, as they did not meet the criteria for deferral in accordance with SOP 93-7, for the years ended December 31, 2005, 2006, and 2007 were $401 thousand, $6.0 million, and $2.5 million, respectively.

We have prepaid commission agreements with some of our clients. Under these agreements, we pay a commission on new subscribers in lieu of ongoing commission payments. We amortize these prepaid commissions, on an accelerated basis, over a period of time not to exceed three years, which is the average expected life of customers. The prepaid commissions are shown in prepaid expenses and other current assets on our consolidated balance sheet. Amortization is included in commissions expense on our consolidated statement of operations.

Deferred Debt Issuance Costs

Deferred debt issue costs are stated at cost, less accumulated amortization, and are included in other assets. Amortization of debt issuance costs is over the life of the loan under the effective interest method.

Software Development Costs

We develop software for our internal use and capitalize these software development costs incurred during the application development stage in accordance with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (“SOP”) and EITF 00-2, *Accounting for Web Site Development Costs*. Costs incurred prior to and after the application development stage are charged to expense. When the software is ready for its intended use, capitalization ceases and such costs are amortized on a straight-line basis over the estimated life, which is generally three to five years.

In accordance with SOP 98-1, we regularly review our capitalized software projects for impairment in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. As such, in the first quarter of 2005, we re-assessed the development effort related to our small business product in an effort to launch the product sooner and with less additional investment. Consequently, we decided to adopt an alternative approach resulting in the recognition of an impairment loss of approximately $1.4 million related to software development costs. In addition, we entered into a new agreement with a client that required an investment in new software resulting in an additional impairment loss of approximately $150 thousand in the first quarter of 2005. We had no impairments during 2006 or 2007.

Income Taxes

We account for income taxes under the provisions of SFAS No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized.

We believe that our tax positions comply with applicable tax law. As a matter of course, we may be audited by various taxing authorities and these audits may result in proposed assessments where the ultimate resolution may result in us owing additional taxes. In June 2006, the FASB issued Financial Interpretation (“FIN”) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. This interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN No. 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than

fifty percent likelihood of being realized upon ultimate settlement. We adopted the provisions of FIN No. 48 on January 1, 2007. Refer to Note 11 for further discussion of income taxes and the impact of adopting FIN No. 48.

Stock-Based Compensation

We currently have three equity incentive plans, the 1999 and 2004 Stock Option Plans and the 2006 Stock Incentive Plan which provide us with the opportunity to compensate selected employees with stock options, restricted stock and restricted stock units. A stock option entitles the recipient to purchase shares of common stock from us at the specified exercise price. Restricted stock and restricted stock units ("RSUs") entitle the recipient to obtain stock or stock units, $.01 par value, which vest over a set period of time. RSUs are granted at no cost to the employee. Employees do not need to pay an exercise price to obtain the underlying common stock. All grants or awards made under the Plans are governed by written agreements between us and the participants.

Prior to January 1, 2006, the Company accounted for its share-based compensation plans as prescribed by Accounting Principles Board, ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB No. 25"). The Company recorded no compensation cost in its statement of operations prior to fiscal 2006 for its fixed stock option grants as the exercise price equaled the fair market value of the underlying stock on the grant date.

On January 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment*, ("SFAS No. 123R"). SFAS No. 123R replaces SFAS No. 123 and supersedes APB No. 25 and subsequently issued stock option related guidance. The Company elected to use the modified-prospective method of implementation. Under this transition method, share-based compensation expense for the year ended December 31, 2006 included compensation expense for all share-based awards granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R, and compensation expense for all share-based awards granted prior to but unvested as of December 31, 2006 based on the grant-date fair value estimated in accordance with original provisions of SFAS No. 123.

In November 2005, the FASB issued FASB Staff Position No. FAS 123R-3 "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards." We elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of stock-based compensation. The alternative transition method includes simplified methods to determine the beginning balance of the additional paid-in capital (APIC) pool related to the tax effects of stock-based compensation, and to determine the subsequent impact on the APIC pool and the statement of cash flow of the tax effects of stock-based awards that were fully vested and outstanding upon the adoption of SFAS No. 123R.

The Company uses the Black-Scholes option-pricing model to value all options and the straight-line method to amortize this fair value as compensation cost over the requisite service period. Total share-based compensation expense included in general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 2006 and 2007 was $1.1 million and $2.7 million, respectively. The Company recognized no compensation expense in accordance with APB No. 25 for the year ended December 31, 2005. In accordance with the modified-prospective transition method of SFAS No. 123R, the Company has not restated prior periods.

As a result of adopting SFAS No. 123R on January 1, 2006, our earnings before income tax expense and net earnings for the year ended December 31, 2006 were $177 thousand and $106 thousand lower, respectively, than if we had continued to account for share-based compensation under APB No. 25. The impact to our earnings before income tax expense and net earnings for the year ended December 31, 2007 were $894 thousand and $518 thousand, respectively, than if we had continued to account for share-based compensation under APB No. 25. The related impact in 2006 and 2007 to basic and diluted earnings per share is $0.01 for the year ended December 31, 2006 and $0.03 for the year ended December 31, 2007.

Prior to the adoption of SFAS No. 123R, the Company reported the benefit of tax deductions in excess of recognized stock compensation expense, or excess tax benefits, resulting from the exercise of stock options as

operating cash inflows in its consolidated statements of cash flows. In accordance with SFAS No. 123R, the Company revised its statement of cash flows presentation prospectively to include these excess tax benefits from the exercise of stock options as financing cash inflows rather than operating cash inflows. Accordingly, for the years ended December 31, 2007 and 2006, the Company reported $498 thousand and $514 thousand, respectively, of excess tax benefits as a financing cash inflow.

Through December 31, 2005, we accounted for grants of stock option using the intrinsic value method in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and have provided the pro forma disclosures of net income and net income per share for the year ended December 31, 2005 in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an Amendment of FASB Statement No. 123*, using the fair value method. Under APB Opinion No. 25, compensation expense is based on the difference, if any, on the date of the grant between the fair value of our stock and the exercise price of the option and is recognized ratably over the vesting period of that option. We accounted for equity instruments issued to non-employees in accordance with SFAS No. 123 and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services.*

The following table reflects the impact on net income and earnings per common share as if we had applied the fair value based method of recognizing share-based compensation costs as presented by SFAS No. 123 for the year ended of December 31, 2005:

	2005
Net income:	
As reported	$12,470
Deduct: total stock-based employee compensation expense determined under the fair value method, net of tax	(4,975)
Pro forma	$ 7,495
Net income per basic share:	
As reported	$ 0.73
Pro forma	$ 0.44
Net income per diluted share:	
As reported	$ 0.70
Pro forma	$ 0.42

Under SFAS No. 123R, we have elected to continue using the Black-Scholes option pricing model to determine fair value of our awards on date of grant. We will reconsider the use of the Black-Scholes model if additional information becomes available in the future that indicates another model would be more appropriate, or if grants issued in future periods have characteristics that cannot be reasonably estimated under this model.

The following weighted-average assumptions were used for option grants during the years ended December 31, 2005, 2006 and 2007:

Expected Dividend Yield. The Black-Scholes valuation model requires an expected dividend yield as an input. We have not issued dividends in the past nor do we expect to issue dividends in the future. As such, the dividend yield used in our valuations for the years ended December 31, 2005, 2006 and 2007 were zero.

