
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

or

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

For the transition period from _____ to _____

Commission file number: 000-1158172

comScore, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

54-1955550

(I.R.S. Employer Identification Number)

11950 Democracy Drive, Suite 600

Reston, VA

(Address of principal executive offices)

20190

(Zip Code)

(703) 483-2000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 7, 2009, there were 30,133,958 shares of the registrant's common stock outstanding.

COMSCORE, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2009

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk” under Items 2 and 3, respectively, of Part I of this report, and the sections entitled “Legal Proceedings,” “Risk Factors,” and “Unregistered Sales of Equity Securities and Use of Proceeds” under Items 1, 1A and 2, respectively, of Part II of this report, may contain forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, capital expenditures, introduction of new products, regulatory compliance, plans for growth and future operations, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These risks and other factors include, but are not limited to, those listed under the section entitled “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “continue,” “seek” or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events and/or results may differ materially.

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, or SEC, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise, other than through the filing of periodic reports in accordance with the Securities Exchange Act of 1934, as amended. Investors and potential investors should not place undue reliance on our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of any of the events described in the “Risk Factors” section and elsewhere in this Quarterly Report on Form 10-Q could harm our business, prospects, operating results and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COMSCORE, INC. CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (Unaudited) (In thousands, except share and per share data)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,064	\$ 34,297
Short-term investments	42,943	37,164
Accounts receivable, net of allowances of \$450 and \$479, respectively	25,139	29,947
Prepaid expenses and other current assets	2,608	1,871
Deferred tax asset	<u>13,211</u>	<u>13,304</u>
Total current assets	114,965	116,583
Long-term investments	7,439	3,497
Property and equipment, net	17,577	17,697
Other non-current assets	138	131
Long-term deferred tax asset	10,464	13,736
Intangible assets, net	8,444	8,805
Goodwill	<u>40,145</u>	<u>39,114</u>
Total assets	\$ 199,172	\$ 199,563
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,385	\$ 1,755
Accrued expenses	6,572	9,432
Deferred revenues	40,678	42,779
Deferred rent	1,182	1,049
Capital lease obligations	<u>499</u>	<u>977</u>
Total current liabilities	50,316	55,992
Deferred rent, long-term	<u>8,581</u>	<u>8,691</u>
Total liabilities	58,897	64,683
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value per share; 5,000,000 shares authorized at June 30, 2009 and December 31, 2008; no shares issued or outstanding at June 30, 2009 and December 31, 2008	—	—
Common stock, \$0.001 par value per share; 100,000,000 shares authorized at June 30, 2009 and December 31, 2008; 30,130,763 and 29,130,140 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	30	29
Treasury stock, 415,054 and 164,395 shares at cost, at June 30, 2009 and December 31, 2008, respectively	(2,517)	(1,265)
Additional paid-in capital	197,032	192,612
Accumulated other comprehensive loss	(78)	(842)
Accumulated deficit	<u>(54,192)</u>	<u>(55,654)</u>
Total stockholders' equity	140,275	134,880
Total liabilities and stockholders' equity	\$ 199,172	\$ 199,563

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

COMSCORE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited) (In thousands, except share and per share data)			
Revenues	\$ 31,374	\$ 28,750	\$ 61,998	\$ 55,120
Cost of revenues (excludes amortization of intangible assets resulting from acquisitions shown below) (1)	9,695	7,857	19,731	14,874
Selling and marketing (1)	10,329	9,516	20,815	18,461
Research and development (1)	4,528	3,637	8,533	6,707
General and administrative (1)	4,015	4,444	8,522	8,330
Amortization of intangible assets resulting from acquisitions	327	122	647	129
Total expenses from operations	28,894	25,576	58,248	48,501
Income from operations	2,480	3,174	3,750	6,619
Interest income, net	132	492	307	1,311
Gain (loss) from foreign currency	7	(87)	19	(142)
Other income	2	—	2	—
Impairment of marketable securities	—	(386)	—	(386)
Income before income taxes	2,621	3,193	4,078	7,402
Provision for income taxes	(1,436)	(1,483)	(2,616)	(3,161)
Net income	\$ 1,185	\$ 1,710	\$ 1,462	\$ 4,241
Net income available to common stockholders per common share:				
Basic	\$ 0.04	\$ 0.06	\$ 0.05	\$ 0.15
Diluted	\$ 0.04	\$ 0.06	\$ 0.05	\$ 0.14
Weighted-average number of shares used in per share calculation — common stock:				
Basic	30,052,515	28,651,067	29,766,531	28,424,191
Diluted	31,008,672	30,269,947	30,736,912	30,130,009
Net income available to common stockholders per common share subject to put:				
Basic	\$ —	\$ 0.06	\$ —	\$ 0.15
Diluted	\$ —	\$ 0.06	\$ —	\$ 0.14
Weighted-average number of shares used in per share calculation — common share subject to put:				
Basic	—	2,981	—	69,308
Diluted	—	2,981	—	69,308
<hr/>				
(1) Amortization of stock-based compensation is included in the line items above as follows				
Cost of revenues	\$ 327	\$ 204	\$ 647	\$ 345
Selling and marketing	1,226	605	2,339	1,026
Research and development	306	168	544	282
General and administrative	672	613	1,301	1,080
Comprehensive income:				
Net income	\$ 1,185	\$ 1,710	\$ 1,462	\$ 4,241
Other comprehensive income:				
Foreign currency cumulative translation adjustment	948	28	819	(49)
Unrealized (loss) gain on marketable securities, net of tax effect of \$1 and \$35 for the three and six months ended June 30, 2009	(2)	117	(55)	(102)
Total comprehensive income	\$ 2,131	\$ 1,855	\$ 2,226	\$ 4,090

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

COMSCORE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2009	2008
	(Unaudited) (In thousands)	
Operating activities:		
Net Income	\$ 1,462	\$ 4,241
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,197	2,243
Amortization of intangible assets resulting from acquisitions	647	129
Provision for bad debts and sales allowances	271	222
Stock-based compensation	4,827	2,733
Amortization of deferred rent	(308)	(24)
Deferred tax provision	2,459	2,957
Impairment of marketable securities	—	386
Loss on asset disposal	16	—
Changes in operating assets and liabilities:		
Accounts receivable	5,003	1,055
Prepaid expenses and other current assets	(245)	279
Other non-current assets	—	28
Accounts payable, accrued expenses and other liabilities	(3,491)	(1,340)
Deferred revenues	(2,710)	3,726
Deferred rent	331	7,854
Net cash provided by operating activities	11,459	24,489
Investing activities:		
Acquisition, net of cash acquired	—	(44,403)
Recovery of restricted cash	—	1,385
Purchase of investments	(36,336)	(64,129)
Sales and maturities of investments	26,526	65,332
Purchases of property and equipment	(4,142)	(10,066)
Net cash used in investing activities	(13,952)	(51,881)
Financing activities:		
Proceeds from exercise of common stock options and warrants	290	714
Repurchase of common stock	(1,252)	(1,034)
Principal payments on capital lease obligations	(479)	(441)
Net cash used in financing activities	(1,441)	(761)
Effect of the exchange rate changes on cash	701	(56)
Net decrease in cash and cash equivalents	(3,233)	(28,209)
Cash and cash equivalents at beginning of period	34,297	68,368
Cash and cash equivalents at end of period	\$ 31,064	\$ 40,159

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

COMSCORE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

comScore, Inc. (the “Company”), a Delaware corporation incorporated in August 1999, provides a digital marketing intelligence platform that helps customers make better-informed business decisions and implement more effective digital business strategies. The Company’s products and solutions offer customers insights into consumer behavior, including objective, detailed information regarding usage of their online properties and those of their competitors, coupled with information on consumer demographic characteristics, attitudes, lifestyles and offline behavior.

The Company’s digital marketing intelligence platform is comprised of proprietary databases and a computational infrastructure that measures, analyzes and reports on digital activity. The foundation of the platform is data collected from a panel of more than two million Internet users worldwide who have granted to the Company explicit permission to confidentially measure their Internet usage patterns, online and certain offline buying behavior and other activities. By applying advanced statistical methodologies to the panel data, the Company projects consumers’ online behavior for the total online population and a wide variety of user categories.

On May 28, 2008, the Company acquired the outstanding stock of M:Metrics, Inc., a provider of marketing and media intelligence for the mobile medium in the United States and internationally, to expand its abilities to provide its customers a more robust solution for the mobile medium.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated upon consolidation. The Company consolidates investments where it has a controlling financial interest as defined by Accounting Research Bulletin (“ARB”) No. 51, *Consolidated Financial Statements*, as amended by Statement of Financial Accounting Standards (“SFAS”) No. 94, *Consolidation of all Majority-Owned Subsidiaries*. The usual condition for controlling financial interest is ownership of a majority of the voting interest and, therefore, as a general rule, ownership, directly or indirectly, of more than 50% of the outstanding voting shares is a condition indicating consolidation. For investments in variable interest entities, as defined by Financial Accounting Standards Board (“FASB”) Interpretation No. 46, *Consolidation of Variable Interest Entities*, the Company would consolidate when it is determined to be the primary beneficiary of a variable interest entity. The Company does not have any variable interest entities.

Unaudited Interim Financial Information

The condensed consolidated financial statements included in this quarterly report on Form 10-Q have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained in this quarterly report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, for a quarterly report on Form 10-Q and are adequate to make the information presented not misleading. The condensed consolidated financial statements included herein, reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008, filed March 16, 2009 with the SEC. The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2009 or thereafter. All references to June 30, 2009 and 2008 or to the three or six months ended June 30, 2009 and 2008 in the notes to the consolidated financial statements are unaudited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expense during the reporting periods. Significant estimates and assumptions are inherent in the analysis and the measurement of deferred tax assets, the identification and quantification of income tax liabilities due to uncertain tax positions, valuation of marketable securities, recoverability of intangible assets, other long-lived assets and goodwill, and the determination of the allowance for doubtful accounts. The Company bases its estimates on historical experience and assumptions that it believes are reasonable. Actual results could differ from those estimates.

Fair Value Measurements

SFAS No. 107, *Disclosure about Fair Value of Financial Instruments*, defines the fair value of financial instruments as the amount at which the instrument could be exchanged in a current transaction between willing parties. Cash equivalents, investments, accounts receivable, accounts payable, accrued expenses and capital lease obligations reported in the consolidated balance sheets equal or approximate their respective fair values.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

As of January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), except as it applied to the nonfinancial assets and liabilities subject to FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which the Company adopted effective January 1, 2009. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: Level 1 — observable inputs such as quoted prices in active markets; Level 2 — inputs other than the quoted prices in active markets that are observable either directly or indirectly; Level 3 — unobservable inputs of which there is little or no market data, which require the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures its marketable securities at fair value and determines the appropriate classification level for each reporting period. The Company is required to use significant judgments to make this determination.

The Company's investment instruments are classified within Level 1 or Level 3 of the fair value hierarchy. Level 1 investment instruments are valued using quoted market prices. Level 3 instruments are valued using valuation models, primarily discounted cash flow analyses. The types of instruments valued based on quoted market prices in active markets include all U.S. government and agency securities. Such instruments are generally classified within Level 1 of the fair value hierarchy. The types of instruments valued based on significant unobservable inputs include certain illiquid auction rate securities. Such instruments are classified within Level 3 of the fair value hierarchy (see Note 4).

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the time of purchase. Cash and cash equivalents consist primarily of bank deposit accounts and certificates of deposit.

Investments, which consist principally of U.S. treasury bills, U.S. treasury notes and auction rate securities, are stated at fair value. These securities are accounted for as available-for-sale securities in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Realized gains and losses on available-for-sale securities are included in interest income. Interest and dividends on securities classified as available-for-sale are included in interest income. The Company uses the specific identification method to compute realized gains and losses on its investments. Realized gains and losses for the three and six months ended June 30, 2009 and 2008 were not material.

As of April 1, 2009, the Company adopted FASB Staff Position ("FSP") FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ("FSP No. 115-2"). FSP No. 115-2 modified the existing model for recognition and measurement of impairment for debt securities. The two principal changes to the impairment model for securities are as follows:

- Recognition of an other-than-temporary impairment charge for debt securities in an unrealized loss position is required if any of these conditions are met: (1) the Company does not expect to recover the entire amortized cost basis of the security, (2) the Company intends to sell the security or (3) it is more likely than not that the Company will be required to sell the security before it recovers its amortized cost basis.
- If the first condition above is met, but the Company does not intend to sell and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the Company is required to record the difference between the security's amortized cost basis and its recoverable amount (representing the credit loss) in earnings and the difference between the security's recoverable amount and fair value in other comprehensive income. If either the second or third criteria are met, then the Company is required to recognize the entire difference between the security's amortized cost basis and its fair value in earnings.

The Company concluded that its auction rate securities fall within the second and third criteria above, and as a result, the adoption of the FSP No. 115-2 had no effect on the Company's consolidated financial statements as all previous impairments were deemed other-than-temporary and were recognized in earnings.

Prior to the adoption of FSP No. 115-2, the intent and ability of the Company to hold the security until the market value recovered was a critical factor in determining whether any declines in the fair value of investments was other-than-temporary. Declines in value below cost for investments where it was considered probable that all contractual terms of the investment would be satisfied, due primarily to changes in market demand, and not because of increased credit risk, and where the Company intended and had the ability to hold the investment for a period of time sufficient to allow a market recovery, were not assumed to be other-than-temporary.

Interest income on investments was \$150,000 and \$526,000 for the three months ended June 30, 2009 and 2008, respectively, and \$344,000 and \$1.4 million for the six months ended June 30, 2009 and 2008, respectively.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. The Company generally grants uncollateralized credit terms to its customers and maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Allowances are based on management's judgment, which considers historical experience and specific knowledge of accounts where collectability may not be probable. The Company makes provisions based on historical bad debt experience, a specific review of all significant outstanding invoices and an assessment of general economic conditions. If the financial condition of a customer deteriorates, resulting in an impairment of its ability to make payments, additional allowances may be required.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Assets under capital leases are recorded at their net present value at the inception of the lease and are included in the appropriate asset category. Assets under capital leases and leasehold improvements are amortized over the shorter of the related lease terms or their useful lives. Replacements and major improvements are capitalized; maintenance and repairs are charged to expense as incurred. Amortization of assets under capital leases is included within the expense category on the Statement of Operations in which the asset is deployed.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed when other businesses are acquired. The allocation of the purchase price to intangible assets and goodwill involves the extensive use of management's estimates and assumptions, and the result of the allocation process can have a significant impact on future operating results. The Company estimates the fair value of identifiable intangible assets acquired using several different valuation approaches, including the replacement cost, income and market approaches. The replacement cost approach is based on determining the discrete cost of replacing or reproducing a specific asset. The Company generally uses the replacement cost approach for estimating the value of acquired technology/methodology assets. The income approach converts the anticipated economic benefits that the Company assumes will be realized from a given asset into value. Under this approach, value is measured as the present worth of anticipated future net cash flows generated by an asset. The Company generally uses the income approach to value customer relationship assets and non-compete agreements. The market approach compares the acquired asset to similar assets that have been sold. The Company generally uses the market approach to value trademarks and brand assets.

Under SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), intangible assets with finite lives are amortized over their useful lives while goodwill is not amortized but is evaluated for potential impairment at least annually by comparing the fair value of a reporting unit to its carrying value including goodwill recorded by the reporting unit. If the carrying value exceeds the fair value, impairment is measured by comparing the implied fair value of the goodwill to its carrying value, and any impairment determined is recorded in the current period. In accordance with SFAS 142, all of the Company's goodwill is associated with one reporting unit. Accordingly, on an annual basis the Company performs the impairment assessment for goodwill required under SFAS 142 at the enterprise level. The Company completed its annual impairment analysis as of October 1st for 2008 and determined that there was no impairment of goodwill. There have been no indicators of impairment suggesting that an interim assessment was necessary for goodwill since the October 1, 2008 test.

Intangible assets with finite lives are amortized using the straight-line method over the following useful lives:

	Useful Lives (Years)
Acquired methodologies/technology	5 to 7
Customer relationships	7
Panel	7
Intellectual property	10

Impairment of Long-Lived Assets

The Company's long-lived assets primarily consist of property and equipment and intangible assets. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company evaluates the recoverability of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Company compares the estimated undiscounted future cash flows to be generated by the asset to its carrying amount. Recoverability measurement and estimation of undiscounted cash flows are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the undiscounted future cash flows are less than the carrying amount of the asset, the Company records an impairment loss equal to the excess of the asset's carrying amount over its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis. Although the Company believes that the carrying values of its long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset balances. There were no impairment charges recognized during the three and six months ended June 30, 2009 or 2008.

Lease Accounting

The Company leases its facilities under operating leases, and accounts for those leases in accordance with SFAS No. 13, *Accounting for Leases*. For facility leases that contain rent escalations or rent concession provisions, the Company records the total rent payable during the lease term on a straight-line basis over the term of the lease. The Company records the difference between the rent paid and the straight-line rent as a deferred rent liability in the accompanying consolidated balance sheets. Leasehold improvements funded by landlord incentives or allowances are recorded as leasehold improvement assets and a deferred rent liability which is amortized as a reduction of rent expense over the term of the lease.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

Foreign Currency Translation

The Company applies SFAS No. 52, *Foreign Currency Translation*, with respect to its international operations. The functional currency of the Company's foreign subsidiaries is the local currency. All assets and liabilities are translated at the current exchange rate as of the end of the period, and revenues and expenses are translated at average exchange rates in effect during the period. The gain or loss resulting from the process of translating foreign currency financial statements into U.S. dollars is included as a component of other comprehensive income.

The Company realized foreign currency transaction gains of \$7,000 and \$19,000 for the three and six months ended June 30, 2009, respectively, and incurred foreign currency transaction losses of \$87,000 and \$142,000 for the three and six months ended June 30, 2008, respectively. These gains and losses are the result of transactions denominated in currencies other than the functional currency of the Company's foreign subsidiaries.

Revenue Recognition

The Company recognizes revenues in accordance with Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition* ("SAB 104"). SAB 104 requires that four basic criteria must be met prior to revenue recognition: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the services have been rendered, (iii) the fee is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured.

The Company generates revenues by providing access to the Company's online database or delivering information obtained from the database, usually in the form of periodic reports. Revenues are typically recognized on a straight-line basis over the period in which access to data or reports are provided, which generally ranges from three to 24 months.

Revenues are also generated through survey services under contracts ranging in term from two months to one year. Survey services consist of survey and questionnaire design with subsequent data collection, analysis and reporting. Revenues are recognized on a straight-line basis over the estimated data collection period once the survey or questionnaire has been delivered. Any change in the estimated data collection period results in an adjustment to revenues recognized in future periods.

Certain of the Company's arrangements contain multiple elements, consisting of the various services the Company offers. Multiple element arrangements typically consist of a subscription to the Company's online database combined with customized services. These arrangements are accounted for in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. The Company has determined that there is not objective and reliable evidence of fair value for any of its services and, therefore, accounts for all elements in multiple elements arrangements as a single unit of accounting. Access to data under the subscription element is generally provided shortly after the execution of the contract. However, the initial delivery of customized services generally occurs subsequent to contract execution. The Company recognizes the entire arrangement fee over the performance period of the last deliverable. As a result, the total arrangement fee is recognized on a straight-line basis over the period beginning with the commencement of the last customized service delivered.

Generally, contracts are non-refundable and non-cancelable. In the event a portion of a contract is refundable, revenue recognition is delayed until the refund provisions lapse. A limited number of customers have the right to cancel their contracts by providing a written notice of cancellation. In the event that a customer cancels its contract, the customer is not entitled to a refund for prior services, and will be charged for costs incurred plus services performed up to the cancellation date.

Advance payments are recorded as deferred revenues until services are delivered or obligations are met and revenue can be recognized. Deferred revenues represent the excess of amounts invoiced over amounts recognized as revenues.

Stock-Based Compensation

The Company accounts for share-based compensation expense in accordance with SFAS No. 123 (revised 2005), *Share-Based Payment* ("SFAS 123R"). SFAS 123R requires the measurement and recognition of compensation expense for share-based awards based on the estimated fair value on the date of the grant. The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option-pricing model. This model is affected by the Company's stock price as well as estimates regarding a number of variables including expected stock price volatility over the term of the award and projected employee stock option exercise behaviors. The fair value of the restricted stock awards is determined based on the quoted market price of the Company's common stock on the grant date. For stock-based awards subject to graded vesting, the Company has utilized the straight-line ratable method for allocating compensation cost by period. In accordance with SFAS 123R, the Company recorded stock-based compensation expense of \$2.5 million and \$4.8 million for the three and six months ended June 30, 2009, respectively, and \$1.6 million and \$2.7 million for the three and six months ended June 30, 2008, respectively. As of June 30, 2009, there was an accrual for \$1.1 million included in stock-based compensation expense for compensation earned during the six months ended June 30, 2009. This accrual will be settled with shares of restricted stock to be granted in 2010. As of December 31, 2008, there was an accrual for \$369,000 for compensation earned during 2008 that was settled with shares of restricted stock granted in February 2009.

Income Taxes

Income taxes are accounted for using the asset and liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*. Deferred income taxes are provided for temporary differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the difference between the tax bases of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109, clarifies the accounting for income taxes by prescribing that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax provisions that meet the more-likely-than-not recognition threshold should be measured as the largest amount of tax benefits, determined on a cumulative probability basis, which are more likely than not to be realized upon ultimate settlement in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition, and explicitly excludes income taxes from the scope of SFAS No. 5, *Accounting for Contingencies*. The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense.

Earnings Per Share

The Company computes earnings per share in accordance with the provisions of SFAS No. 128, *Earnings Per Share* ("SFAS 128"). Under SFAS 128, entities with capital structures that include classes of common stock with different dividend rates are required to apply the two-class method of calculating earnings per share. In addition to the Company's common stock, prior to April 2008, the Company had Common Stock Subject to Put outstanding that was issued in connection with certain acquisitions. However, the additional contractual rights of such Common Stock Subject to Put lapsed unexercised in April 2008, and such Common Stock Subject to Put was reallocated as common stock following such time. Prior to the lapse of the contractual rights, the Company calculated earnings per share for its common stock and its Common Stock Subject to Put using a method akin to the two-class method under SFAS 128. Undistributed earnings were allocated to holders of common stock and Common Stock Subject to Put on a pro rata basis. Total earnings allocated to each class of common stock were then divided by the weighted-average number of shares outstanding for each class of common stock to determine basic earnings per share. Diluted earnings per share for common stock reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share assumes the exercise of stock options and warrants using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited) (In thousands, except share and per share data)			
Net income	\$ 1,185	\$ 1,710	\$ 1,462	\$ 4,241
Weighted-average shares outstanding-common stock, basic	30,052,515	28,651,067	29,766,531	28,424,191
Dilutive effect of				
Options to purchase common stock	919,600	1,576,807	938,278	1,657,846
Unvested shares of restricted stock units	27,516	21,879	26,076	27,576
Warrants to purchase common stock	9,041	20,194	6,027	20,396
Weighted-average shares outstanding-common stock, diluted	31,008,672	30,269,947	30,736,912	30,130,009
Net income per share-common stock:				
Basic	\$ 0.04	\$ 0.06	\$ 0.05	\$ 0.15
Diluted	\$ 0.04	\$ 0.06	\$ 0.05	\$ 0.14
Weighted-average number of shares used in per share calculation — common share subject to put:				
Basic	—	2,981	—	69,308
Diluted	—	2,981	—	69,308
Net income available to common stockholders per common share subject to put:				
Basic	\$ —	\$ 0.06	\$ —	\$ 0.15
Diluted	\$ —	\$ 0.06	\$ —	\$ 0.14

The following is a summary of common stock equivalents for the securities outstanding during the respective periods that have been excluded from the earnings per share calculations as their impact was anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)			
Stock options and restricted stock units	73,983	29,134	120,593	19,041
Common stock warrants	2,000	2,000	2,000	2,000

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

Recent Pronouncements

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*. This standard establishes only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The FASB Accounting Standards Codification (the “Codification”) will become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Company will begin to use the new guidelines and numbering system prescribed by the Codification when referring to GAAP beginning in the period ended September 30, 2009. As the Codification was not intended to change or alter existing GAAP, it is not otherwise expected to have any impact on the Company’s consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. SFAS No. 165 establishes authoritative accounting and disclosure guidance for recognized and non-recognized subsequent events that occur after the balance sheet date but before financial statements are issued. SFAS No. 165 also requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS No. 165 was effective for the Company beginning with its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, and will be applied prospectively. The adoption of SFAS No. 165 had no impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued three Staff Positions that are intended to provide additional application guidance and enhance disclosures about fair value measurements and impairments of securities. FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability has Significantly Decreased and Identifying Transactions that are Not Orderly*, clarifies the objective and method of fair value measurement when there has been a significant decrease in market activity for the asset being measured. FSP No. 115-2 established a new model for measuring other-than-temporary impairments for debt securities, including establishing criteria for when to recognize a write-down through earnings versus other comprehensive income. FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures About Fair Value of Financial Instruments*, extends the fair value disclosures required for all financial instruments within the scope of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to interim periods. All of these FSPs are effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 157-4 and FSP No. 115-2 did not have a material impact on the Company’s consolidated financial statements. The adoption of FSP No. FAS 107-1 and APB No. 28-1 did not result in increased disclosures in the second quarter of 2009 as the Company had historically included the required disclosures in its interim consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations* (“SFAS 141(R)”), which is intended to improve reporting by creating greater consistency in the accounting and financial reporting of business combinations. SFAS 141(R) requires that the acquiring entity in a business combination recognize all (and only) the assets and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose to investors and other users all of the information that they need to evaluate and understand the nature and financial effect of the business combination. In addition, SFAS 141(R) modifies the accounting for transaction and restructuring costs. SFAS 141(R) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. After the effective date of SFAS 141(R), all changes to tax uncertainties and deferred tax asset valuation allowances established in business combination accounting should be recognized in accordance with SFAS 141(R), generally as an adjustment to income tax expense. For the Company’s acquisition of M:Metrics, Inc. (see Note 3), the effects of changes outside of the measurement period (or within the measurement period if the changes result from new information about facts that arose after the acquisition date) to deferred tax asset valuation allowances established in acquisition accounting will be recognized directly as an adjustment to income tax expense. The adoption of SFAS 141(R) did not have a material impact on the Company’s consolidated results of operation or financial position.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of the consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company adopted SFAS No. 160 effective January 1, 2009 and the adoption did not have a material impact on the Company’s consolidated financial statements.

3. Acquisition

On May 28, 2008, comScore completed its merger with M:Metrics, Inc. (“M:Metrics”), a provider of marketing and media intelligence for the mobile medium in the United States and internationally, pursuant to the Agreement and Plan of Merger dated May 28, 2008, (the “Merger”). Pursuant to the Agreement and Plan of Merger, the Company acquired all the outstanding common stock of M:Metrics in a cash transaction for approximately \$46.0 million. The total purchase price of \$46.0 million is comprised of \$44.3 million in cash consideration, \$1.2 million in expenses paid on M:Metrics’ behalf and estimated acquisition related transaction costs of approximately \$480,000.

Acquisition-related transaction costs include legal and accounting fees, and other external costs directly related to the Merger. In connection with the Merger, the Company exchanged the unvested options for M:Metrics common stock for options for the purchase of 51,908 shares of comScore common stock. In addition, \$5.0 million of comScore restricted common stock was reserved for issuance pursuant to the Merger and \$4.72 million was issued to certain former M:Metrics employees that continued as employees of comScore as of June 30, 2008. The estimated fair

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

value of these options and restricted stock has been and is expected to be recognized as compensation expense for post merger services. The Company has included the financial results of M: Metrics in its consolidated financial statements since May 28, 2008, the date of acquisition.

The Company believes the Merger with M:Metrics supports the Company's long-term strategic direction and that the demands in the digital marketing intelligence industry continue to accelerate at a rapid pace as advertising moves to new digital mediums. In evaluating the acquisition of M:Metrics, the Company focused primarily on the business's revenues and customer base, the strategic fit of the business's product line with the Company's existing product offerings, and opportunities for cost reductions and other synergies, rather than on the business's tangible or intangible assets, such as its property and equipment. As a result, the fair value of the acquired assets corresponds to a relatively smaller portion of the acquisition price, with the Company recording a substantial amount of goodwill associated with the acquisition.

The Merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations* ("SFAS 141"). Assets acquired and liabilities assumed were recorded at their estimated fair values as of May 28, 2008. Under the purchase method of accounting, the total purchase price is allocated to M:Metrics net tangible and intangible assets based on their estimated fair values as of May 28, 2008, the effective date of the Merger. The final purchase price was allocated as follows (in thousands):

Cash and cash equivalents	\$ 1,554
Accounts receivable	2,010
Prepaid expenses and other current assets	226
Property and equipment	464
Other long term assets	85
Deferred tax assets, net	2,692
Accounts payable	(865)
Other accrued liabilities	(3,469)
Deferred revenue	(5,473)
Other long-term liabilities	<u>(145)</u>
Net tangible liabilities to be acquired	(2,921)
Definite-lived intangible assets acquired	10,160
Goodwill	<u>38,781</u>
Total purchase price	<u>\$ 46,020</u>

Included in the final purchase price allocation were \$8.6 million of deferred tax assets and \$3.6 million of deferred tax liabilities initially offset by a full valuation allowance of \$5.0 million. In connection with the reduction of the deferred tax asset valuation allowance recorded as of December 31, 2008 (see Note 7), the Company recorded a \$3.7 million reduction in the valuation allowance recorded for the acquired deferred tax assets of M:Metrics with a corresponding reduction of goodwill. In connection with the finalization of the purchase price allocation during the three months ended June 30, 2009, the Company reduced the acquired deferred tax assets by approximately \$1.0 million with an offsetting increase to goodwill (see Note 5).