Expected Volatility. The expected volatility of the options granted was estimated based upon the average volatility of comparable public companies, as described in SAB No. 107. Due to the fact that we have only been a public company for approximately four years, we believe that there is not a substantive share price history to calculate accurate volatility and have elected to use the average volatility of companies similar to us

in size or industry. At the point when we have enough public history, we will reconsider the utilization of our own stock price volatility.

Risk-free Interest Rate. The yield on actively traded non-inflation indexed U.S. Treasury notes was used to extrapolate an average risk-free interest rate based on the expected term of the underlying grants.

Expected Term. The expected term of options granted during the year ended December 31, 2007 was determined under the simplified calculation provided in SAB No. 107, as amended by SAB No. 110 ((vesting term + original contractual term)/2). For the majority of grants valued during the years ended December 31, 2006 and 2007, the options had graded vesting over 4 years (25% of the options in each grant vest annually) and the contractual term was 10 years. Prior to 2006, we estimated the expected term to be 4 years.

The fair value of each option granted has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2005	2006	2007
Expected dividend yield	0%	0%	0%
Expected volatility	52%	44%	38%
Weighted average risk free interest rate	3.62%	4.73%	4.19%
Weighed average expected life of options	4 years	6.2 years	6.2 years

Net Income Per Common Share

Basic and diluted income per share are determined in accordance with the provisions of SFAS No. 128, *Earnings Per Share.* Basic income per common share is computed using the weighted average number of shares of common stock outstanding for the period. Diluted income per share is computed using the weighted average number of shares of common stock, adjusted for the dilutive effect of potential common stock. Potential common stock, computed using the treasury stock method or the if-converted method, includes convertible debt, preferred stock, options and warrants.

For the years ended December 31, 2005, 2006 and 2007, options to purchase 2.9 million, 3.1 million, and 3.2 million shares of common stock, respectively, have been excluded from the computation of diluted earnings per share as their effect would be anti-dilutive. These shares could dilute earnings per share in the future.

A reconciliation of basic income per common share to diluted income per common share is as follows (in thousands, except per share data):

	2005	2006	2007
Net income available to common shareholders — basic and diluted	$12,470	$ 9,436	$ 6,866
Weighted average common shares outstanding — basic	17,002	16,770	17,096
Dilutive effect of common stock equivalents	813	836	383
Weighted average common shares outstanding — diluted	17,815	17,606	17,479
Income per common share:			
Basic	$ 0.73	$ 0.56	$ 0.40
Diluted	$ 0.70	$ 0.54	$ 0.39

Treasury Stock

During 2005, we began holding repurchased shares of our common stock as treasury stock. In 2007, we continued to repurchase shares of our common stock. We account for treasury stock under the cost method and include treasury stock as a component of stockholder's equity.

Segment Reporting

SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*, defines how operating segments are determined and requires disclosures about products, services, major customers and geographic areas. We have three reportable segments. Our Consumer Products and Services segment includes our consumer protection and other consumer products and services provided by Intersections and Intersections Insurance Services. Our Background Screening segment includes the personnel and vendor background screening services provided by SI. Our Other segment includes software management solutions for the bail bond industry provided by Captira and corporate brand protection provided by Net Enforcers.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position No. FAS 157-2, E*ffective Dates of FASB Statement No. 157,* which defers the effective date of SFAS No. 157 for all nonrecurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. We are in the process of evaluating the impact, if any, SFAS No. 157 will have on our consolidated financial statements.

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 permits an entity, at specified election dates, to choose to measure certain financial instruments and other items at fair value. The objective of SFAS No. 159 is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently, without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for accounting periods beginning after November 15, 2007. We are in the process of evaluating the impact, if any, SFAS No. 159 will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R replaces SFAS No. 141 on accounting for business combinations, specifically the cost-allocation process. SFAS No. 141R requires an acquirer to recognize the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, at their fair values as of that date. In addition, an acquirer is required to recognize assets or liabilities arising from contractual contingencies as of the acquisition date, at their acquisition date fair values. Acquisition related costs that were previously allocated to the assets acquired and liabilities assumed under SFAS No. 141 should be recognized separately from the acquisition under SFAS No. 141R. The provisions of SFAS No. 141R are effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are in the process of evaluating the impact, if any, that SFAS No. 141R will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB No. 51.* SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The presentation of a noncontrolling interest has been modified for both the income statement and balance sheet, as well as expanded

disclosure requirements that clearly identify and distinguish between the interests of the parent's owners and the interest of the noncontrolling owners of a subsidiary. The provisions of SFAS No. 160 are effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are in the process of evaluating the impact, if any, that SFAS No. 160 will have on our consolidated financial statements.

3. Business Acquisitions

Net Enforcers

On November 30, 2007, we acquired all of the outstanding shares of Net Enforcers, Inc., a Florida S corporation, for approximately $14.3 million in cash. Additional consideration up to approximately $3.5 million in cash is due if such company achieves certain financial statement metrics and revenue targets in the future. This transaction was accounted for as a business combination in accordance with the provisions of SFAS No. 141. Therefore, once the contingency is resolved and considered distributable, we will record the fair value of the consideration issued as additional purchase price.

The estimated determination of the purchase price allocation was based on the fair values of the acquired assets and liabilities assumed including acquired intangible assets. The estimated determination was made by management through various means, including obtaining a third party valuation of identifiable intangible assets acquired and an evaluation of the fair value of other assets and liabilities acquired. Due to the proximity of the closing date of the acquisition to our reporting date, the assignment of amounts to some assets acquired and liabilities assumed was not complete. The provisional measurement was prepared on the basis of all information then available. Within the twelve month allocation period, we expect the goodwill and intangible asset amounts to change.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets		$ 576
Intangible assets:		
Trade name (indefinite)	$1,114	
Customer relationships (estimated useful life of 9 years)	2,632	
Non-compete agreement (estimated useful life of 5 years)	560	
Existing developed technology assets (estimated useful life of 4 years)	1,803	
Total intangible assets		6,109
Goodwill		8,437
Other current liabilities		(829)
Net assets acquired		$14,293

The $8.4 million of goodwill was assigned to the Other segment. The total amount is expected to be deductible for income tax purposes. Net Enforcers is a leading provider of corporate identity theft protection services, including online brand monitoring, online auction monitoring and enforcement, intellectual property monitoring and other services. Through a combination of proprietary technology and specialized business processes, Net Enforcers helps corporate brand owners prevent illegal trademark and copyright abuse, counterfeit product and service sales, grey market sales, channel policy violations, and other business risks of the online world. Net Enforcers complements our industry leading, consumer-focused identity theft protection services with offerings of corporate identity theft protection services.

The pro forma impact of Net Enforcers on our historical operating results is not material.

Captira Analytical

On August 7, 2007, our wholly owned subsidiary, Captira Analytical LLC, acquired substantially all of the assets of Hide N' Seek, LLC ("Seller"), an Idaho limited liability company, for $3.1 million, which included approximately $105 thousand in acquisition costs. Additional consideration up to approximately $2.5 million in cash is due if the Company achieves certain cash flow milestones in the future. This transaction was accounted for as a business combination in accordance with the provisions of SFAS No. 141. Therefore, once the contingency is resolved and considered distributable, we will record the fair value of the consideration issued as additional purchase price.