Of the total purchase price, approximately \$2.9 million has been allocated to net tangible liabilities acquired, and \$10.2 million has been allocated to definite-lived intangible assets acquired. Definite-lived intangible assets of \$10.2 million consist of the value assigned to M:Metrics customer relationships of \$3.2 million, intellectual property of \$2.6 million, developed and core technology of \$2.5 million and panel of \$1.9 million. The useful lives range from five to ten years (see Note 2). Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net tangible and intangible assets acquired. Goodwill is not deductible for tax purposes.

In connection with the purchase price allocation, the estimated fair value of the deferred revenue assumed from M:Metrics in connection with the Merger was determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs relating to fulfilling the assumed contractual obligations plus a market profit margin. The present value of the sum of the costs and operating profit approximates the amount that the Company would be required to pay a third party to assume the obligations. The estimated costs to fulfill the obligation were based on the historical direct costs related to providing the services.

4. Investments and Fair Value Measurements

As of June 30, 2009 and December 31, 2008, the Company had \$2.9 million invested in auction rate securities, all of which are classified as long-term investments on its consolidated balance sheets.

Auction rate securities are generally long-term debt instruments that provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined calendar intervals, generally every 28 days. This mechanism typically allows existing investors to rollover their holdings and to continue to own their respective securities or liquidate their holdings by selling their securities at par value. These securities often are insured against loss of principal and interest by bond insurers. In prior years, the Company invested in these securities for short periods of time as part of its investment policy. However, the uncertainties in the credit markets have prevented the Company and other investors from liquidating holdings of certain auction rate securities in recent auctions because the amount of securities submitted for sale has exceeded the amount of purchase orders. Accordingly, the Company continues to hold these long-term securities and is due interest at a higher rate than similar securities for which auctions have cleared.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

As of June 30, 2009 and December 31, 2008, five auction rate securities with a par value of \$5.1 million had failed their most recent auction and are considered illiquid. As there is no active market for these investments, the Company values its auction rate securities using a discounted cash flow model that takes into consideration the securities' coupon rate, the discount rate and the expected date liquidity will be restored. The discount rate reflects the financial condition of the issuers and the bond insurers and incorporates a discount for illiquidity. As of June 30, 2009 and December 31, 2008, the estimated fair value of the auction rate securities was below cost, or par value, resulting in an unrealized loss.

During the year ended December 31, 2008, the length of time and the extent to which the auction rate securities were valued below cost both increased significantly. As of December 31, 2008, the credit ratings of the issuers had deteriorated to a range of A- to B and the bond insurers saw similar downgrades to a range of BBB to C. As a result, the Company concluded that the unrealized losses on its auction rate securities at December 31, 2008 represented an other-than-temporary impairment and recorded a charge \$2.2 million in earnings. During the three and six months ended June 30, 2009, there were no auctions for the auction rate securities held by the Company. However, credit spreads and credit ratings of the issues and bond insurers were more stable during those periods. As of June 30, 2009, based on the Company's updated valuation, no further adjustments to the carrying value of these investments was necessary.

The Company is unsure as to when the liquidity issues relating to these investments will improve. Accordingly, the Company classified these securities as non-current as of June 30, 2009 and December 31, 2008. If the credit ratings of the issuers, the bond insurers or the collateral deteriorate further, the Company may further adjust the carrying value of these investments.

Marketable securities, which are classified as available-for-sale, are summarized below.

	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Aggregate Fair Value</u>	<u>Classification on Balance Sheet</u>	
			(Unaudited) (In thousands)		<u>Short-Term Investments</u>	<u>Long-Term Investments</u>
As of June 30, 2009:						
U.S. treasury bills	\$ 7,954	\$ 43	\$ —	\$ 7,997	\$ 7,997	\$ —
U.S. treasury notes	39,482	42	—	39,524	34,946	4,578
Auction rate securities	<u>2,861</u>	—	—	<u>2,861</u>	—	<u>2,861</u>
	<u><u>\$ 50,297</u></u>	<u><u>\$ 85</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 50,382</u></u>	<u><u>\$ 42,943</u></u>	<u><u>\$ 7,439</u></u>
As of December 31, 2008:						
U.S. treasury bills	\$ 24,931	\$ 55	\$ —	\$ 24,986	\$ 24,986	\$ —
U.S. treasury notes	12,694	120	—	12,814	12,178	636
Auction rate securities	<u>2,861</u>	—	—	<u>2,861</u>	—	<u>2,861</u>
	<u><u>\$ 40,486</u></u>	<u><u>\$ 175</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 40,661</u></u>	<u><u>\$ 37,164</u></u>	<u><u>\$ 3,497</u></u>

There were no gross unrealized losses related to available-for-sale securities as of June 30, 2009 and December 31, 2008 other than the auction rate securities, for which the unrealized loss was deemed other- than- temporary and included in earnings during 2008.

Cash equivalents have original maturity dates of three months or less. All investments, excluding auction rate securities, have original maturity dates between three months and two years. Auction rate securities have original maturity dates in excess of fifteen years.

The fair value hierarchy of the Company's marketable securities at fair value as of June 30, 2009 and December 31, 2008 is as follows:

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

	Fair Value Measurements at Reporting Date Using		
	June 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(Unaudited) (In thousands)	Significant Unobservable Inputs (Level 3)
Assets:			
U.S. treasury bills	\$ 7,997	\$ 7,997	\$ —
U.S. treasury notes	39,524	39,524	—
Auction rate securities	2,861	—	—
Total	\$ 50,382	\$ 47,521	\$ 2,861

	Fair Value Measurements at Reporting Date Using		
	December 31, 2008	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	Significant Unobservable Inputs (Level 3)
Assets:			
U.S. treasury bills	\$ 24,986	\$ 24,986	\$ —
U.S. treasury notes	12,814	12,814	—
Auction rate securities	2,861	—	—
Total	\$ 40,661	\$ 37,800	\$ 2,861

From December 31, 2008 through June 30, 2009, there was no change in the balances for the major classes of assets measured at fair value using significant unobservable inputs (Level 3).

5. Goodwill and Intangible Assets

The change in the carrying value of goodwill for the six months ended June 30, 2009 is as follows (in thousands):

Balance as of December 31, 2008	\$ 39,114
Purchase price allocation adjustments	1,031
Balance as of June 30, 2009 (unaudited)	\$ 40,145

The \$1.0 million of adjustments to goodwill during the six months ended June 30, 2009 were primarily due to deferred tax asset reductions of \$768,000 for the M:Metrics net operating loss carryforward at the date of acquisition for transfer pricing adjustments and \$344,000 to establish a reserve pursuant to FIN 48 for certain M:Metrics research and development tax credit carryforwards that existed at the date of acquisition. In addition, the deferred tax asset was increased by \$138,000 to true-up the deferred tax balances to the filed tax returns.

Certain of the Company's intangible assets are recorded in British Pounds, and therefore, the gross carrying amount and accumulated amortization are subject to foreign currency translation adjustments. The carrying values of the Company's amortized acquired intangible assets are as follows:

	June 30, 2009 (Unaudited)	December 31, 2008
		(In thousands)
Intangible assets consist of the following:		
Customer relationships	\$ 3,078	\$ 2,927
Acquired methodologies/technology	2,445	2,378
Intellectual property	2,576	2,547
Panel	1,789	1,701
Total intangible assets	9,888	9,553
Accumulated amortization	(1,444)	(748)
Intangible assets, net	\$ 8,444	\$ 8,805

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

Amortization expense related to intangible assets was approximately \$327,000 and \$122,000 for the three months ended June 30, 2009 and 2008, respectively, and \$647,000 and \$129,000 for the six months ended June 30, 2009 and 2008, respectively.

6. Commitments and Contingencies

Leases

In January 2009, the Company amended an existing lease with a landlord and added approximately 7,264 square feet of additional space for its Seattle office. The base rent increased from approximately \$289,000 per annum to \$672,000 and escalates 3% per annum over the lease term. The lease expires May 2011. The Company consolidated the comScore and M:Metrics Seattle offices into this expanded office in March 2009. In connection with this lease, the Company recorded \$333,000 of deferred rent and capitalized assets as a result of landlord allowances. The deferred rent will be applied to rent expense recognized by the Company over the lease term.

Contingencies

On March 31, 2009, the Company renewed its \$5.0 revolving line of credit with Bank of America, with an interest rate equal to BBA LIBOR rate plus an applicable margin based upon the Company's funded-debt-to-unrestricted-EBITDA ratio. This line of credit includes no restrictive financial covenants and expires March 31, 2010. The Company maintains letters of credit in lieu of security deposits with respect to certain office leases. During the six months ended June 30, 2009 two letters of credit were reduced by approximately \$260,000. As of June 30, 2009, no amounts were borrowed against the line of credit and \$4.1 million of letters of credit were outstanding, leaving \$860,000 available for additional letters of credit or other borrowings. These letters of credit may be reduced periodically provided the Company meets the conditional criteria of each related lease agreement. In July 2009, one letter of credit was reduced by approximately \$220,000 leaving \$1.1 million available for additional letters of credit or other borrowings.

The Company has no asserted claims as of June 30, 2009, but is from time to time exposed to unasserted potential claims encountered in the normal course of business. Although the outcome of any legal proceedings cannot be predicted with certainty, management believes that the final resolution of these matters will not materially affect the Company's consolidated financial position or results of operations.

7. Income Taxes

The Company's income tax provision for interim periods is calculated by applying its estimated annual effective tax rate on ordinary income before taxes to year-to-date ordinary book income before taxes in accordance with the interim reporting requirements of SFAS No. 109, *Accounting for Income Taxes*, APB Opinion No. 28, *Interim Financial Reporting*, and FASB Interpretation No. 18 *Accounting for Income Taxes in Interim Periods — an interpretation of APB Opinion No. 28*. The income tax effects of any extraordinary, significant unusual or infrequent items not included in ordinary book income are determined separately and recognized in the period in which the items arise.

During the three and six months ended June 30, 2009, the Company recorded income tax provisions of \$1.4 million and \$2.6 million, respectively, resulting in effective tax rates of 54.79% and 64.15%, respectively. During the three and six months ended June 30, 2008, the Company recorded income tax provisions of \$1.5 million and \$3.2 million, respectively, resulting in effective tax rates of 46.45% and 42.70%, respectively. These effective tax rates differ from the Federal statutory rate of 35% primarily due to state income taxes, foreign income taxes, and nondeductible expenses such as certain stock compensation and meals and entertainment. During the three and six month periods ended June 30, 2009, certain shares related to restricted stock awards vested at times when the Company's stock price was substantially lower than the fair value of those shares at the time of grant. As a result, the income tax deduction related to such shares is less than the expense previously recognized for book purposes. In accordance with SFAS 123R, such shortfalls reduce additional paid-in capital to the extent windfall tax benefits have been previously recognized. However, as described below, the Company has not yet recognized windfall tax benefits because these tax benefits have not resulted in a reduction of current taxes payable. Therefore, in accordance with SFAS 123R, the impact of these shortfalls totaling \$177,000 and \$680,000, respectively, has been included in income tax expense for the three and six month periods ended June 30, 2009.

The exercise of certain stock options during the six months ended June 30, 2009 and 2008, generated income tax deductions equal to the excess of the fair market value over the exercise price. In accordance with SFAS 123R, the Company will not recognize a deferred tax asset with respect to the excess of tax over book stock compensation deductions until the tax deductions actually reduce its current taxes payable. As such, the Company has not recorded a deferred tax asset in the accompanying financial statements related to the additional net operating losses generated from the windfall tax deductions associated with the exercise of these stock options. If and when the Company utilizes these net operating losses to reduce income taxes payable, the tax benefit will be recorded as an increase in additional paid-in capital.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

As of June 30, 2009 and December 31, 2008, the Company had a valuation allowance of \$3.0 million and \$2.8 million, respectively, against certain deferred tax assets, which were related to the acquired deferred tax assets (primarily net operating loss carryforwards) of the M:Metrics UK subsidiary and the deferred tax asset related to the impairment recognized on auction rate securities. The increase in valuation allowance of approximately \$0.2 million during the six months ended June 30, 2009 was attributable to the current year net operating losses generated and expected to expire unutilized at the M:Metrics UK subsidiary.

During the year ended December 31, 2008, the Company concluded that portions of its valuation allowance against U.S. deferred tax assets and deferred tax assets in certain foreign jurisdictions were no longer necessary based on the weight of available evidence. In making that determination, the Company considered the profitability achieved during 2008, the successful integration of M:Metrics into the base business, and the continued maturity of the online marketing industry, balanced against the current overall economic environment. As a result, the Company reduced the valuation allowance against its deferred tax assets to \$2.8 million as of December 31, 2008.

As of June 30, 2009, the Company concluded that no events occurred during the six months ended June 30, 2009 that would significantly impact its valuation allowance against deferred tax assets. Management will continue to evaluate its valuation allowance position on a regular basis. To the extent the Company determines that, based on the weight of available evidence, all or a portion of its valuation allowance is no longer necessary, the Company will recognize an income tax benefit in the period such determination is made for the reversal of the valuation allowance. If management determines that, based on the weight of available evidence, it is more-likely-than-not that all or a portion of the net deferred tax assets will not be realized, the Company may recognize income tax expense in the period such determination is made to increase the valuation allowance. It is possible that any such reduction of or addition to the Company's valuation allowance may have a material impact on the Company's results from operations.

As of June 30, 2009 and December 31, 2008, the Company had unrecognized tax benefits of approximately \$912,000 and \$240,000, respectively. The increase in unrecognized tax benefits of approximately \$672,000 is attributable to uncertain tax positions related to the M:Metrics acquisition that were recorded through purchase accounting as an increase to acquired goodwill. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of June 30, 2009 and December 31, 2008, the amount of accrued interest expense on unrecognized tax benefits was not material.

The Company or one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. For income tax returns filed by the Company, the Company is no longer subject to U.S. Federal, state and local tax examinations by tax authorities for years before 2004, although tax attribute carryforwards generated prior to 2004 may still be adjusted upon examination by tax authorities.

8. Stockholders' Equity

1999 Stock Option Plan and 2007 Equity Incentive Plan

Prior to the effective date of the registration statement for the Company's initial public offering ("IPO") on June 26, 2007, eligible employees and non-employees were awarded options to purchase shares of the Company's common stock, restricted stock or restricted stock units pursuant to the Company's 1999 Stock Plan (the "1999 Plan"). Upon the effective date of the registration statement of the Company's IPO, the Company ceased using the 1999 Plan for the issuance of new equity awards. Upon the closing of the Company's IPO on July 2, 2007, the Company established its 2007 Equity Incentive Plan (the "2007 Plan" and together with the 1999 Plan, the "Plans"). The 1999 Plan will continue to govern the terms and conditions of outstanding awards granted thereunder, but no further shares are authorized for new awards under the 1999 Plan. As of December 31, 2008 and June 30, 2009, the Plans provided for the issuance of a maximum of approximately 5.4 million shares and 6.6 million shares, respectively, of common stock. In addition, the 2007 Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year beginning with the 2008 fiscal year, equal to the lesser of: (i) 4% of the outstanding shares of the Company's common stock on the last day of the immediately preceding fiscal year; (ii) 1,800,000 shares; or (iii) such other amount as the Company's board of directors may determine. The vesting period of options granted under the Plans is determined by the Board of Directors, although the vesting has historically been generally ratably over a four-year period. Options generally expire 10 years from the date of the grant. Effective January 1, 2009, the shares available for grant increased 1,165,205 pursuant to the automatic share reserve increase provision under the Plans. Accordingly, as of June 30, 2009, 2,537,619 shares were available for future grant under the 2007 Plan.

The Company estimates the fair value of stock option awards using the Black-Scholes option-pricing formula and a single option award approach. The Company then amortizes the fair value of awards expected to vest on a ratable straight-line basis over the requisite service periods of the awards, which is generally the period from the grant date to the end of the vesting period. During the three and six months ended June 30, 2009, no stock options were granted.

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

A summary of the Plans is presented below:

	Number of Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2008	<u>1,453,370</u>	\$2.26		
Options granted	—	—		
Options exercised	226,966	\$1.28		\$ 1,809
Options forfeited	31,929	\$6.79		
Options expired	992	\$6.30		
Options outstanding at June 30, 2009	<u>1,193,483</u>	\$2.33	5.29	\$13,122
Options exercisable at June 30, 2009	<u>1,110,150</u>	\$1.98	5.15	\$12,588

The aggregate intrinsic value for options outstanding and exercisable is calculated as the difference between the exercise price of the underlying stock option awards and the quoted market price of the Company's common stock at June 30, 2009. The aggregate intrinsic value of exercised stock options is calculated based on the difference between the exercise price and the quoted market price of the Company's common stock as of the close of the exercise date. As of June 30, 2009, total unrecognized compensation expense related to non-vested stock options granted prior to that date is estimated at \$357,000, which the Company expects to recognize over a weighted average period of approximately 0.77 years. Total unrecognized compensation expense is estimated and may be increased or decreased in future periods for subsequent grants or forfeitures.

The Company's nonvested stock awards are comprised of restricted stock and restricted stock units. The Company has a right of repurchase on such shares that lapse at a rate of twenty-five percent (25%) of the total shares awarded at each successive anniversary of the initial award date, provided that the employee continues to provide services to the Company. In the event that an employee terminates their employment with the Company, any shares that remain unvested and consequently subject to the right of repurchase shall be automatically reacquired by the Company at the original purchase price paid by the employee. During the six months ended June 30, 2009, 129,145 forfeited shares of restricted stock have been repurchased by the Company at no cost. A summary of the status for nonvested stock awards as of June 30, 2009 is presented as follows:

	Restricted Stock	Restricted Stock Units	Total Number of Shares Underlying Awards	Weighted Average Grant-Date Fair Value
Nonvested Stock Awards				
Nonvested at December 31, 2008	1,043,101	96,673	1,139,774	\$18.53
Granted	1,000,040	99,726	1,099,766	9.31
Vested	330,845	24,099	354,944	15.83
Forfeited	129,145	4,667	133,812	18.95
Nonvested at June 30, 2009	<u>1,583,151</u>	<u>167,633</u>	<u>1,750,784</u>	<u>\$13.26</u>

The aggregate intrinsic value for all non-vested shares of restricted common stock and restricted stock units outstanding as of June 30, 2009 was \$23.3 million. The weighted average remaining contractual life for all non-vested shares of restricted common stock and restricted stock units as of June 30, 2009 was 3.06 years.

The Company granted nonvested stock awards at no cost to recipients during the six months ended June 30, 2009. As of June 30, 2009, total unrecognized compensation expense related to non-vested restricted stock and restricted stock units was \$20.5 million, which the Company expects to recognize over a weighted average period of approximately 1.95 years. Total unrecognized compensation expense may be increased or decreased in future periods for subsequent grants or forfeitures.

Of the 354,944 shares of the Company's restricted stock and restricted stock units vesting during the six months ended June 30, 2009, the Company repurchased 121,514 shares at an aggregate purchase price of approximately \$1.3 million pursuant to the stockholder's right under the Plans to elect to use common stock to satisfy tax withholding obligations.

Shares Reserved for Issuance

At June 30, 2009, the Company had reserved for future issuance the following shares of common stock upon the exercise of options and warrants:

Common stock available for future issuances under the Plans	2,537,619
Common stock available for outstanding options and restricted stock units	1,361,116
Common stock warrants	26,375
	<u>3,925,110</u>

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (continued)

9. Geographic Information

The Company attributes revenues to customers based on the location of the customer. The composition of the Company's sales to unaffiliated customers between those in the United States and those in other locations for the three and six months ended June 30, 2009 and 2008 is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited) (In thousands)			
United States	\$ 26,888	\$ 24,678	\$ 52,878	\$ 47,777
Canada	1,384	1,480	2,828	2,894
United Kingdom/Other	3,102	2,592	6,292	4,449
Total Revenues	<u>\$ 31,374</u>	<u>\$ 28,750</u>	<u>\$ 61,998</u>	<u>\$ 55,120</u>

The composition of the Company's property and equipment between those in the United States and those in other countries as of the end of each period is set forth below:

	June 30, 2009	December 31, 2008
	(Unaudited) (In thousands)	
United States	\$ 17,400	\$ 17,468
Canada	34	66
United Kingdom/Other	143	163
Total	<u>\$ 17,577</u>	<u>\$ 17,697</u>

10. Subsequent Events

The Company evaluated subsequent events through the time of filing this Quarterly Report on Form 10-Q on August 10, 2009. The Company is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on its Consolidated Financial Statements.

Item 2. 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 in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk factors" and elsewhere in this document. See also "Cautionary Note Concerning Forward-Looking Statements" at the beginning of this Quarterly Report on Form 10-Q.

Overview

We provide a leading digital marketing intelligence platform that helps our customers make better-informed business decisions and implement more effective digital business strategies. Our products and solutions offer our customers deep insights into consumer behavior, including objective, detailed information regarding usage of their online properties and those of their competitors, coupled with information on consumer demographic characteristics, attitudes, lifestyles and offline behavior.

Our digital marketing intelligence platform is comprised of proprietary databases and a computational infrastructure that measures, analyzes and reports on digital activity. The foundation of our platform is data collected from our comScore panel of more than two million Internet users worldwide who have granted us explicit permission to confidentially measure their Internet usage patterns, online and certain offline buying behavior and other activities. By applying advanced statistical methodologies to our panel data, we project consumers' online behavior for the total online population and a wide variety of user categories.

We deliver our digital marketing intelligence through our comScore Media Metrix product family, through our comScore Marketing Solutions products and since May 2008 through our M:Metrics products suite. Media Metrix delivers digital media intelligence by providing an independent, third-party measurement of the size, behavior and characteristics of Web site and online advertising network audiences among home, work and university Internet users as well as insight into the effectiveness of online advertising. Our Marketing Solutions products combine the proprietary information gathered from the comScore panel with the vertical industry expertise of comScore analysts to deliver digital marketing intelligence, including the measurement of online advertising effectiveness, customized for specific industries. We typically deliver our Media Metrix products electronically in the form of weekly, monthly or quarterly reports. Customers can access current and historical Media Metrix data and analyze these data anytime online. Our M:Metrics products suite connects mobile consumer behavior, content merchandising, and device capabilities to provide comprehensive mobile market intelligence. Customers can access our M:Metrics data sets and reports anytime online. Our Marketing Solutions products are typically delivered on a monthly, quarterly or ad hoc basis through electronic reports and analyses.

Our company was founded in August 1999. By 2000, we had established a panel of Internet users and began delivering digital marketing intelligence products that measured online browsing and buying behavior to our first customers. We also introduced netScore, our initial syndicated Internet audience measurement product. We accelerated our introduction of new products in 2003 with the launch of Plan Metrix (formerly AIM 2.0), qSearch, and the Campaign R/F (Reach and Frequency) analysis system and product offerings that measure online activity at the local market level. By 2004, we had built a global panel of over two million Internet users. In that year, in cooperation with Arbitron, we launched a service that provides ratings of online radio audiences. In 2005, we expanded our presence in Europe by opening an office in London. In 2006, we continued to expand our measurement capabilities with the launch of World Metrix, a product that provides worldwide data on digital media usage, and Video Metrix, our product that measures the audience for streaming online video. In 2007, we completed our initial public offering, resulting in the sale and issuance by us of 5,000,000 shares of our common stock, and we also launched ten new products during that year, including Campaign Metrix, qSearch 2.0, Ad Metrix, Brand Metrix, Segment Metrix and comScore Marketer. During the first quarter of 2008, we launched Ad Metrix-Advertiser View, a tool for agencies and publishers designed to support their media buying and selling activities and supply their competitive intelligence needs. In April 2008, we launched the second generation of our media planning product, Plan Metrix, and increased the frequency of reporting from semi-annual to a monthly cycle. In October 2008, we launched Extended Web Measurement which allows the tracking of distributed web content across third party sites, such as video, music, gaming applications, widgets and social media. It enables publishers to report audience reach and characteristics of their various advertising sales packages providing them with the ability to market those packages more effectively.

We have complemented our internal development initiatives with select acquisitions. On June 6, 2002, we acquired certain Media Metrix assets from Jupiter Media Metrix, Inc. Through this acquisition, we acquired certain Internet audience measurement services that report details of Web site usage and visitor demographics. On July 28, 2004, we acquired the outstanding stock of Denaro and Associates, Inc., otherwise known as Q2 Brand Intelligence, Inc. or Q2, to improve our ability to provide our customers more robust survey research integrated with our underlying digital marketing intelligence platform. On January 4, 2005, we acquired the assets and assumed certain liabilities of SurveySite Inc., or SurveySite. Through this acquisition, we acquired proprietary Internet-based data-collection technologies and increased our customer penetration and revenues in the survey business. On May 28, 2008, we acquired the outstanding stock of M:Metrics, Inc. to expand our abilities to provide our customers a more robust solution for the mobile medium.

Our total revenues have grown to \$117.4 million during the fiscal year ending December 31, 2008 and \$62.0 million for the first half of 2009 from \$50.2 million during the fiscal year ended December 31, 2005. By comparison, our total expenses from operations have grown to

\$106.4 million for the year ended 2008 and \$58.2 for the first half of 2009 from \$54.1 million during the fiscal year ended December 31, 2005. We attribute the growth in our revenues during this period to several factors including, but not limited to:

- increased sales to existing customers, as a result of our efforts to deepen our relationships with these clients by increasing their awareness of, and confidence in, the value of our digital marketing intelligence platform;
- growth in our customer base through the addition of new customers;
- the sales of new products to existing and new customers; and
- growth in sales outside of the U.S. as a result of entering into new international markets.

As of June 30, 2009, we had 1,195 customers, compared to 565 as of December 31, 2005. We sell most of our products through our direct sales force.

As a result of the recent global financial crisis in the credit markets, softness in the housing markets, difficulties in the financial services sector and continuing economic uncertainties, the direction and relative strength of the U.S. and global economies have become increasingly uncertain. During the six months ended June 30, 2009, we experienced a limited number of our current and potential customers ceasing, delaying or reducing renewals of existing subscriptions and purchases of new or additional services and products presumably due to the effects of the current economic downturn. Further, certain of our existing customers have exited the market due to industry consolidation and bankruptcy in connection with these challenging economic conditions. Despite this economic downturn, we continued to add net new customers during the first half of 2009, and our existing customers renewed their subscriptions at a rate of over 90% based on revenue renewed in the quarter ended June 30, 2009. However, if these adverse economic conditions continue or further deteriorate, our operating results could be adversely affected.

Our Revenues

We derive our revenues primarily from the fees that we charge for subscription-based products and customized projects. We define subscription-based revenues as revenues that we generate from products that we deliver to a customer on a recurring basis. We define project revenues as revenues that we generate from customized projects that are performed for a specific customer on a non-recurring basis. We market our subscription-based products, customized projects and survey services within the comScore Media Metrix product family, comScore Marketing Solutions and through our mobile solutions.

A significant characteristic of our business model is our large percentage of subscription-based contracts. Subscription-based revenues accounted for 78% of our total revenues in 2004 and decreased to 70% of total revenues in 2005 primarily due to the acquisition of SurveySite. Subscription-based revenue increased to 75% of total revenues in 2006, to 79% of total revenues in 2007, to 83% of total revenues in 2008, and to 86% during the six months ended June 30, 2009.

Many of our customers who initially purchased a customized project have subsequently purchased one of our subscription-based products. Similarly, many of our subscription-based customers have subsequently purchased additional customized projects.

Historically, we have generated most of our revenues from the sale and delivery of our products to companies and organizations located within the United States. We intend to expand our international revenues by selling our products and deploying our direct sales force model in additional international markets in the future. For the year ended December 31, 2008, our international revenues were \$16.5 million, an increase of \$6.4 million, or 63% compared to 2007. For the six months ended June 30, 2009, our international revenues were \$9.1 million, an increase of \$1.8 million or 25% over international revenues of \$7.3 million for the six months ended June 30, 2008. International revenues comprised approximately 12%, 14% and 15% of our total revenues for the fiscal years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively.

We anticipate that revenues from our U.S. customers will continue to constitute the substantial majority of our revenues, but we expect that revenues from customers outside of the U.S. will increase as a percentage of total revenues as we build greater international recognition of our brand and expand our sales operations globally.

Subscription Revenues

We generate a significant proportion of our subscription-based revenues from our Media Metrix product family. Products within the Media Metrix family include Media Metrix 2.0, Plan Metrix, World Metrix, Video Metrix and Ad Metrix. These product offerings provide subscribers with intelligence on digital media usage, audience characteristics, audience demographics and online and offline purchasing behavior. Customers who subscribe to our Media Metrix products are provided with login IDs to our Web site, have access to our database and can generate reports at anytime.

We also generate subscription-based revenues from certain reports and analyses provided through comScore Marketing Solutions, if that work is procured by customers for at least a nine month period and the customer enters into an agreement to continue or extend the work. Through our Marketing Solutions products, we deliver digital marketing intelligence relating to specific industries, such as automotive, consumer packaged goods, entertainment, financial services, media, pharmaceutical, retail, technology, telecommunications and travel. This marketing intelligence leverages our global consumer panel and extensive database to deliver information unique to a particular customer's needs on a

recurring schedule, as well as on a continual-access basis. Our Marketing Solutions customer agreements typically include a fixed fee with an initial term of at least one year. We also provide these products on a non-subscription basis as described under “Project Revenues” below.

In addition, we generate subscription-based revenues from survey products that we sell to our customers. In conducting our surveys, we generally use our global Internet user panel. After questionnaires are distributed to the panel members and completed, we compile their responses and then deliver our findings to the customer, who also has ongoing access to the survey response data as they are compiled and updated over time. These data include responses and information collected from the actual survey questionnaire and can also include behavioral information that we passively collect from our panelists. If a customer contractually commits to having a survey conducted on a recurring basis, we classify the revenues generated from such survey products as subscription-based revenues. Our contracts for survey services typically include a fixed fee with terms that range from two months to one year.