The estimated purchase price consists of the following (in thousands):

Cash paid	$ 833
Assumption of operating liabilities	637
Forgiveness of loans and accrued interest from Intersections	1,567
Transaction costs	105
	$3,142

The estimated determination of the purchase price allocation was based on the fair values of the acquired assets and liabilities assumed including acquired intangible assets. The estimated determination was made by management through various means, including obtaining a third party valuation of identifiable intangible assets acquired and an evaluation of the fair value of other assets and liabilities acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets		$ 13
Property, plant and equipment		174
Intangible assets:		
Trade name (estimated useful life of 4 years)	$ 407	
Existing developed technology assets (estimated useful life of 4 years)	1,297	
Total intangible assets		1,704
Goodwill		1,251
Net assets acquired		$3,142

The $1.3 million of goodwill was assigned to the Other segment. The total amount is expected to be deductible for income tax purposes. Captira provides software and automated service solutions for the bail bonds industry, including office automation, bond inventory and client tracking, and public records and reports for the purpose of evaluating bond applications.

The acquisition of Captira continues our diversification into related business lines in which our skills and expertise in data sourcing, secure management of personal confidential information, and commercialization of data-oriented products are key success factors. Captira's services complement our security focused product offerings in our other business lines and leverages our industry relationships to create a differentiated set of services to the bail bonds industry.

The pro forma impact of Captira or Hide N'Seek on the Company's historical operating results is not material.

Intersections Insurance Services

On July 3, 2006, we acquired all of the outstanding shares of IISI, formerly Chartered Marketing Services, Inc. for $54.3 million in cash, which included $364 thousand in acquisition costs. $15 million of the purchase price was financed through borrowings on a new term loan with the balance financed through cash on hand and short term investments. Of the total cash consideration, approximately $5.5 million was distributed to an escrow account and may be used for indemnification claims as set forth in the escrow agreement. In the year ended December 31, 2007, we filed a claim for $4.2 million related to various federal and state tax matters pursuant to the escrow agreement. All funds remaining in the account will be distributed to the former IISI shareholders in accordance with the acquisition agreement on September 16, 2008. In order to fund the purchase of IISI we sold $27.8 million of short-term investments. There was no gain or loss recognized on the sales of these investments. The results of IISI's operations have been included in the consolidated financial statements since the date of acquisition. IISI is a marketer of various insurance products and services. As a result of the acquisition, we have diversified our client and product portfolios. In addition, IISI provides us access to new market segments, particularly with large mortgage servicers.

The final determination of the purchase price allocation was based on the fair values of the acquired assets and liabilities assumed including acquired intangible assets. The determination was made by management through various means, including obtaining a third party valuation of identifiable intangible assets acquired and an evaluation of the fair value of other assets and liabilities acquired.

The following table summarizes the final fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets		$ 11,047
Property, plant and equipment		1,368
Other assets		135
Intangible assets:		
Registered trademarks (estimated useful life of 3 years)	$1,886	
Existing subscriber base (estimated useful life of 10 years)	7,641	
Carrier and network provider agreements (estimated useful life of 5 years)	731	
Existing developed technology assets (estimated useful life of 5 years)	1,499	
Total intangible assets		11,757
Goodwill		43,235
Total assets		67,542
Deferred tax and current liabilities		(8,073)
Deferred tax and long term liabilities		(5,192)
Total liabilities		(13,265)
Net assets acquired		$ 54,277

The $43.2 million of goodwill was assigned to the Consumer Products and Services segment. Of that total amount, approximately $27.1 million is expected to be deductible for income tax purposes.

In connection with the IISI acquisition, we commenced integration activities which have resulted in involuntary terminations. The liability for involuntary termination benefits covers approximately 15 employees, primarily in general and administrative functions. In 2006 we recorded $2.6 million of severance and severance-related costs in the above allocation of the cost of the acquisition in accordance with the Emerging Issues Task Force Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination.* We expect to pay the remaining balance of severance and severance-related costs of during 2008.

The following table summarizes the obligations recognized in connection with the IISI acquisition and the activity to date (in thousands):

	Year Ended December 31,	
	2006	2007
Beginning balance	$2,332	$ 2,016
Payments	(316)	(2,000)
Other increases (decreases)	—	248
Ending balance	$2,016	$ 264

The following table summarizes unaudited pro forma financial information assuming the IISI acquisition had occurred on January 1, 2005. This unaudited pro forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the dates presented and should not be taken as representative of our future consolidated results of operations or financial position:

	Year Ended December 31,	
	2005	2006
	(In thousands, except share data) (Unaudited)	
Revenue	$211,988	$222,404
Net Income	$ 15,515	$ 10,608
Basic earning per share	$ 0.91	$ 0.63
Diluted earnings per share	$ 0.87	$ 0.60

Screening International, LLC

As described in Note 1, in May 2006 we created SI for the purpose of combining our wholly-owned subsidiary ABI and CRG's U.K. background screening business, Control Risks Screening Limited ("CRS"). SI provides global pre-employment background screening services. As a result of the transaction, we have expanded our background screening business worldwide.

We initially contributed all of the outstanding shares of our wholly-owned subsidiary, ABI, to SI, in exchange for a 55% ownership interest in SI. The background screening operations and assets of CRG were transferred to its wholly-owned subsidiary, CRS, and at closing CRG initially contributed all of the outstanding shares of CRS to SI, in exchange for a 45% ownership interest. In addition, we and CRG have agreed to cooperate to meet any future financing needs of SI, including seeking third party financing, agreeing to guarantee third party loans and making additional capital contributions on a pro rata basis, if necessary, subject to certain capital call and minority protection provisions.

In the year ended December 31, 2007, we and CRG loaned SI a total of $2.0 million as part of its ownership commitment. The note is an on demand loan with interest of 8% per annum.

The final determination of the purchase price allocation was based on the fair values of the acquired assets and liabilities assumed including acquired intangible assets. This determination was made by management through various means, including obtaining a third party valuation of identifiable intangible assets acquired and an evaluation of the fair value of other assets and liabilities acquired. The purchase price of the acquisition is $11.8 million, which included $529 thousand in acquisition costs.

The final allocation of purchase price, including acquisition costs is as follows (in thousands):

Current assets	$ 4,126
Property and equipment	378
Goodwill	6,842
Intangible assets	663
Deferred tax liability	(199)
Total consideration	$11,810

In accordance with SFAS No. 141, we recorded goodwill in the amount of $6.8 million for the excess of the purchase price, including estimated acquisition costs, over the net assets acquired. Intangibles assets were recorded at an estimated value of $302 thousand for customer related intangible assets and $361 thousand for marketing related intangible assets. Customer intangible assets will be amortized over a period of seven years and marketing intangible assets will be amortized over a period of ten years.

The $6.8 million of goodwill was assigned to the Background Screening segment. The goodwill is not deductible for tax purposes.

4. Prepaid Expenses and Other Current Assets.

The components of our prepaid expenses and other current assets are as follows:

	December 31, 2006	December 31, 2007
	(In thousands)	
Prepaid services	$1,400	$1,167
Prepaid contracts	989	1,825
Other	2,852	3,225
	$5,241	$6,217

5. Deferred Subscription Solicitation Costs

Deferred subscription solicitation costs included in the accompanying balance sheet as of December 31, 2006 and 2007, were $11.8 million and $21.9 million, respectively. Amortization of deferred subscription solicitation costs for the years ended December 31, 2005, 2006 and 2007 was $21.7 million, $21.2 million and $35.0 million, respectively and is included as a component of marketing and commissions expense on our statement of consolidated operations. Subscription solicitation costs expensed as incurred related to marketing costs as they did not meet the criteria for deferral in accordance with SOP 93-7, which are included in marketing expenses on our consolidated statement of operations, for the years ended December 31, 2005, 2006 and 2007 were $401 thousand, $6.0 million and $2.5 million, respectively.