Project Revenues

We generate project revenues by providing customized information reports to our customers on a nonrecurring basis through comScore Marketing Solutions. For example, a customer in the media industry might request a custom report that profiles the behavior of the customer’s active online users and contrasts their market share and loyalty with similar metrics for a competitor’s online user base. If this customer continues to request the report beyond an initial project term of at least nine months and enters into an agreement to purchase the report on a recurring basis, we begin to classify these future revenues as subscription-based.

In 2007, we launched Campaign Metrix, a suite of products that enables our customers to measure their return on investment from their investment in digital marketing campaigns and that we believe will help their revenue growth. In 2008, we also launched Brand Metrix, which shows customers the test compared to control effectiveness of a campaign using survey-based metrics that we collect for our Ad Recruit technology. Project revenues from Campaign Metrix and Brand Metrix are generated when a customer accesses or downloads a report through our Web site. Pricing for our Campaign Metrix and Brand Metrix products are presently based on the scope of the information provided in the report generated by the customer.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our financial statements and the accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. While our significant accounting policies are described in more detail in the notes to our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2008, we believe the following accounting policies to be the most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenues in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition* (“SAB 104”). SAB 104 requires that four basic criteria must be met prior to revenue recognition: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the services have been rendered, (iii) the fee is fixed or determinable, and (iv) collection of the resulting receivable is reasonably assured.

We generate revenues by providing access to our online database or delivering information obtained from our database, usually in the form of periodic reports. Revenues are typically recognized on a straight-line basis over the period in which access to data or reports are provided, which generally ranges from three to 24 months.

We also generate revenues through survey services under contracts ranging in term from two months to one year. Our survey services consist of survey and questionnaire design with subsequent data collection, analysis and reporting. We recognize revenues on a straight-line basis over the estimated data collection period once the survey or questionnaire design has been delivered. Any change in the estimated data collection period results in an adjustment to revenues recognized in future periods.

Certain of our arrangements contain multiple elements, consisting of the various services we offer. Multiple element arrangements typically consist of a subscription to our online database combined with customized services. These arrangements are accounted for in accordance with Emerging Issues Task Force (“EITF”) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. We have determined that there is not objective and reliable evidence of fair value for any of our services and, therefore, account for all elements in multiple elements arrangements as a single unit of accounting. Access to data under the subscription element is generally provided shortly after the execution of the contract. However, the initial delivery of customized services generally occurs subsequent to contract execution. We recognize the entire arrangement fee over the performance period of the last deliverable. As a result, the total arrangement fee is recognized on a straight-line basis over the period beginning with the commencement of the last customized service delivered.

Generally, our contracts are non-refundable and non-cancelable. In the event a portion of a contract is refundable, revenue recognition is delayed until the refund provisions lapse. A limited number of customers have the right to cancel their contracts by providing us with written notice of cancellation. In the event that a customer cancels its contract, it is not entitled to a refund for prior services, and it will be charged for costs incurred plus services performed up to the cancellation date.

Advance payments are recorded as deferred revenues until services are delivered or obligations are met and revenue can be recognized. Deferred revenues represent the excess of amounts invoiced over amounts recognized as revenues.

Fair Value Measurements and Investments

As of January 1, 2008, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — observable inputs such as quoted prices in active markets;

Level 2 — inputs other than the quoted prices in active markets that are observable either directly or indirectly;

Level 3 — unobservable inputs of which there is little or no market data, which require us to develop our own assumptions.

This hierarchy requires the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure our marketable securities at fair value and determine the appropriate classification level for each reporting period. This determination requires significant judgments to be made by us.

Our investment instruments are classified within Level 1 or Level 3 of the fair value hierarchy. Level 1 investment instruments are valued using quoted market prices. Level 3 instruments are valued using a discounted cash flow model that takes into consideration the securities coupon rate, the financial condition of the issuers and the bond insurers, the expected date liquidity will be restored, as well as an applied illiquidity discount. The types of instruments valued based on quoted market prices in active markets include all U.S. government and agency securities. Such instruments are generally classified within Level 1 of the fair value hierarchy. The types of instruments valued based on significant unobservable inputs include the illiquid auction rate securities. Such instruments are classified within Level 3 of the fair value hierarchy.

As of April 1, 2009, we adopted FASB Staff Position (“FSP”) FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (“FSP No. 115-2”). FSP No. 115-2 modified the existing model for recognition and measurement of impairment for debt securities. The two principal changes to the impairment model for securities are as follows:

- Recognition of an other-than-temporary impairment charge for debt securities in an unrealized loss position is required if any of these conditions are met: (1) we do not expect to recover the entire amortized cost basis of the security, (2) we intend to sell the security or (3) it is more likely than not that we will be required to sell the security before it recovers its amortized cost basis.
- If the first condition above is met, but we do not intend to sell and it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis, we are required to record the difference between the security’s amortized cost basis and its recoverable amount (representing the credit loss) in earnings and the difference between the security’s recoverable amount and fair value in other comprehensive income. If either the second or third criteria are met, then we are required to recognize the entire difference between the security’s amortized cost basis and its fair value in earnings.

We concluded that our auction rate securities fall within the second and third criteria above, and as a result, the adoption of the FSP No. 115-2 had no effect on our consolidated financial statements as all previous impairment were deemed other-than-temporary and were recognized in earnings.

Goodwill and Intangible Assets

We record goodwill and intangible assets when we acquire other businesses. The allocation of acquisition costs to intangible assets and goodwill involves the extensive use of management’s estimates and assumptions, and the result of the allocation process can have a significant impact on our future operating results. We estimate the fair value of identifiable intangible assets acquired using several different valuation approaches, including the replacement cost, income and market approaches. The replacement cost approach is based on determining the discrete cost of replacing or reproducing a specific asset. We generally use the replacement cost approach for estimating the value of acquired technology/methodology assets. The income approach converts the anticipated economic benefits that we assume will be realized from a given asset into value. Under this approach, value is measured as the present worth of anticipated future net cash flows generated by an asset. We generally use the income approach to value customer relationship assets and non-compete agreements. The market approach compares the acquired asset to similar assets that have been sold. We generally use the market approach to value trademarks and brand assets.

Under SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”), intangible assets with finite lives are amortized over their useful lives while goodwill and indefinite lived assets are not amortized, but rather are periodically tested for impairment. An impairment review generally requires developing assumptions and projections regarding our operating performance. In accordance with SFAS 142, we have determined that all of our goodwill is associated with one reporting unit as we do not operate separate lines of business with respect to our services. Accordingly, on an annual basis we perform the impairment assessment for goodwill required under SFAS 142 at the enterprise level by comparing the fair value of our reporting unit to its carrying value including goodwill recorded by the reporting unit. If the carrying value exceeds the fair value, impairment is measured by comparing the implied fair value of the goodwill to its carrying value and any impairment determined is recorded in the current period. If our estimates or the related assumptions change in the future, we may be required to record impairment charges

to reduce the carrying value of these assets, which could be material. There were no indicators of impairment suggesting that an interim assessment was necessary for goodwill during the three and six months ended June 30, 2009 and 2008.

Long-lived assets

Our long-lived assets primarily consist of property and equipment and intangible assets. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we evaluate the recoverability of our long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, we compare the estimated undiscounted future cash flows to be generated by the asset to its carrying amount. Recoverability measurement and estimation of undiscounted cash flows are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the undiscounted future cash flows are less than the carrying amount of the asset, we record an impairment loss equal to the excess of the asset's carrying amount over its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis. Although we believe that the carrying values of our long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset balances. There were no impairment charges recognized during the three and six months ended June 30, 2009 or 2008.

Allowance for Doubtful Accounts

We manage credit risk on accounts receivable by performing credit evaluations of our customers for existing customers coming up for renewal as well as all prospective new customers, by reviewing our accounts and contracts and by providing appropriate allowances for uncollectible amounts. Allowances are based on management's judgment, which considers historical experience and specific knowledge of accounts that may not be collectible. We make provisions based on our historical bad debt experience, a specific review of all significant outstanding invoices and an assessment of general economic conditions. If the financial condition of a customer deteriorates, resulting in an impairment of its ability to make payments, additional allowances may be required.

Income Tax

We account for income taxes using the asset and liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*. We estimate our tax liability through calculations we perform for the determination of our current tax liability, together with assessing temporary differences resulting from the different treatment of items for income tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are recorded on our balance sheet. We then assess the likelihood that deferred tax assets will be recovered in future periods. In assessing the need for a valuation allowance against the net deferred tax asset, we consider factors such as future reversals of existing taxable temporary differences, taxable income in prior carryback years, if carryback is permitted under the tax law, tax planning strategies and future taxable income exclusive of reversing temporary differences and carryforwards. In evaluating projections of future taxable income, we consider our history of profitability, the competitive environment, the overall outlook for the online marketing industry and general economic conditions. In addition, we consider the timeframe over which it would take to utilize the deferred tax assets prior to their expiration. To the extent we cannot conclude that it is more likely than not that the benefit of such assets will be realized, we establish a valuation allowance to adjust the net carrying value of such assets.

As of June 30, 2009, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately \$66.2 million and \$32.1 million, respectively. These net operating loss carryforwards will begin to expire in 2022 for federal and in 2014 for state income tax reporting purposes. In addition, at June 30, 2009, we estimate our aggregate net operating loss carryforward for tax purposes related to our foreign subsidiaries is \$11.2 million, which begins to expire in 2014.

As of June 30, 2009 and December 31, 2008, we recorded valuation allowances against certain deferred tax assets of \$3.0 million and \$2.8 million, respectively. At June 30, 2009 and December 31, 2008, the remaining valuation allowance related to the acquired deferred tax assets of our M:Metrics UK subsidiary and the deferred tax asset related to the impairment recorded on our marketable securities in the U.S.

As of December 31, 2008, we concluded that it was more likely than not that a substantial portion of our U.S. deferred tax assets and deferred tax assets in certain foreign jurisdictions would be realized and that a further reduction of our valuation allowance was necessary. In making that determination, we considered the profitability achieved during 2008, the successful integration of M:Metrics into the base business, and the continued maturity of the online marketing industry, balanced against the current overall economic environment. As a result, we recorded a reduction in the deferred tax asset valuation allowance of approximately \$20.4 million. As of June 30, 2009, we concluded that no events occurred during the six months ended June 30, 2009 that would impact our valuation allowance against deferred tax assets.

The exercise of certain stock options during the six months ended June 30, 2009 and 2008, generated income tax deductions equal to the excess of the fair market value over the exercise price. In accordance with SFAS No. 123R, *Share Based Compensation* ("SFAS 123R"), we will not recognize a deferred tax asset with respect to the excess of tax over book stock compensation deductions until the tax deductions actually reduce our current taxes payable. As such, we have not recorded a deferred tax asset in the accompanying financial statements related to the additional net operating losses generated from the windfall tax deductions associated with the exercise of these stock options. If and when we utilize these net operating losses to reduce income taxes payable, the tax benefit will be recorded as an increase in additional paid-in capital.

During the three and six month periods ended June 30, 2009, certain shares related to restricted stock awards vested at times when our stock price was substantially lower than the fair value of those shares at the time of grant. As a result, the income tax deduction related to such shares is less than the expense previously recognized for book purposes. In accordance with SFAS 123R, such shortfalls reduce additional paid-in capital

to the extent windfall tax benefits have been previously recognized. However, as described above, we have not yet recognized windfall tax benefits because these tax benefits have not resulted in a reduction of current taxes payable. Therefore, in accordance with SFAS 123R, the impact of these shortfalls totaling \$177,000 and \$680,000 have been included in income tax expense for the three and six month periods ended June 30, 2009, respectively. Looking forward, we expect our income tax provisions for future reporting periods of 2009 will be impacted by this stock compensation tax deduction shortfall. We cannot predict the stock compensation shortfall impact because of dependency upon future market price performance of our stock.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109* (“FIN 48”). This interpretation clarifies the accounting for income taxes by prescribing that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax provisions that meet the more-likely-than-not recognition threshold should be measured as the largest amount of tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition, and explicitly excludes income taxes from the scope of *SFAS No. 5, Accounting for Contingencies*. FIN 48 is effective for fiscal years beginning after December 15, 2006, and was adopted by us on January 1, 2007. As of the adoption date of FIN 48 on January 1, 2007, we did not have any material gross unrecognized tax benefits. As of June 30, 2009 and December 31, 2008, we had unrecognized tax benefits of \$912,000 and \$240,000, respectively, on a tax affected basis. It is our policy to recognize interest and penalties related to income tax matters in income tax expense. As of June 30, 2009 and December 31, 2008, the amount of accrued interest expense on unrecognized tax benefits was not material. We or one of our subsidiaries files income tax returns in the U.S. Federal jurisdiction and various states and foreign jurisdictions. For income tax returns filed by us, we are no longer subject to U.S. Federal, state and local tax examinations by tax authorities for years before 2004, although tax attribute carryforwards generated prior to 2004 may still be adjusted upon examination by tax authorities.

Stock-Based Compensation

We recognize stock-based compensation in accordance with SFAS 123R. SFAS 123R requires the measurement and recognition of compensation expense for share-based awards based on estimated fair value on the date of grant. We estimate the fair value of our stock option awards on the date of grant using the Black-Scholes option-pricing model. The determination of fair value using the Black-Scholes model requires a number of complex and subjective variables. Key variables in the Black-Scholes option-pricing model include the expected volatility of our common stock price, the expected term of the award and the risk-free interest rate. In addition, under SFAS 123R, we are required to estimate forfeitures of unvested awards when recognizing compensation expense.

If factors change and we employ different assumptions in the application of SFAS 123R in future periods, the compensation expense we record may differ significantly from what we have previously recorded. Beginning in 2007, we made use of restricted stock awards and reduced our use of stock options as a form of stock-based compensation.

At June 30, 2009, total estimated unrecognized compensation expense related to unvested stock-based awards granted prior to that date was \$20.8 million, which is expected to be recognized over a weighted-average period of 1.93 years.

The actual amount of stock-based compensation expense we record in any fiscal period will depend on a number of factors, including the number of shares subject to restricted stock and/or stock options issued, the fair value of our common stock at the time of issuance and the expected volatility of our stock price over time. In addition, changes to our incentive compensation plan that heavily favor stock-based compensation are expected to cause stock-based compensation expense to increase in absolute dollars.

Seasonality

Historically, a slightly higher percentage of our customers have renewed their subscription products with us during the second half of the year.