On December 21, 2005, we signed a Services Transition Agreement with American Express. Pursuant to the Services Transition Agreement, we provided our current consumer services through May 31, 2006, to subscribers who pay for the service through their Amex credit cards. We were compensated for those services through April 30, 2006, based on the commission structure in effect under the existing agreement with American Express, and from May 1, 2006, to May 31, 2006, based on a service fee per subscriber. We did not service those subscribers after May 31, 2006. The Services Transition Agreement provided for a payment to the Company of $1.0 million for the reimbursement of certain marketing costs previously incurred by us and transition costs to be incurred by us through May 31, 2006. We recorded $675 thousand of this $1 million reimbursement as we amortized the deferred solicitation costs through May 31, 2006 as a reduction to marketing expenses. The remaining balance of $325 thousand was recorded to other income in May 2006.

6. Property and Equipment

Property and equipment consist of the following as of:

	December 31, 2006	December 31, 2007
	(In thousands)	
Machinery and equipment	$ 18,920	$ 20,893
Software	19,420	24,434
Software development-in-progress	2,913	1,685
Furniture and fixtures	1,767	2,101
Leasehold improvements	3,793	3,862
Building	725	725
Land	25	25
	47,563	53,725
Less: accumulated depreciation	(25,864)	(34,908)
Property and equipment — net	$ 21,699	$ 18,817

Leased property held under capital leases and included in property and equipment consists of the following as of:

	December 31, 2006	December 31, 2007
	(In thousands)	
Leased property consisting of machinery and equipment	$ 5,056	$ 5,125
Less: accumulated depreciation	(2,742)	(3,843)
	$ 2,314	$ 1,282

Depreciation of fixed assets and software for the years ended December 31, 2005, 2006 and 2007 were $6.1 million, $8.6 million and $9.1 million, respectively.

7. Goodwill and Intangibles

Changes in the carrying amount of goodwill are as follows (in thousands):

	Consumer Products and Services	Background Screening	Other	Total
Balance, December 31, 2005	$ —	$16,741	$ —	$16,741
Acquired during the year	43,080	6,842	—	49,922
Balance, December 31, 2006	$43,080	$23,583	$ —	$66,663
Adjusted during the year	155	—	—	155
Acquired during the year	—	—	9,688	9,688
Balance, December 31, 2007	$43,235	$23,583	$9,688	$76,506

Intangibles consisted of the following (in thousands):

	December 31, 2006			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Customer related	$ 9,652	$(1,133)	$ 8,519	$12,284	$(3,069)	$ 9,215
Marketing related	2,978	(458)	2,520	4,499	(1,394)	3,105
Technology related	1,499	(150)	1,349	4,599	(615)	3,984
Non-Compete agreement	—	—	—	560	(9)	551
Total amortizable intangible assets	$14,129	$(1,741)	$12,388	$21,942	$(5,087)	$16,855

Intangible assets are generally amortized over a period of three to ten years. For the years ended December 31, 2005, 2006 and 2007, we had an aggregate amortization expense of $338 thousand, $1.4 million and $3.3 million, respectively, which were included in depreciation and amortization expense on the consolidated statements of operations. We estimate that we will have the following amortization expense for the future periods indicated below (in thousands).

For the years ending December 31,	
2008	$ 4,050
2009	3,271
2010	2,426
2011	1,921
2012	1,331
Thereafter	3,856
	$16,855

8. Other Assets.

The components of our other assets are as follows:

	December 31, 2006	December 31, 2007
	(In thousands)	
Prepaid royalty payments	$ 9,705	$14,207
Prepaid contracts	512	496
Escrow receivable	—	1,030
Other	208	648
	$10,425	$16,381

In February and March, 2005, respectively, we entered into agreements with two providers under which we receive data and other information for use in the new consumer services that were introduced in the first quarter of 2006. Under these arrangements, we pay non-refundable royalties based on usage of the data or analytics, and make certain minimum royalty payments in exchange for defined limited exclusivity rights. Prepaid royalties will be applied against future royalties incurred and the minimum royalty payments.

9. Accrued Expenses and Other Current Liabilities.

The components of our accrued expenses and other liabilities are as follows:

	December 31, 2006	December 31, 2007
	(In thousands)	
Accrued marketing	$ —	$ 894
Accrued cost of sales, including credit bureau costs	7,201	6,083
Accrued general and administrative expense and professional fees	4,481	3,883
Transition costs	2,016	264
Insurance premiums	1,830	1,341
Other	162	2,722
	$15,690	$15,187

10. Accrued Payroll and Employee Benefits.

The components of our accrued payroll and employee benefits are as follows:

	December 31, 2006	December 31, 2007
	(In thousands)	
Accrued payroll	$ 699	$3,559
Accrued severance	1,142	104
Accrued benefits	—	1,282
Other	5,232	—
	$7,073	$4,945

11. Income Taxes

The components of income tax provision for each of the three years in the period ended December 31, 2007 are as follows:

	2005	2006	2007
		(In thousands)	
Current:			
Federal	$(4,715)	$(3,184)	$ (67)
State	(614)	(1,002)	23
Foreign	—	28	—
Total current income tax expense	(5,329)	(4,158)	(44)
Deferred:			
Federal	(2,237)	(1,962)	(5,025)
State	(181)	(264)	(411)
Foreign	—	56	1,151
Total deferred income tax expense	(2,418)	(2,170)	(4,285)
Total income tax expense	$(7,747)	$(6,328)	$(4,329)

Deferred tax assets and liabilities as of December 31, 2006 and 2007, consist of the following:

	2006	2007
	(In thousands)	
Deferred tax assets:		
Reserves and accrued expenses	$ 2,129	1,515
NOL carryforwards	28	1,100
Total deferred tax assets	2,157	2,615
Deferred tax liabilities:		
Prepaid expenses	(4,640)	(9,194)
Property, plant, and equipment	(2,885)	(2,961)
Intangible assets	(5,267)	(5,414)
Total deferred tax liabilities	(12,792)	(17,569)
Net deferred tax liability	$(10,635)	(14,954)

We have income tax net operating loss carryforwards related to our international operations of approximately $3.7 million, which have an indefinite life. In addition, the company has immaterial net operating loss carryforwards in certain state tax jurisdictions. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely that not that all of the deferred tax asset will be realized.

We do not provide for deferred taxes on the excess of the financial reporting over the tax basis in our investments in foreign subsidiaries that are essentially permanent in duration. That excess totaled $966 thousand as of December 31, 2007. The determination of the additional deferred taxes that have not been provided is not practicable.

The reconciliation of income tax from the statutory rate is as follows (in thousands):

	December 31,		
	2005	2006	2007
Tax provision at statutory rate	$(7,076)	$(5,551)	$(3,413)
State income tax, net of federal benefit	(529)	(934)	(428)
Effect of tax rates different than statutory	—	—	(191)
Nondeductible executive compensation	—	—	(129)
Other	(142)	(157)	(168)
Net tax provision	$(7,747)	$(6,328)	$(4,329)

In connection with our adoption of FIN No. 48, as further amended by FIN No. 48-1, *Definition for Settlement in FASB Interpretation No. 48,* as of January 1, 2007, we recorded an increase to the liability for unrecognized tax benefits and a net increase to retained earnings of $44 thousand. The increase to retained earnings includes the effect of previously unrecognized tax benefits related to research and development tax credits.

The following table summarizes the activity related to our unrecognized tax benefits for the year ended December 31, 2007 (in thousands):

Balance at January 1, 2007	$719
Increases related to current year tax positions	94
Balance at December 31, 2007	$813

Included in the unrecognized tax benefits of $813 thousand at December 31, 2007 was $317 thousand of tax benefits that, if recognized, would reduce our annual effective tax rate and $496 thousand would be recognized as an adjustment to additional paid in capital.

We have elected to include income tax penalties related to uncertain tax positions as part of our income tax expense in the consolidated financial statements, the accrual for estimated penalties on January 1, 2007, date of adoption, of $45 thousand was included as a component of other long-term liabilities. No additional penalties were accrued in the 12 months ended December 31, 2007.

We have elected to include interest expense related to uncertain tax positions as part of interest expense in the consolidated financial statements. The accrual for estimated interest expense of $170 thousand, of which $80 thousand was recognized upon adoption on January 1, 2007, is included as a component of other long-term liabilities.

The company is subject to taxation in the U.S. and various states and foreign jurisdictions. As of December 31, 2007, we were subject to examination in the U.S. federal tax jurisdiction for the 2000-2006 tax years, various state jurisdictions for the 1999-2006 tax years, and in the U.K. tax jurisdiction for the 2006 tax year. Our income tax returns for the year ended 2005 are currently under examination.

We do not expect our unrecognized tax benefits to change significantly over the next 12 months.

12. Related Party Transactions

Digital Matrix Systems, Inc. — The chief executive officer and president of Digital Matrix Systems, Inc. ("DMS") serves as a board member of the Company.

In November 2001, we entered into a contract with DMS that provides for services that assist us in monitoring credit on a daily and quarterly basis for $20 thousand per month. In December 2004, we entered into a contract with DMS that provides for certain on-line credit analysis services. In January 2007, we amended those agreements into a single Software Services Schedule. In connection with these agreements, we paid monthly installments totaling $894 thousand, $960 thousand and $865 thousand for the years ended December 31, 2005, 2006 and 2007, respectively. These amounts are included within cost of revenue in the accompanying consolidated statements of operations.

Intersections Inc. and DMS entered into a professional services agreement under which DMS will provide additional development and consulting services pursuant to work orders that are agreed upon by the parties from time to time. The agreement has an effective date of January 2, 2008. The initial term of the agreement is two years, with successive automatic renewal terms of two years, but is terminable without cause by either party upon 90 days notice to the other party. As of December 31, 2007, nothing had been performed under this agreement. We are obligated to make future payments of $432 thousand under these contracts through 2008. As of December 31, 2006 and 2007, we owed $142 thousand to DMS.

RCS International, Inc. A family member of our executive vice president of operations is the president of RCS International, Inc. ("RCS"). We have entered into a contact with a vendor, RCS, to assist us in our Canadian fulfillment operations. For the year ended December 31, 2007, we paid $1.6 million and as of December 31, 2007, we owed $80 thousand to RCS.

Lazard Freres & Co, LLC. The managing director at Lazard Freres & Co ("Lazard") serves as a board member of the Company. On May 30, 2007, we retained Lazard to act as investment banker to the Company in connection with possible strategic alternatives. The term of the retention is through January 30, 2008 and may be terminated by either party at any time. For the year ended December 31, 2007, we paid $100 thousand to Lazard for these services and as of December 31, 2007, we did not owe a balance to Lazard.

13. Commitments and Contingencies

Leases

We have entered into long-term operating lease agreements for office space and capital leases for certain equipment. The minimum fixed commitments related to all noncancellable leases are as follows:

Twelve Months Ending December 31,	Operating Leases	Capital Leases
	(In thousands)	
2008	$2,382	$ 1,077
2009	1,311	498
2010	770	179
2011	375	—
2012	340	—
thereafter	330	—
Total minimum lease payments	$5,508	1,754
Less: amount representing interest		(546)
Present value of minimum lease payments		1,700
Less: current obligation		(1,001)
Long term obligations under capital lease		$ 699

Rental expenses included in general and administrative expenses were $1.7 million, $2.1 million and $2.6 million for the years ended December 31, 2005, 2006 and 2007, respectively.

In October 2005, we entered into an Equipment Lease Agreement with a financial institution. The facility can be drawn upon for the purchase of qualifying assets. The term and interest rate for this facility will be set at the time the Company draws upon this facility. In December 2005, we drew down $1.2 million based on assets purchased during 2005 with a term of three years and an interest rate of 5.86%. The agreement for the draw provided for a sale of our equipment with a recorded value of $1.0 million to the financial institution and the subsequent lease of that equipment by us for $1.2 million. The lease was classified as a capital lease pursuant to SFAS No. 13. Accordingly, we recorded the lease liability at the fair market value of the underlying assets, which was $1.0 million, resulting in the recognition of a deferred gain of $200 thousand which will be amortized in proportion to the amortization of the leased assets.

During the year ended December 31, 2005, the Company entered into certain capital leases for equipment aggregating $2.6 million. There were no such capital leases during the years ended December 31, 2006 and 2007.

Other

We have entered into various software licenses, marketing and operational commitments totaling $6.6 million for December 31, 2007. These arrangements include payments related to agreements to a service provider under which we receive data and other information for use in our new fraud protection services. Under these arrangements we pay royalties based on usage of the data or analytics, and make certain minimum royalty payments in exchange for defined limited exclusivity rights. Included in these commitments for December 31, 2008, the Company is obligated to pay $5.9 million of minimum royalties in 2008. Any further minimum royalty payments by us are either paid at our sole discretion or are subject to termination by us under certain contingent conditions.

Contingencies

On December 23, 2005, an action captioned Mary Gay v. Credit Inform, Capital One Services, Inc. and Intersections, Inc., was commenced in the U.S. District Court for the Eastern District of Pennsylvania, alleging that the Credit Inform credit monitoring service marketed by Capital One and provided by us violates certain procedural requirements under the federal Credit Repair Organizations Act ("CROA") and the Pennsylvania Credit Services Act ("PA CSA"). The plaintiff contends that we and Capital One are "credit repair organizations" under the CROA and "credit services organizations" under the PA CSA. The plaintiff seeks certification of a class on behalf of all individuals who purchased such services from defendants within the five-year period prior to the filing of the complaint. The plaintiff seeks an unspecified amount of damages, including all fees paid by the class members for the services, attorneys' fees and costs. We responded with a motion seeking to dismiss the action and enforce a provision in the terms of use for the product which require disputes to be resolved in arbitration and without class actions. The plaintiff has voluntarily dismissed Capital One from the case. By order of June 12, 2006, the district court granted our motion, stayed the action and ordered the plaintiff to arbitrate her claims on an individual basis. The order of the district court was appealed by the plaintiff to the U.S. Court of Appeals for the Third Circuit. On December 17, 2007, the plaintiff's appeal was denied by the Third Circuit Court of Appeals. On January 29, 2008, the plaintiff's motion for rehearing was denied, and on February 6, 2008, the Third Circuit Court of Appeals entered an order and judgment upholding the ruling by the district court to stay the action and compel arbitration on an individual basis.

14. Long-Term Debt

On July 3, 2006 we negotiated bank financing in the amount of $40 million. Under terms of the financing agreements, we were granted a $25 million line of credit with interest at 1.00-1.75% percent over LIBOR and a term loan of $15 million. The term loan is payable in monthly installments of $278 thousand, plus interest. Substantially all the Company's assets are pledged as collateral to these loans. The proceeds from the term loan were used in the purchase of IISI.

In addition, SI has an outstanding demand loan of $900 thousand with CRG at an average interest rate of 8.0%. Other notes outstanding of $26 thousand will be due in 2009.