Results of Operations

The following table sets forth selected consolidated statements of operations data as a percentage of total revenues for each of the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)			
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	30.9	27.3	31.8	27.0
Selling and marketing	32.9	33.1	33.6	33.5
Research and development	14.4	12.7	13.8	12.2
General and administrative	12.8	15.5	13.7	15.1
Amortization	1.0	0.4	1.0	0.2
Total expenses from operations	<u>92.0</u>	<u>89.0</u>	<u>93.9</u>	<u>88.0</u>
Income from operations	8.0	11.0	6.1	12.0
Interest and other income, net	0.4	1.7	0.5	2.4
Loss from foreign currency	—	(0.3)	—	(0.3)
Impairment of marketable securities	—	(1.3)	—	(0.7)
Income before income taxes	8.4	11.1	6.6	13.4
Provision for income taxes	<u>(4.6)</u>	<u>(5.1)</u>	<u>(4.2)</u>	<u>(5.7)</u>
Net income	<u>3.8</u>	<u>6.0</u>	<u>2.4</u>	<u>7.7</u>

Three and Six Month Period ended June 30, 2009 compared to the Three and Six Month Period ended June 30, 2008

Revenues

	Three Months Ended June 30,		Change \$	Change %	Six Months Ended June 30,		Change \$	Change %
	2009	2008			2009	2008		
Revenues	\$31,374	\$28,750	\$2,624	9.1%	\$61,998	\$55,120	\$6,878	12.5%

Total revenues increased by approximately \$2.6 million and \$6.9 million in the three and six months ended June 30, 2009, respectively, as compared to the same periods in 2008. The revenue growth was due to a combination of increased sales to our existing customer base and continued growth of our customer base. Our total customer base grew by a net increase of 91 customers to 1,195 customers at June 30, 2009 from 1,104 at June 30, 2008. Sales to existing customers based in the U.S. totaled \$24.3 million and \$47.6 million in the three and six months ended June 30, 2009, respectively, which were \$3.9 million and \$7.5 million higher than in the corresponding periods in 2008, respectively.

In addition, revenues from new U.S. customers in the three and six months ended June 30, 2009 were \$2.6 million and \$5.3 million, respectively, decreases of approximately \$1.7 million and \$2.4 million as compared to the three and six months ended June 30, 2008. Despite the decreases in revenues from new U.S. customers over the comparable periods, respectively, revenues from international customers totaled approximately \$4.5 million and \$9.1 million for the three and six months ended June 30, 2009, respectively, or approximately 14% and 15% of total respective revenues which were increases of \$415,000 and \$1.8 million, over the corresponding prior year periods respectively. These increases were due to ongoing international expansion efforts that resulted in increases of \$197,000, \$160,000 and \$153,000 for the U.K., Asia and Latin America, respectively for the three months ended June 30, 2009, and \$1.2 million, \$265,000 and \$251,000 for the U.K., Asia and Latin America, respectively for the six months ended June 30, 2009.

We experienced continued revenue growth in subscription revenues, which increased by approximately \$3.2 million and \$8.3 million in the three and six months ended June 30, 2009, respectively, from \$23.7 million and \$45.1 million in the corresponding prior year periods. Our project-based revenues decreased by \$600,000 and \$1.4 million in the three and six months ended June 30, 2009, respectively, from \$5.1 million and \$10.0 million in the corresponding prior year periods. We believe that these decreases were attributable to the impact of general economic conditions upon our customers' budgets and capacity for spending on market research.

Cost of Revenues

	Three Months Ended June 30,		Change \$	Change %	Six Months Ended June 30,		Change \$	Change %
	2009	2008			2009	2008		
Cost of revenues	\$9,695	\$7,857	\$1,838	23.4%	\$19,731	\$14,874	\$4,857	32.7%
As a percentage of revenues	30.9%	27.3%			31.8%	27.0%		

Cost of revenues consists primarily of expenses related to operating our network infrastructure, producing our products, and the recruitment, maintenance and support of our consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, and related personnel expenses of network operations, survey operations, custom analytics and technical support, all of which are expensed as they are incurred. Cost of revenues also includes data collection costs for our products, operational costs associated with our data centers, including depreciation expense associated with computer equipment that supports our panel and systems, and allocated overhead which is comprised of rent and depreciation expense generated by general purpose equipment and software.

Cost of revenues increased by approximately \$1.8 million during the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. This increase was attributable to a \$1.3 million increase in panel recruitment and retention and data and bandwidth costs. In

addition, we incurred increases of approximately \$232,000 in employee salaries, benefits, and stock-based compensation costs associated with an expanded workforce to support a larger product and customer base during the three months ended June 30, 2009. In addition, we attribute approximately \$462,000 to increases in allocated overhead costs for the three months ended June 30, 2009.

Cost of revenues increased by approximately \$4.9 million during the six months ended June 30, 2009 compared to the six months ended June 30, 2008. This increase was attributable to \$2.6 million increase in panel recruitment and retention and data and bandwidth costs. In addition, we incurred increases of approximately \$1.3 million in employee salaries, benefits, and stock-based compensation costs associated with an expanded workforce to support a larger product and customer base during the six month ended June 30, 2009. In addition, we attribute approximately \$933,000 to increases in allocated overhead costs for the six months ended June 30, 2009.

Cost of revenues increased as a percentage of revenues during the three and six months ended June 30, 2009 as compared to the same periods in 2008 due to the increases in costs to build and maintain our panel to support future growth. In addition, the headcount and costs associated with our technology staff grew at a faster rate relative to our revenue growth.

We expect cost of revenues to increase in absolute dollar amounts as we continue to grow our business but vary as a percentage of revenues depending on whether we benefit from investments in our panel and network infrastructure and benefit from the synergies resulting from the integration of M:Metrics for our panel recruiting activities.

Selling and Marketing Expenses

	Three Months Ended June 30,		Change \$	Change %	Six Months Ended June 30,		Change \$	Change %
	2009	2008			(Unaudited) (In thousands)	2009		
Selling and marketing	\$10,329	\$9,516	\$813	8.5%	\$20,815	\$18,461	\$2,354	12.8%
As a percentage of revenues	32.9%	33.1%			33.6%	33.5%		

Selling and marketing expenses consist primarily of salaries, benefits, commissions, bonuses, and stock-based compensation paid to our direct sales force and industry analysts, as well as costs related to online and offline advertising, product management, industry conferences, promotional materials, public relations, other sales and marketing programs, and allocated overhead. All selling and marketing costs are expensed as they are incurred. Commission plans are developed for our account managers with criteria and size of sales quotas that vary depending upon the individual's role. Commissions are paid to a salesperson and are expensed as selling and marketing costs when a sales contract is executed by both the customer and us. In the case of multi-year agreements, one year of commissions is paid initially, with the remaining amounts paid at the beginning of the succeeding years.

Selling and marketing expenses increased by \$813,000 during the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. The increase was due to a \$624,000 increase in stock-based compensation as compared to the same period in 2008 prompted by our increased use of equity compensation for our sales and marketing employees and the increased number of personnel in these departments. In addition, we attribute \$239,000 of the increase to increased allocated overhead costs as compared to the three months ended June 30, 2008.

Selling and marketing expenses increased by \$2.4 million during the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. The increase was prompted by a \$672,000 increase in employee salaries, benefits and related costs associated with an increase in personnel for our sales and product management departments, our expansion in foreign markets and the additional costs related to our acquisition of M:Metrics that did not exist in the first quarter of 2008. We also incurred a \$1.4 million increase in stock-based compensation as compared to the same period in 2008 due to our increased use of equity compensation for our sales and marketing employees and increased number of personnel in these departments. In addition, we attribute \$543,000 to an increase in allocated overhead costs as compared to the six months ended June 30, 2008.

These increases were favorably impacted by certain cost containment programs which we initiated in 2009.

Our selling and marketing headcount totaled 245 employees as of June 30, 2009, an increase of 19 employees as compared to June 30, 2008. Selling and marketing expenses as a percentage of revenues for the three and six months ended June 30, 2009 were consistent with the prior year periods.

We expect selling and marketing expenses to increase in absolute dollar amounts as we continue to grow our selling and marketing efforts but to vary in future periods as a percentage of revenues depending on whether we benefit from increased productivity in our sales force and from increased revenues resulting in part from our ongoing marketing initiatives.

Research and Development Expenses

	Three Months Ended June 30,		Change \$	Change %	Six Months Ended June 30,		Change \$	Change %
	2009	2008			(Unaudited) (In thousands)	2009		
Research and development	\$4,528	\$3,637	\$891	24.5%	\$8,533	\$6,707	\$1,826	27.2%
As a percentage of revenues	14.4%	12.7%			13.8%	12.2%		

Research and development expenses include new product development costs, consisting primarily of salaries, benefits, stock-based compensation and related costs for personnel associated with research and development activities, fees paid to third parties to develop new products and allocated overhead.

Research and development expenses increased by \$891,000 during the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. The increase was due to a \$524,000 increase in employee salaries, benefits and related costs associated with the increase in headcount and our continued focus on developing new products during the three months ended June 30, 2009. We also incurred a \$139,000 increase in stock-based compensation due to our increased use of equity compensation as well as our increased headcount. In addition, we incurred an increase of \$170,000 in allocation of overhead costs due to the increased size of our research and development functions. We also experienced smaller increases in our systems and maintenance costs related to computer hardware and software.

Research and development expenses increased by \$1.8 million during the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. The increase was due to a \$1.1 million increase in employee salaries, benefits and related costs associated with the increase in headcount and our continued focus on developing new products during the six months ended June 30, 2009. We also incurred a \$262,000 increase in stock-based compensation due to our increased use of equity compensation as well as our increased headcount. In addition, we incurred an increase of \$315,000 in allocated overhead costs due to the increased size of our research and development functions. We also experienced smaller increases in our systems and maintenance costs related to computer hardware and software.

Research and development costs increased as a percentage of revenues for the three and six months ended June 30, 2009 as compared to the same period in 2008 due to our investments in research and development of new product initiatives relative to our growth in revenues.

We expect research and development expenses to increase in absolute dollar amounts as we continue to enhance and expand our product offerings. As a result of the size of our panel and our past investment in our technology infrastructure, we expect research and development expenses to vary in future periods as a percentage of revenues however depending on the extent to which we may benefit from past investments, particularly with respect to our panel size and composition as we expand internationally.

General and Administrative Expenses

	Three Months Ended June 30,		Change \$	Change %	Six Months Ended June 30,		Change \$	Change %
	2009	2008			(Unaudited) (In thousands)	2009		
General and administrative	\$4,015	\$4,444	\$-(429)	(9.7)%	\$8,522	\$8,330	\$192	2.3%
As a percentage of revenues	12.8%	15.5%			13.7%	15.1%		

General and administrative expenses consist primarily of salaries, benefits, stock-based compensation, and related expenses for executive management, finance, accounting, human capital, legal and other administrative functions, as well as professional fees, allocated overhead, and expenses incurred for other general corporate purposes.

General and administrative expenses decreased by \$429,000 during the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. The decrease was due to a \$390,000 reduction in employee salaries, benefits and related costs resulting from salary and benefits cost-containment programs that became effective during 2009. In addition, bad debt expense was \$149,000 less as compared to the same period in 2008. The decreases were offset by smaller increases in professional fees such as tax and accounting services and legal fees, and stock-based compensation as compared to the same period in 2008.

General and administrative expenses increased by \$192,000 during the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. This increase was due to a \$366,000 increase in professional fees, a \$180,000 increase in stock-based compensation, and the remaining increase is attributable to allocated overhead costs and general office expenses. The increase was offset by a \$517,000 reduction in employee salaries, benefits and related costs resulting from salary and benefits cost-containment programs that became effective during 2009.

General and administrative expenses decreased as a percentage of revenues for the three and six months ended June 30, 2009 as compared to the same period in 2008 due to the salary and benefits cost-containment programs that became effective during 2009 combined with increasing revenue.

We expect general and administrative expenses to increase in absolute dollars in future periods as we continue to incur increased costs related to increases in outside professional fees, stock-based compensation and allocated costs such as rent.

Amortization Expense

	Three Months Ended June 30,		Change \$	Change %	Six Months Ended June 30,		Change \$	Change %
	2009	2008			(Unaudited) (In thousands)	2009		
Amortization of intangible assets	\$327	\$122	\$205	168%	\$647	\$129	\$518	NA
As a percentage of revenues	1.0%	0.4%			1.0%	0.2%		

Amortization expense consists of charges related to the amortization of intangible assets associated with past acquisitions.

Amortization expense increased \$205,000 and \$518,000 during the three and six months ended June 30, 2009, respectively, as compared to the three and six months ended June 30, 2008, respectively, due to additional amortization of intangible assets that were acquired during the second quarter of 2008 in connection with the M:Metrics acquisition.

Absent additional acquisitions, we expect amortization expense to remain constant in the near term, as the remaining amount of intangible assets related to previous acquisitions is amortized.

Interest Income, Net

Interest income consists of interest earned from investments, such as short and long-term fixed income securities and auction rate securities, and our cash and cash equivalent balances. Interest expense is incurred due to capital leases pursuant to several equipment loan and security agreements and a line of credit that we have entered into in order to finance the lease of various hardware and other equipment purchases. Our capital lease obligations are secured by a senior security interest in eligible equipment.

Interest income, net, for the three and six months ended June 30, 2009 was \$132,000 and \$307,000, respectively, as compared to \$492,000 and \$1.3 million for the three and six months ended June 30, 2008, respectively. The decreases of \$360,000 and \$1.0 million during the three and six months ended June 30, 2009 were due to a lower average cash balance due to the use of cash in May 2008 for the acquisition of M:Metrics and lower returns from our investments. Our cash, cash equivalents and short- and long-term investments increased by \$6.6 million to \$81.4 million at June 30, 2009 as compared to June 30, 2008 due to positive operating cash flow.

We anticipate that interest income, net may decrease in future periods due to lower interest rates earned on our investments than those available in prior years.

Gain (loss) from Foreign Currency

The functional currency of our foreign subsidiaries is the local currency. All assets and liabilities are translated at the current exchange rates as of the end of the period, and revenues and expenses are translated at average rates in effect during the period. The gain or loss resulting from the process of translating the foreign currency financial statements into U.S. dollars is included as a component of other comprehensive income.

During the three and six months ended June 30, 2009, we recorded gains of \$7,000 and \$19,000, respectively, as compared to losses of \$87,000 and \$142,000 during the three and six months ended June 30, 2008, respectively. Our foreign currency transactions are primarily recorded as a result of fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar, Euro and British Pound.

Provision for Income Taxes

During the three and six months ended June 30, 2009 we recorded income tax provisions of \$1.4 million and \$2.6 million, respectively, compared to \$1.5 million and \$3.2 million in the same periods of 2008, respectively. The tax provision for the three and six months ended June 30, 2009 was attributable to current taxes of \$230,000 and \$157,000, respectively, and the utilization of our U.S. deferred tax assets of \$1.2 million and \$2.5 million, respectively, including discrete deferred tax write-offs of \$154,000 and \$657,000, respectively. The tax provision for the three and six months ended June 30, 2008 was attributable to current taxes of \$139,000 and \$205,000, respectively, and the utilization of our U.S. deferred tax assets of \$1.3 million and \$3.0 million, respectively, offset by a discrete release of the valuation allowance in the six months ended June 30, 2008 of \$111,000 associated with a foreign entity.

During the three and six months ended June 30, 2009, certain shares related to restricted stock awards vested at times when our stock price was substantially lower than the fair value of those shares at the time of grant. Such shortfalls reduce additional paid-in capital to the extent windfall tax benefits have been previously recognized. However, as we have not yet realized our windfall tax benefits because the tax benefits have not resulted in a reduction to current taxes payable, the three and six months ended June 30, 2009 was impacted. The tax provision impact of the shortfall totaling \$177,000 and \$680,000, respectively, has been included in income tax expense for the three and six months ended June 30, 2009.