Aggregate maturities during the subsequent years are as follows (in thousands):

As of December 31,	
2008	$ 3,346
2009	3,347
2010	3,333
2011	15,667
	$25,693
Demand loan	900
Total	$26,593

On November 29, 2007, we amended our Credit Agreement financial debt covenants to remove the requirement that we maintain compliance with a minimum consolidated tangible net worth covenant. In addition, on November 30, 2007, we borrowed $14 million on the revolving loan to finance the acquisition of Net Enforcers, Inc. The balance of the revolving loan is due upon maturity in 2011.

As of December 31, 2007, the outstanding interest rate on both loans was 6.22% and principal balance of the term loan under the Credit Agreement was $11.7 million.

The credit agreement contains certain customary covenants including, limits or restrictions on the incurrence of liens; the making of investments; the incurrence of certain indebtedness; mergers, dissolutions, liquidation, or consolidations; acquisitions (other than certain permitted acquisitions); sales of substantially all of our or any co-borrowers' assets; the declaration of certain dividends or distributions; transactions with affiliates (other than co-borrowers under the credit agreement) other than on fair and reasonable terms; and the creation or acquisition of any direct or indirect subsidiary of the company that is not a domestic subsidiary unless such subsidiary becomes a guarantor. We are also required to maintain compliance with certain financial covenants which include our consolidated leverage ratios, consolidated fixed charge coverage ratios as well as customary covenants, representations and warranties, funding conditions and events of default. We are currently in compliance with all such covenants.

15. Stockholders' Equity

Share Repurchase

On April 25, 2005, we announced that our Board of Directors had authorized a share repurchase program under which we can repurchase up to $20 million of our outstanding shares of common stock from time to time, depending on market conditions, share price and other factors. The repurchases may be made on the open market, in block trades, through privately negotiated transactions or otherwise, and the program may be suspended or discontinued at any time. During 2005, we repurchased 965 thousand shares of our common stock at an aggregate investment of approximately $8.6 million. We did not repurchase shares during the year ended December 31, 2006. During 2007, we repurchased 102 thousand shares of our common stock at an aggregate investment of approximately $916 thousand.

Stock Based Compensation

On August 24, 1999, the Board of Directors and stockholders approved the 1999 Stock Option Plan (the "1999 Plan"). The number of shares of common stock that may be issued under the 1999 Plan may not exceed 4.2 million shares pursuant to an amendment to the plan executed in November 2001. As of December 31, 2007, we have 1.5 million shares remaining to issue. We do not intend to issue further options under the 1999 Plan. Individual awards under the 1999 Plan may take the form of incentive stock options and nonqualified stock options.

On March 12, 2004 and May 5, 2004, the Board of Directors and stockholders, respectively, approved the 2004 Stock Option Plan (the "2004 Plan") to be effective immediately prior to the consummation of the initial public offering. The 2004 Plan provides for the authorization to issue 2.8 million shares of common stock. As of December 31, 2007, we have 419 thousand shares remaining to issue. Individual awards under the 2004 Plan may take the form of incentive stock options and nonqualified stock options. Option awards are generally granted with an exercise price equal to the market price of our stock at the date of grant; those option awards generally vest over four years of continuous service and have ten year contractual terms.

On March 8, 2006 and May 24, 2006, the Board of Directors and stockholders, respectively, approved the 2006 Stock Incentive Plan (the "2006 Plan"). The 2006 Plan provides for the authorization to issue 2.5 million shares of common stock. As of December 31, 2007, we have 1.8 million shares remaining to issue. Individual awards under the 2006 Plan may take the form of incentive stock options, nonqualified stock options, restricted stock awards and/or restricted stock units. To date, only restricted stock units have been granted under the 2006 Plan. These awards generally vest over three and four years of continuous service.

The compensation committee administers the Plans, selects the individuals who will receive awards and establishes the terms and conditions of those awards. Shares of common stock subject to awards that have expired, terminated, or been canceled or forfeited are available for issuance or use in connection with future awards.

The 1999 Plan will remain in effect until August 24, 2009, the 2004 Plan will remain in effect until May 5, 2014 and the 2006 Plan will remain in effect until March 7, 2016, unless terminated by the Board of Directors.

Stock Options

On December 19, 2005, Intersections Inc. announced that its Board of Directors has approved the acceleration of the vesting of certain unvested stock options previously awarded under our 2004 Stock Option Plan. All other terms and conditions applicable to such options, including the exercise prices, remain unchanged.

As a result of this action, options to purchase up to approximately 799 thousand shares of common stock, which would otherwise have vested over the next three years, became exercisable effective December 31, 2005. All of these options have exercise prices ranging from $13.00 to $17.82 per share. Based upon the closing stock price for our common stock of $8.64 per share on December 16, 2005, all of these options were "under water" or "out-of-the-money". Of the accelerated options, approximately 532 thousand options are held by executive officers and approximately 23 thousand options are held by non-employee directors. Outstanding options to purchase approximately 203 thousand shares of Intersections' common stock, with per share exercise prices ranging from $8.11 to $10.85, were not accelerated and remain subject to time-based vesting.

The following table summarizes the Company's stock option activity:

	2005		2006		2007			
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term
								(In years)
Outstanding, beginning of year	3,502,511	$12.08	3,987,117	$12.61	3,944,566	$13.10		
Granted	976,000	13.07	295,000	10.80	863,000	9.88		
Canceled	(242,296)	14.09	(155,859)	14.18	(719,241)	14.69		
Exercised	(249,098)	4.59	(181,692)	2.59	(249,051)	5.63		
Outstanding, end of year	3,987,117	$12.61	3,944,556	$12.88	3,839,274	$12.22	$2,127	5.79
Exercisable at end of the year	3,788,421	$12.84	3,624,056	$13.10	2,865,688	$12.97	$2,127	4.61

The weighted average grant date fair value of options granted during the years December 31, 2005, 2006 and 2007 was $5.73, $5.41 and $5.97 respectively.

For options exercised, intrinsic value is calculated as the difference between the market price on the date of exercise and the exercise price. The total intrinsic value of options exercised during the years ended December 31, 2005, 2006 and 2007 was $2.2 million, $1.3 million and $1.1 million, respectively.

Total stock based compensation expense recognized for stock options, which was included in general and administrative expense on our consolidated statement of operations, for the years ended December 31, 2006 and 2007 was $177 thousand and $894 thousand, respectively. There was no stock based compensation expense recorded for the year ended December 31, 2005.

During the year ended December 31, 2006, we extended the contractual life of 37,500 fully vested share options held by one employee. Under SFAS No. 123(R), there was no additional compensation expense recognized.

As of December 31, 2007, there was $3.6 million of total unrecognized compensation cost related to nonvested stock option arrangements granted under the Plans as a result of a termination agreement. That cost is expected to be recognized over a weighted-average period of 3.2 years.

The following table summarizes information about employee stock options outstanding at December 31, 2007:

	Options Outstanding			Options Exercisable	
Exercise Price	Shares	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
		(In years)			
$0 — $5.00	243,742	1.65	$ .45	243,742	$ .45
$5.01 — $10.00	1,410,935	7.17	9.10	584,426	7.98
$10.01 — $15.00	1,220,797	5.63	12.46	1,073,721	12.70
$15.01 — $20.00	679,396	6.38	17.04	679,396	17.04
Greater than $20.00	284,404	1.88	25.23	284,403	25.23
	3,839,274	5.79	$12.22	2,865,688	$12.97

Restricted Stock Units

The following table summarizes our restricted stock unit activity:

	Number of RSUs	Weighted-Average Remaining Contractual Life	Aggregate Fair Value
	(In thousands)	(In years)	(In thousands)
Outstanding at December 31, 2005	—	—	$ —
Granted	574,000	2.2	5,418
Canceled	(110,000)	—	(1,037)
Vested	(5,000)	—	(47)
Outstanding at December 31, 2006	459,000	2.2	$ 4,334
Granted	336,000	2.3	3,326
Canceled	(55,728)	—	(534)
Forfeited	(77,000)	—	(726)
Vested	(93,760)	—	(884)
Outstanding at December 31, 2007	568,512	2.3	$ 5,516

As of December 31, 2007, there was $3.7 million of total unrecognized compensation cost related to unvested restricted stock units compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 2.3 years.