Recent Pronouncements

Recent accounting pronouncements are detailed in Note 2 to our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

The following table summarizes our cash flows:

	Six Months Ended June 30,	
	2009	2008
Net cash provided by operating activities	\$ 11,459	\$ 24,489
Net cash used in investing activities	(13,952)	(51,881)
Net cash used in financing activities	(1,441)	(761)
Effect of exchange rate changes on cash	701	(56)
Net decrease in cash and cash equivalents	\$ (3,233)	\$ (28,209)

Our principal uses of cash historically have consisted of payroll and other operating expenses and payments related to the investment in equipment primarily to support our consumer panel and technical infrastructure required to support our customer base, and cash paid for acquisitions. Since the beginning of 2006, we have purchased over \$14.6 million in property and equipment, exclusive of \$9.7 million of property and equipment funded through landlord allowances received in connection with our new Chicago, Reston and San Francisco office leases, made \$5.1 million in principal payments on capital lease obligations, and spent \$44.9 million as the cash component of consideration paid for acquisitions.

As of June 30, 2009, our principal sources of liquidity consisted of cash, cash equivalents and short-term investments of \$74.0 million which represent remaining proceeds from our initial public offering in July 2007 and cash generated from operating activities. As of June 30, 2009, we held \$7.4 million in long-term investments consisting of \$4.5 million in other long-term fixed income securities and \$2.9 million in auction rate securities. In prior years, we invested in these auction rate securities for short periods of time as part of our investment policy. However, the uncertainties in the credit markets have prevented us and other investors from liquidating holdings of auction rate securities, there have been no auctions for these securities in 2009. Accordingly, we still hold these auction rate securities and are due interest at a higher rate than similar securities. None of these investments are mortgage backed securities or collateralized debt obligations. As of June 30, 2009, these investments were fully backed by investment grade bonds and are insured against loss of principal and interest by bond insurers whose ratings were under review and downgraded through December 31, 2008 but remained substantially unchanged during the six month period ending June 30, 2009. These securities were valued using a discounted cash flow model that takes into consideration the financial condition of the issuers and the bond insurers as well as the expected date liquidity will be restored. If the credit ratings of the issuer, the bond insurers or the collateral deteriorate further, we may further adjust the carrying value of these investments. We are uncertain as to when the liquidity issues relating to these investments will improve. Accordingly, we classified these securities as long-term on our consolidated balance sheet. Based on our Company's updated valuation, no additional adjustment to recorded values was necessary during the three and six months ended June 30, 2009.

Operating Activities

Our cash flows from operating activities are significantly influenced by our investments in personnel and infrastructure to support the anticipated growth in our business, increases in the number of customers using our products and the amount and timing of payments made by these customers.

We generated approximately \$11.5 million of net cash from operating activities during the six months ended June 30, 2009. The significant components of cash flows from operations were net income of \$1.5 million, adjusted for \$8.7 million in non-cash depreciation, amortization and stock-based compensation expenses and \$271,000 in bad debt expense, and \$5.0 million decrease in accounts receivable due to increased collections activity and \$2.5 million in deferred income taxes, offset by a \$2.7 million decrease in amounts collected from customers in advance of when we recognize revenues due to some of our customers changing billing frequency, \$3.5 million decrease in accounts payable and accrued expenses and \$245,000 increase in prepaid expenses and other current assets.

We generated approximately \$24.5 million of net cash from operating activities during the six months ended June 30, 2008. The significant components of cash flows from operations were net income of \$4.2 million, adjusted for \$5.1 million in non-cash depreciation, amortization and stock-based compensation expenses, and a \$3.7 million increase in amounts collected from customers in advance of when we recognize revenues as a result of our growing customer base, \$3.0 million in deferred income taxes, \$1.1 million decrease in our accounts receivable, an unrealized loss of \$386,000 related to the write down of illiquid auction rate securities, \$222,000 provision for bad debts and sales allowances and a \$7.9 million increase in deferred rent associated with landlord leasehold improvement allowances received in connection with our new Chicago and Reston office leases, offset by a \$1.3 million decrease in accounts payable and accrued expenses.

Investing Activities

Our primary regularly recurring investing activities have consisted of purchases of computer network equipment to support our Internet user panel and maintenance of our database, furniture and equipment to support our operations, purchases and sales of marketable securities, and payments related to the acquisition of several companies. As our customer base continues to expand, we expect purchases of technical infrastructure equipment to grow in absolute dollars. The extent of these investments will be affected by our ability to expand relationships with existing customers, grow our customer base, introduce new digital formats, procure outsourced vendor assistance and increase our international presence.

We used \$14.0 million of net cash in investing activities during the six months ended June 30, 2009, a net \$9.8 million of which was used to purchase investments. In addition, \$4.1 million was used to purchase property and equipment to maintain and expand our technology and infrastructure. Of this amount, \$333,000 was funded through landlord allowances received in connection with our Seattle office lease.

We used \$51.9 million of net cash in investing activities during the six months ended June 30, 2008. We used \$44.4 million, net of cash acquired, to purchase M:Metrics. In addition, \$10.1 million was used to purchase property and equipment to maintain and expand our technology and infrastructure. Of this amount, \$7.8 million was funded through landlord allowances received in connection with our Chicago and Reston office leases. We removed the restrictions associated with certain certificates of deposit that served as collateral for letters of credit associated with office leases, and the related \$1.4 million was reclassified to cash and cash equivalents. Finally, \$1.2 million of net cash was generated by the sale or maturity of investments.

We expect to achieve greater economies of scale and operating leverage as we expand our customer base and utilize our Internet user panel and technical infrastructure more efficiently. While we anticipate that it will be necessary for us to continue to invest in our Internet user panel, technical infrastructure and technical personnel to support the combination of an increased customer base, new products, international expansion and new digital market intelligence formats, we believe that these investment requirements will be less than the revenue growth generated by these actions. This should result in a lower rate of growth in our capital expenditures to support our technical infrastructure. In any given period, the timing of our incremental capital expenditure requirements could impact our cost of revenues, both in absolute dollars and as a percentage of revenues.

Financing Activities

We used \$1.4 million of cash during the six months ended June 30, 2009 for financing activities. This included \$1.3 million for shares repurchased by us pursuant to the exercise by stock incentive plan participants of their right to elect to use common stock to satisfy their tax withholding obligations. In addition we used \$479,000 to make payments on our capital lease obligations offset by \$290,000 in proceeds from the exercise of our common stock options.

We used \$761,000 of cash during the six months ended June 30, 2008 for financing activities. This included \$1.0 million for shares repurchased by us pursuant to the exercise by stock incentive plan participants of their right to elect to use common stock to satisfy their tax withholding obligations. In addition we used \$441,000 to make payments on our capital lease obligations offset by \$714,000 in proceeds from the exercise of our common stock options and warrants.

We do not have any special purpose entities, and other than operating leases for office space, described below, we do not engage in off-balance sheet financing arrangements.

Contractual Obligations and Known Future Cash Requirements

Our principal lease commitments consist of obligations under leases for office space and computer and telecommunications equipment. In prior years, we financed the purchase of some of our computer equipment under a capital lease arrangement over a period of 36 months. Our purchase obligations relate to outstanding orders to purchase computer equipment and are typically small; they do not materially impact our overall liquidity.

On March 31, 2009, we renewed a \$5.0 revolving line of credit with Bank of America, with an interest rate equal to BBA LIBOR rate plus an applicable margin based upon the funded debt to unrestricted EBITDA ratio. This line of credit includes no restrictive financial covenants and expires March 31, 2010. We maintain letters of credit in lieu of security deposits with respect to certain office leases. During the six months ended June 30, 2009, two letters of credit were reduced by approximately \$260,000. As of June 30, 2009, no amounts were borrowed against the line of credit and \$4.1 million of letters of credit were outstanding, leaving \$860,000 available for additional letters of credit or other borrowings. These letters of credit may be reduced periodically provided we meet the conditional criteria of each related lease agreement. In July 2009, one letter of credit was reduced by approximately \$220,000 leaving \$1.1 million available for additional letters of credit or other borrowings.

Future Capital Requirements

We believe that our existing cash, cash equivalents, and short-term investments and operating cash flow, will be sufficient to meet our projected operating and capital expenditure requirements for at least the next twelve months and will provide us with the financial flexibility to execute our strategic objectives, including the ability to make acquisitions and strategic investments. Our ability to generate cash, however, is subject to our performance, general economic conditions, industry trends and other factors. To the extent that our existing cash, cash equivalents, short-term investments and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing stockholders may occur.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements (as defined in Item 303 of Regulation S-K).

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We do not hold or issue financial instruments for trading purposes or have any derivative financial instruments. To date, most payments made under our contracts are denominated in U.S. dollars and we have not experienced material gains or losses as a result of transactions denominated in foreign currencies. As of June 30, 2009, our cash reserves were maintained in bank deposit accounts, certificates of deposit, treasury bills, treasury notes, and auction rate securities totaling \$81.4 million. These securities, like all fixed income instruments, are subject to interest rate risk and will

decline in value if market interest rates increase. We have the ability to hold our fixed income investments until maturity and, therefore, we would not expect to experience any material adverse impact in income or cash flow.

Foreign Currency Risk

A portion of our revenues and expenses from business operations in foreign countries are derived from transactions denominated in currencies other than the functional currency of our operations in those countries. As such, we have exposure to adverse changes in exchange rates associated with revenues and operating expenses of our foreign operations, but we believe this exposure to be immaterial at this time. As such, we do not currently engage in any transactions that hedge foreign currency exchange rate risk. As we grow our international operations, our exposure to foreign currency risk could become more significant.

Interest Rate Sensitivity

As of June 30, 2009, our principal sources of liquidity consisted of cash, cash equivalents and short- and long-term investments of \$78.5 million, excluding auction rate securities. These amounts were invested in bank deposit account, certificates of deposit, U.S. treasury bills and U.S. treasury notes. The cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates changed by 1% during the six months ended June 30, 2009, our interest exposure during the period would have been approximately \$814,000, assuming consistent investment levels.

Auction Rate Securities

As of June 30, 2009, we held \$2.9 million in long-term investments consisting of auction rate securities. In prior years we invested in these securities for short periods of time as part of our investment policy. However, the uncertainties in the credit markets have prevented us and other investors from liquidating holdings of auction rate securities, there have been no auctions for these securities in 2009. Accordingly, we still hold these long-term securities and are due interest at a higher rate than similar securities. None of these investments are mortgage backed securities or collateralized debt obligations. As of June 30, 2009, certain of these investments were fully backed by bonds with ratings ranging from A- to B and were insured against loss of principal and interest by bond insurers whose ratings range from BBB to C. However, as of June 30, 2009 and December 31, 2008 five auction rate securities with a par value of \$5.1 million had failed their most recent auction and are considered illiquid. As of December 31, 2008, we have recognized an impairment charge of approximately \$2.2 million concluding that the decline in value of these five securities is other than temporary. These securities were valued using a discounted cash flow model that takes into consideration the securities coupon rate, the financial condition of the issuers and the bond insurers, the expected date liquidity will be restored, as well as an applied illiquidity discount. As of December 31, 2008, based on the valuation models and an analysis of the other-than-temporary impairment factors we recorded a pre-tax impairment charge of \$2.2 million related to our auction rate securities. During the six months ended June 30, 2009, the auction rate securities continued to fail at auction and remain at an unrealized loss position. However, the credit spreads and credit ratings of the issues and bond insurers were more stable during the six month period. As of June 30, 2009, based on our updated valuation, no further adjustments to the carrying value of these investments was necessary.

If the credit ratings of the issuer, the bond insurers or the collateral continue to deteriorate, we may further adjust the carrying value of these investments. We are uncertain as to when the liquidity issues relating to these investments will improve. Accordingly, we classified these securities as long-term as of June 30, 2009 and December 31, 2008.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective, in all material respects, to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rule and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any pending legal proceedings the outcome of which we believe, if determined adversely to us, would individually or in the aggregate have a material adverse impact on our consolidated results of operations, cash flows or financial position.

Item 1A. Risk Factors

An investment in our common stock involves a substantial risk of loss. You should carefully consider these risk factors, together with all of the other information included herewith, before you decide to purchase shares of our common stock. The occurrence of any of the following risks could materially adversely affect our business, financial condition or operating results. In that case, the trading price of our common stock could decline, and you may lose part or all of your investment.

Risks Related to Our Business and Our Technologies

Conditions and changes in the national and global economic environment may adversely affect our business and financial results.

Adverse economic conditions in markets in which we operate can harm our business. If the economies of the United States and other countries continue to slow, recede or experience prolonged uncertainty, customers may delay or reduce their purchases of digital marketing intelligence products and services. Recently, economic conditions in the countries in which we operate and sell products have become increasingly negative, and global financial markets have experienced a severe downturn stemming from a multitude of factors, including adverse credit conditions impacted by the subprime-mortgage crisis, slower economic activity, concerns about inflation and deflation, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions, liquidity concerns and other factors. Economic growth in the U.S. and in many other countries slowed in the fourth quarter of 2007, remained slow throughout 2008, and is expected to slow further or recede in 2009 in the U.S. and internationally. During challenging economic times, and in tight credit markets, many customers have and may continue to delay or reduce spending. Additionally, some of our customers may be unable to fully pay for purchases or may discontinue their businesses, resulting in the incurrence of uncollectible receivables for us. This could result in reductions in our sales, longer sales cycles, difficulties in collection of accounts receivable, slower adoption of new technologies and increased price competition. This downturn may also impact our available resources for financing new and existing operations. If global economic and market conditions, or economic conditions in the United States or other key markets deteriorate, we may experience a material and adverse impact on our business, results of operations and financial condition.

In the first six months of 2009, our renewal rates for our subscription-based products have remained reasonably consistent on a dollar-basis with prior recent quarters. However, we experienced declines in project revenues and renewal rates of smaller customers in the three and six month periods ended June 30, 2009. If this trend continues, these declines may negatively impact our business.

We derive a significant portion of our revenues from sales of our subscription-based digital marketing intelligence products. If our customers terminate or fail to renew their subscriptions, our business could suffer.

We currently derive a significant portion of our revenues from our subscription-based digital marketing intelligence products. Subscription-based products accounted for 83%, during full-year 2008 and 86% during the six months ending June 30, 2009. Uncertain economic conditions or other factors, such as the failure or consolidation of large financial institutions, may cause certain customers to terminate or reduce their subscriptions. If our customers terminate their subscriptions for our products, do not renew their subscriptions, delay renewals of their subscriptions or renew on terms less favorable to us, our revenues could decline and our business could suffer.