Total stock based compensation recognized for restricted stock units in our consolidated statement of income for the years ended December 31, 2006 and 2007 was $934 thousand and $1.8 million. There was no compensation expense related to restricted stock units in 2005.

Non-Employee Options and Warrants — In December 2002, we granted options to purchase 33,296 shares of our common stock with an exercise price of $8.11 per share to external consultants. We are recognizing compensation expense for the fair value of these options of approximately $78,000 over a four year vesting period which commenced in 2003. We recognized compensation expense related to non-employee options of $20 thousand and $10 thousand for the years ended December 31, 2005 and 2006, respectively.

16. Employee Benefit Plan

In February 1998, we adopted a 401(k) profit-sharing plan (the "401(k) Plan") that covers substantially all full-time employees. Employees are eligible to participate upon completion of one month of service and may contribute up to 25% of their annual compensation, not to exceed the maximum contribution provided by statutory limitations. The 401(k) Plan provides for matching $0.50 per dollar on the first 6% of the employee's contribution. Eligible employees vest in employer contributions 20% per year and are fully vested in five years. Expenses under the 401(k) Plan for the years ended December 31, 2005, 2006 and 2007 were $213 thousand, $479 thousand and $712 thousand, respectively.

17. Major Clients

As discussed in Notes 1 and 2, we market credit monitoring service to consumers through our relationships with our financial institution clients. Revenue from subscribers obtained through our largest financial institution clients, as a percentage of total revenue, is as follows:

	2005	2006	2007
American Express	22%	7%	—
Capital One	12%	13%	10%
Citibank	12%	14%	11%
Discover	16%	15%	13%
Bank of America (includes MBNA)	11%	13%	33%

We believe that once a subscriber is obtained through our arrangements with our financial institution clients, the decision to continue the service is made by the subscriber; however, a decision to limit our access to its customers or the termination of an agreement by one of the financial institution clients could have an adverse effect on our financial condition and results of operations. Accounts receivable related to these customers totaled $13.7 million and $15.4 million at December 31, 2006 and 2007, respectively. As discussed in Note 5, we entered into a Services Transition Agreement with American Express signed in December 2005.

On February 29, 2008, we filed a complaint for declaratory judgment in the Circuit Court for Fairfax County, Virginia. The complaint seeks a declaration that, if Discover uses for its own purposes credit report authorizations given by customers to Intersections or Discover, it will be in breach of the Services Agreement and Omnibus Amendment to the Services Agreement. Intersections contends that Discover or its new credit monitoring service provider must obtain new authorizations from the customers in order to provide credit monitoring services to them. In the complaint, Intersections alleges that, under the Omnibus Amendment to the Services Agreement, the authorizations given by customers to Intersections or Discover were obtained solely on behalf of Intersections, for the sole purpose of enabling Intersections to provide its credit monitoring services. Intersections further alleges that Discover has stated that its new credit monitoring provider will rely on the authorizations given to Intersections and not obtain new authorizations. Intersections alleges that reliance on the credit report authorizations by Discover or its new provider would be a breach of the Services Agreement and Omnibus Amendment thereto, and thus seeks a declaratory judgment to prevent Discover from committing a breach of the parties' contract.

18. Segment and Geographic Information

We operate in three primary business segments: Consumer Products and Services, Background Screening, and Other. These segments are organized based on the differences in the products and services. Products and services provided by the Consumer Products and Services segment include daily, monthly or quarterly monitoring of subscribers' credit files at one or all three major credit reporting agencies (Equifax, Experian and TransUnion), credit reports from one or all three major credit reporting agencies, credit score analysis tools, credit education, an identity theft recovery unit, security breach services and identity theft cost coverage.

The Background Screening segment includes products and services related to pre-employment background screening, including criminal background checks, driving records, employment verification and reference checks, drug testing and credit history checks. The Other segment consists of newly acquired Captira and Net Enforcers. This segment provides software and automated service solutions to the bail bonds industry and corporate brand protection. The following table sets forth segment information for the years ended December 31, 2005, 2006, and 2007.

	Consumer Products and Services	Background Screening	Other	Consolidated
		(In thousands)		
Year Ended December 31, 2005				
Revenue	$151,326	$13,845	$ —	$165,171
Depreciation and amortization	5,798	659	—	6,457
Income before income taxes and minority interest	19,246	971	—	20,217
Year Ended December 31, 2006				
Revenue	$176,942	$24,109	$ —	$201,051
Depreciation and amortization	9,004	1,014	—	10,018
Income before income taxes and minority interest	14,500	1,361	—	15,861
Year Ended December 31, 2007				
Revenue	$241,968	$29,508	$ 247	$271,723
Depreciation and amortization	10,745	1,405	277	12,427
Income (loss) before income taxes and minority interest	15,022	(4,247)	(1,031)	9,744
As of December 31, 2006				
Property, plant and equipment, net	$ 19,697	$ 2,002	$ —	$ 21,699
Identifiable assets	$144,170	$35,297	$ —	$179,467
As of December 31, 2007				
Property, plant and equipment, net	$ 16,534	$ 2,145	$ 138	$ 18,817
Identifiable assets	$192,343	$12,869	$ 1,056	$206,268

Information concerning the revenues and total assets of principal geographic areas is as follows:

	United States	United Kingdom	Other	Consolidated
		(In thousands)		
Revenue				
Year ended December 31, 2005	$165,171	$ —	$ —	$165,171
Year ended December 31, 2006	195,061	5,990	—	201,051
Year ended December 31, 2007	261,130	10,584	9	271,723
Total assets				
Year ended December 31, 2006	$168,937	$10,530	$ —	$179,467
Year ended December 31, 2007	196,419	9,976	(127)	206,268

19. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands)			
Year ended December 31, 2006:				
Revenue	$45,688	$45,369	$55,261	$54,733
Income from operations	5,200	3,859	4,722	1,127
Income before income taxes and minority interest	5,644	4,708	4,618	891
Net income	$ 3,413	$ 2,749	$ 2,636	$ 638
Year ended December 31, 2007:				
Revenue	$58,201	$65,105	$71,403	$77,014
Income from operations	552	1,811	2,847	3,976
Income before income taxes and minority interest	456	1,733	2,696	4,859
Net income	$ 484	$ 1,335	$ 1,724	$ 3,323

20. Subsequent Events

Amendment to Existing Credit Agreement

Effective as of January 31, 2008, we amended our Credit Agreement in order to increase the term loan facility to $28 million. In addition, pursuant to the amendment, the Company's subsidiaries Captira Analytical, LLC and Net Enforcers Inc. were added as co-borrowers under the Credit Agreement.

The amendment provides that the maturity date for the revolving credit facility and the term loan facility under the Credit Agreement will be December 31, 2011. The amendment also amends certain financial covenants which we are required to maintain compliance with under the Credit Agreement, including minimum consolidated EBIDTA and consolidated leverage ratio covenants, provides new mandatory term loan prepayments based on excess cash flow and the sale or issuance of equity interests, provides a new amortization schedule for the term loan, and revises the acquisition covenant to reduce permitted costs of acquisitions. The amendment requires us to deliver to Bank of America certain information schedules relating to Net Enforcers and Captira within 30 days following the date of the amendment, and it requires the Company to take certain additional post-closing actions to perfect the security interest in the collateral.

On February 1, 2008, we borrowed an additional $16.6 million under the term loan facility. The Credit Agreement consists of a revolving credit facility in the amount of $25 million and a term loan facility in the amount of $28 million, and is secured by substantially all of our assets and a pledge by us of stock and membership interests we hold in certain subsidiaries.

Interest Rate Swap

On February 21, 2008, we entered into an interest rate swap to effectively fix our variable rate term loan and a portion of the revolving credit facility under our Credit Agreement.

Membership Purchase Agreement

Effective January 31, 2008, the Company entered into a Membership Purchase Agreement with Citibank. Under the Membership Purchase Agreement, we acquired substantially all of the membership agreements between Citibank and consumer customers relating to the membership program Citibank offers, and we provide, under the name Citi® Credit Monitoring Service. An immaterial number of membership agreements were retained by Citibank, which the Company expects to be terminated or transferred by Citibank to another Company service.

The aggregate purchase price paid, which was based on the estimated number of acquired membership agreements as of the closing date, was $30.8 million. The majority of the purchase price was funded from the amended credit facility with Bank of America. The purchase price may be increased or decreased to the extent that the number of acquired membership agreements as of the closing date are finally determined to be greater than or less than, respectively, the estimated amount. In addition, we retained a portion of the purchase price otherwise payable at closing in an amount equal to $750 thousand as security for the attrition of acquired membership agreements in excess of specified levels that occurs during the 180 days following the closing.

The Membership Purchase Agreement contains representations and warranties of Citibank regarding authority to enter into the transaction, title to assets, compliance with laws, litigation, and the acquired membership agreements, among others, and representations and warranties of the Company regarding authority to enter into the transaction, compliance with laws and litigation, among others. The Membership Purchase Agreement also contains certain customary covenants, including covenants regarding access to information. In addition, each party has agreed to indemnify the other party with respect to certain matters, including breaches of its own representations, warranties and covenants, subject to certain limitations.

The aggregate purchase paid in connection with the closing was funded from a combination of existing cash of the Company and borrowings under the amended Credit Agreement.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions from Allowance	Balance at End of Period
Year Ended December 31, 2007				
Allowance for doubtful accounts	$ 38,392	$ 6,248	$ 7,944	$ 36,696
Year Ended December 31, 2006				
Allowance for doubtful accounts	$106,638	$ 34,300	$102,546	$ 38,392
Year Ended December 31, 2005				
Allowance for doubtful accounts	$ 63,597	$145,447	$102,406	$106,638

SIGNATURES

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

INTERSECTIONS INC.
(Registrant)

By: /s/ Michael R. Stanfield
Name: Michael R. Stanfield
Title: Chief Executive Officer

Date: March 14, 2008

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

Signature	Title	Date
/s/ Michael R. Stanfield Michael R. Stanfield	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2008
/s/ Madalyn C. Behneman Madalyn C. Behneman	Senior Vice President (Principal Financial and Accounting Officer)	March 14, 2008
/s/ Thomas G. Amato Thomas G. Amato	Director	March 14, 2008
/s/ James L. Kempner James L. Kempner	Director	March 14, 2008
/s/ Thomas L. Kempner Thomas L. Kempner	Director	March 14, 2008
/s/ David A. McGough David A. McGough	Director	March 14, 2008
/s/ Norman N. Mintz Norman N. Mintz	Director	March 14, 2008
/s/ Steven F. Piaker Steven F. Piaker	Director	March 14, 2008
/s/ William J. Wilson William J. Wilson	Director	March 14, 2008

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BOARD OF DIRECTORS

Thomas G. Amato
Chief Financial Officer
Sentinel Business Systems, Inc.

James L. Kempner
Managing Director
Lazard Frères & Co. LLC

Thomas L. Kempner
Chairman and Chief Executive Officer
Loeb Partners Corporation

David A. McGough
President and Chief Executive Officer
Digital Matrix Systems, Inc.

Norman N. Mintz
Vice President and Managing Director
Loeb Partners Corporation

Steven F. Piaker
Managing Partner
CCP Equity Partners

Michael R. Stanfield
Chairman and Chief Executive Officer
Intersections Inc.

William J. Wilson
Principal
Cambiar, LLC
and
Chairman and Chief Executive Officer
Wilson Connexions, LLC

PRINCIPAL OFFICERS

Michael R. Stanfield
Chairman and Chief Executive Officer

Madalyn C. Behneman
Principal Financial Officer and
Senior Vice President, Finance & Accounting

Neal B. Dittersdorf
Chief Administrative Officer and Chief Legal Officer

John G. Scanlon
Chief Operating Officer, Intersections Business Services

Steven A. Schwartz
Executive Vice President, Consumer Services

Chris Shenefelt
Executive Vice President, Global Operations

George K. Tsantes
Executive Vice President and Chief Technology Officer

INVESTOR RELATIONS

Shareholders, analysts, and others seeking information about Intersections Inc. are invited to contact:

Eric S. Miller
Senior Vice President, Corporate Finance & Investor Relations
Intersections Inc.
14901 Bogle Drive
Suite 300
Chantilly, VA 20151
703.488.6100
703.488.6180 fax
ir@intersections.com

GET UPDATES ONLINE

The company's earnings releases, SEC filings, and other financial reports are available at www.intersections.com. This information, along with press releases, is typically available promptly after issuance. In addition, shareholders may also register for automatic e-mail notifications of SEC filings, releases, and events by visiting the Web site and following the instructions under the Investors menu item titled "E-mail Alerts."

ANNUAL MEETING OF SHAREHOLDERS

Intersections' Annual Meeting of Shareholders will be held at 11:00 a.m. Eastern Time on Wednesday, May 21, 2008, at Intersections Inc., 14910 Bogle Drive, Chantilly, Virginia 20151. Shareholders of record as of April 2, 2008, are eligible to vote.

STOCK LISTING

Shares of Intersections Inc. are traded under the symbol "INTX" on The Nasdaq Stock Market®. Price information can be viewed at www.intersections.com.

SHAREHOLDER ACCOUNT INQUIRIES

To expedite changes of address, the transfer of shares, the consolidation of accounts, or the replacement of stock certificates, shareholders are asked to contact the company's stock registrar or transfer agent directly. Please contact your broker if your shares are held in a brokerage account.

REGISTRAR AND TRANSFER COMPANY

American Stock & Transfer Company
Attention: Shareholders Relations Department
59 Maiden Lane
New York, NY 10038
800.937.5449
info@amstock.com
www.amstock.com

INDEPENDENT AUDITORS

Deloitte & Touche LLP
1750 Tysons Boulevard
McLean, VA 22102-4219

SEC COUNSEL

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038-4983

SAFE HARBOR STATEMENT

Statements in this Annual Report relating to future plans, results, performance, expectations, achievements, and the like are considered "forward-looking statements." Those forward-looking statements involve known and unknown risks and are subject to change based on various factors and uncertainties that may cause actual results to differ materially from those expressed or implied by those statements. Factors and uncertainties that may cause actual results to differ include, but are not limited to, the risks disclosed in the company's filings with the U.S. Securities and Exchange Commission, including the enclosed Form 10-K. The company has no intention and undertakes no obligation to revise or update any forward-looking statements.