Our customers have no obligation to renew after the expiration of their initial subscription period, which is typically one year, and we cannot assure that current subscriptions will be renewed at the same or higher dollar amounts, if at all. Some of our customers have elected not to renew their subscription agreements with us in the past. If we experience a change of control, as defined in such agreements, some of our customers also have the right to terminate their subscriptions. Moreover, some of our major customers have the right to cancel their subscription agreements without cause at any time. Given the current unpredictable economic conditions as well as our limited historical data with respect to rates of customer subscription renewals, we may have difficulty accurately predicting future customer renewal rates. Our customer renewal rates may decline or fluctuate as a result of a number of factors, including customer satisfaction or dissatisfaction with our products, the costs or functionality of our products, the prices or functionality of products offered by our competitors, mergers and acquisitions affecting our customer base, general economic conditions or reductions in our customers' spending levels. In this regard, we have seen a number of customers with weaker balance sheets choosing not to renew subscriptions with us during the current economic downturn.

Our quarterly results of operations may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of securities analysts or investors, which could cause our stock price to decline.

Our quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly revenues or results of operations do not meet or exceed the expectations of securities analysts or investors, the price of our common stock could decline substantially. In addition to the other risk factors set forth in this "Risk Factors" section, factors that may cause fluctuations in our quarterly revenues or results of operations include:

- our ability to increase sales to existing customers and attract new customers;
- our failure to accurately estimate or control costs — including those incurred as a result of acquisitions;
- our revenue recognition policies related to the timing of contract renewals, delivery of products and duration of contracts and the corresponding timing of revenue recognition;

- the mix of subscription-based versus project-based revenues;
- changes in our customers' subscription renewal behaviors and spending on projects;
- our ability to estimate revenues and cash flows associated with business operations acquired by us;
- the impact on our contract renewal rates, for both our subscription and project-based products, caused by our customers' budgetary constraints, competition, customer dissatisfaction, customer corporate restructuring or change in control, or our customers' actual or perceived lack of need for our products;
- the potential loss of significant customers;
- the effect of revenues generated from significant one-time projects or the loss of such projects;
- the impact of our decision to discontinue certain products;
- the amount and timing of capital expenditures and operating costs related to the maintenance and expansion of our operations and infrastructure;
- the timing and success of new product introductions by us or our competitors;
- variations in the demand for our products and the implementation cycles of our products by our customers;
- changes in our pricing and discounting policies or those of our competitors;
- service outages, other technical difficulties or security breaches;
- limitations relating to the capacity of our networks, systems and processes;
- maintaining appropriate staffing levels and capabilities relative to projected growth, or retaining key personnel as a result of the integration of recent acquisitions;
- adverse judgments or settlements in legal disputes;
- the cost and timing of organizational restructuring, in particular in international jurisdictions;
- the timing of costs related to the development or acquisition of technologies, services or businesses to support our existing customer base and potential growth opportunities;
- the extent to which certain expenses are more or less deductible for tax purposes, such as share-based compensation that fluctuates based on the timing of vesting and our stock price;
- the timing of any additional reversal of our deferred tax valuation allowance;
- adoption of new accounting pronouncements; and
- general economic, industry and market conditions and those conditions specific to Internet usage and online businesses.

We believe that our quarterly revenues and results of operations on a year-over-year and sequential quarter-over-quarter basis may vary significantly in the future and that period-to-period comparisons of our operating results may not be meaningful. Investors are cautioned not to rely on the results of prior quarters as an indication of future performance.

If we are not able to maintain panels of sufficient size and scope, or if the costs of maintaining our panels materially increase, our business would be harmed.

We believe that the quality, size and scope of our Internet and Mobile media user panels are critical to our business. There can be no assurance, however, that we will be able to maintain panels of sufficient size and scope to provide the quality of marketing intelligence that our customers demand from our products. If we fail to maintain a panel of sufficient size and scope — including coverage of international markets, customers

might decline to purchase our products or renew their subscriptions, our reputation could be damaged and our business could be materially and adversely affected. We expect that our panel costs may increase and may comprise a greater portion of our cost of revenues in the future. The costs associated with maintaining and improving the quality, size and scope of our panel are dependent on many factors, many of which are beyond our control, including the participation rate of potential panel members, the turnover among existing panel members and requirements for active participation of panel members, such as completing survey questionnaires. Concerns over the potential unauthorized disclosure of personal information or the classification of our software as “spyware” or “adware” may cause existing panel members to uninstall our software or may discourage potential panel members from installing our software. To the extent we experience greater turnover, or churn, in our panel than we have historically experienced, these costs would increase more rapidly. We also have terminated and may in the future terminate relationships with service providers whose practices we believe may not comply with our privacy policies, and have removed and may in the future remove panel members obtained through such service providers. Such actions may result in increased costs for recruiting additional panel members. In addition, publishing content on the Internet and purchasing advertising space on Web sites may become more expensive or restrictive in the future, which could decrease the availability and increase the cost of advertising the incentives we offer to panel members. To the extent that such additional expenses are not accompanied by increased revenues, our operating margins would be reduced and our financial results would be adversely affected.

Our business may be harmed if we change our methodologies or the scope of information we collect.

We have in the past and may in the future change our methodologies or the scope of information we collect. Such changes may result from identified deficiencies in current methodologies, development of more advanced methodologies, changes in our business plans or expressed or perceived needs of our customers or potential customers. Any such changes or perceived changes, or our inability to accurately or adequately communicate to our customers and the media such changes and the potential implications of such changes on the data we have published or will publish in the future, may result in customer dissatisfaction, particularly if certain information is no longer collected or information collected in future periods is not comparable with information collected in prior periods. In 2008, as we integrated our existing methodologies into the product and services offered by M:Metrics, which we acquired in mid-2008, some customers may have become dissatisfied and may decide not to continue purchasing their subscriptions. Future changes to our methodologies, the information we collect, or the strategy we implement to collect and analyze information, such as the movement away from pure panel-centric measurement to a hybrid of panel- and site-centric measurement, may cause similar customer dissatisfaction and result in loss of customers.

Material defects or errors in our data collection and analysis systems could damage our reputation, result in significant costs to us and impair our ability to sell our products.

Our data collection and analysis systems are complex and may contain material defects or errors. In addition, the large amount of data that we collect may cause errors in our data collection and analysis systems. Any defect in our panelist data collection software, network systems, statistical projections or other methodologies could result in:

- loss of customers;
- damage to our brand;
- lost or delayed market acceptance and sales of our products;
- interruptions in the availability of our products;
- the incurrence of substantial costs to correct any material defect or error;
- sales credits, refunds or liability to our customers;
- diversion of development resources; and
- increased warranty and insurance costs.

Any material defect or error in our data collection systems could adversely affect our reputation and operating results.

We may lose customers or be liable to certain customers if we provide poor service or if our products do not comply with our customer agreements.

Errors in our systems resulting from the large amount of data that we collect, store and manage could cause the information that we collect to be incomplete or to contain inaccuracies that our customers regard as significant. The failure or inability of our systems, networks and processes to adequately handle the data in a high quality and consistent manner could result in the loss of customers. In addition, we may be liable to certain of our customers for damages they may incur resulting from these events, such as loss of business, loss of future revenues, breach of contract or loss of goodwill to their business.

Our insurance policies may not cover any claim against us for loss of data, inaccuracies in data or other indirect or consequential damages and defending a lawsuit, regardless of its merit, could be costly and divert management's attention. Adequate insurance coverage may not be available in the future on acceptable terms, or at all. Any such developments could adversely affect our business and results of operations.

Concern over spyware and privacy, including any violations of privacy laws or perceived misuse of personal information, could cause public relations problems and could impair our ability to recruit panelists or maintain panels of sufficient size and scope, which in turn could adversely affect our ability to provide our products.

Any perception of our practices as an invasion of privacy, whether legal or illegal, may subject us to public criticism. Existing and future privacy laws and increasing sensitivity of consumers to unauthorized disclosures and the collection or use of personal information and online usage information may create negative public reaction related to our business practices. The U.S. Congress and various sources media have recently expressed concern over the collection of online usage information from cable providers and telecommunications operators to facilitate targeted Internet advertising, and the collection of online behavioral data generally. A similar concern has been raised by regulatory agencies in the United Kingdom. Such criticisms may have a chilling effect on businesses that collect or use online usage information generally. Additionally, public concern has increased recently regarding certain kinds of downloadable software known as "spyware" and "adware." These concerns might cause users to refrain from downloading software from the Internet, including our proprietary technology, which could make it difficult to recruit additional panelists or maintain a panel of sufficient size and scope to provide meaningful marketing intelligence. In response to spyware and adware concerns, numerous programs are available, many of which are available for free, that claim to identify and remove spyware and adware from users' computers. Some of these anti-spyware programs have in the past identified, and may in the future identify, our software as spyware or as a potential spyware application. We actively seek to prevent the inclusion of our software on lists of spyware applications or potential spyware applications, to apply best industry practices for obtaining appropriate consent from panelists and protecting the privacy and confidentiality of our panelist data and to comply with existing privacy laws. However, to the extent that we are not successful, and anti-spyware programs classify our software as spyware or as a potential spyware application, or third party service providers fail to comply with our privacy or data security requirements, our brand may be harmed and users may refrain from downloading these programs or may uninstall our software. Any resulting reputational harm, potential claims asserted against us or decrease in the size or scope of our panel could reduce the demand for our products, increase the cost of recruiting panelists and adversely affect our ability to provide our products to our customers. Any of these effects could harm our business.

Any unauthorized disclosure or theft of private information we gather could harm our business.

Unauthorized disclosure of personally identifiable information regarding Web site visitors, whether through breach of our secure network by an unauthorized party, employee theft or misuse, or otherwise, could harm our business. If there were an inadvertent disclosure of personally identifiable information, or if a third party were to gain unauthorized access to the personally identifiable information we possess, our operations could be seriously disrupted and we could be subject to claims or litigation arising from damages suffered by panel members or pursuant to the agreements with our customers. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. Finally, any perceived or actual unauthorized disclosure of the information we collect could harm our reputation, substantially impair our ability to attract and retain panelists and have an adverse impact on our business.

Our business may be harmed if we deliver, or are perceived to deliver, inaccurate information to our customers, to the media or to the public generally.

If the information that we provide to our customers, to the media, or to the public is inaccurate, or perceived to be inaccurate, our brand may be harmed. The information that we collect or that is included in our databases and the statistical projections that we provide to our customers, to the media or to the public may contain or be perceived to contain inaccuracies. These projections may be viewed as an important measure for the success of certain businesses, especially those businesses with a large online presence. Any inaccuracy or perceived inaccuracy in the data reported by us about such businesses may potentially affect the market perception of such businesses and result in claims or litigation around the accuracy of our data, or the appropriateness of our methodology, may encourage aggressive action on the part of our competitors, and could harm our brand. Any dissatisfaction by our customers or the media with our digital marketing intelligence, measurement or data collection and statistical projection methodologies, whether as a result of inaccuracies, perceived inaccuracies, or otherwise, could have an adverse effect on our ability to retain existing customers and attract new customers and could harm our brand. Additionally, we could be contractually required to pay damages, which could be substantial, to certain of our customers if the information we provide to them is found to be inaccurate. Any liability that we incur or any harm to our brand that we suffer because of actual or perceived irregularities or inaccuracies in the data we deliver to our customers could harm our business.

The market for digital marketing intelligence is at an early stage of development, and if it does not develop, or develops more slowly than expected, our business will be harmed.

The market for digital marketing intelligence products is at a relatively early stage of development, and it is uncertain whether these products will achieve high levels of demand and increased market acceptance. Our success will depend to a substantial extent on the willingness of companies to increase their use of such products and to continue use of such products on a long-term basis. Factors that may affect market acceptance include:

- the reliability of digital marketing intelligence products;
- public concern regarding privacy and data security;
- decisions of our customers and potential customers to develop digital marketing intelligence capabilities internally rather than purchasing such products from third-party suppliers like us;
- decisions by industry associations in the United States or in other countries that result in association-directed awards, on behalf of their

members, of digital measurement contracts to one or a limited number of competitive vendors;

- the ability to maintain high levels of customer satisfaction; and
- the rate of growth in eCommerce, online advertising and digital media.

The market for our products may not develop further, or may develop more slowly than we expect or may even contract, all of which could adversely affect our business and operating results.

If the Internet advertising and eCommerce markets develop more slowly than we expect, our business will suffer.

Our future success will depend on continued growth in the use of the Internet as an advertising medium, a continued increase in eCommerce spending and the proliferation of the Internet as a platform for a wide variety of consumer activities. These markets are evolving rapidly, and it is not certain that their current growth trends will continue.

The adoption of Internet advertising, particularly by advertisers that have historically relied on traditional offline media, requires the acceptance of new approaches to conducting business. Advertisers may perceive Internet advertising to be less effective than traditional advertising for marketing their products. They may also be unwilling to pay premium rates for online advertising that is targeted at specific segments of users based on their demographic profile or Internet behavior. The online advertising and eCommerce markets may also be adversely affected by privacy issues relating to such targeted advertising, including that which makes use of personalized information, or online behavioral information. Furthermore, online merchants may not be able to establish online commerce models that are cost effective and may not learn how to effectively compete with other Web sites or offline merchants. In addition, consumers may not continue to shift their spending on goods and services from offline outlets to the Internet. As a result, growth in the use of the Internet for eCommerce may not continue at a rapid rate, or the Internet may not be adopted as a medium of commerce by a broad base of customers or companies worldwide. Moreover, the adoption of advertising through mobile media may slow as a result of uncertain economic conditions or other factors. Because of the foregoing factors, among others, the market for Internet advertising and eCommerce, including commerce through mobile media, may not continue to grow at significant rates. If these markets do not continue to develop, or if they develop more slowly than expected, our business will suffer.

Our growth depends upon our ability to retain existing large customers and add new large customers; however, to the extent we are not successful in doing so, our ability to maintain profitability and positive cash flow may be impaired.

Our success depends in part on our ability to sell our products to large customers and on the renewal of the subscriptions of those customers in subsequent years. For the year ended December 31, 2008 we derived over 30% of our total revenues from our top 10 customers. For the six months ended June 30, 2009 we derived over 30% of our total revenues from our top 10 customers. Uncertain economic conditions or other factors, such as the failure or consolidation of large financial institutions, may cause certain large customers to terminate or reduce their subscriptions. The loss of any one or more of those customers could decrease our revenues and harm our current and future operating results. The addition of new large customers or increases in sales to existing large customers may require particularly long implementation periods and other costs, which may adversely affect our profitability. To compete effectively, we have in the past been, and may in the future be, forced to offer significant discounts to maintain existing customers or acquire other large customers. In addition, we may be forced to reduce or withdraw from our relationships with certain existing customers or refrain from acquiring certain new customers in order to acquire or maintain relationships with important large customers. As a result, new large customers or increased usage of our products by large customers may cause our profits to decline and our ability to sell our products to other customers could be adversely affected.

We derive a significant portion of our revenues from a single customer, Microsoft Corporation. During both the year ended December 31, 2008 and the six months ended June 30, 2009, we derived approximately 12% of our total revenues from Microsoft. If Microsoft were to cease or substantially reduce its use of our products, our revenues and earnings might decline.

Because our long-term success depends, in part, on our ability to expand the sales of our products to customers located outside of the United States, our business will become increasingly susceptible to risks associated with international operations.

We have very limited experience operating in markets outside of the United States. Our inexperience in operating our business outside of the United States may increase the risk that the international expansion efforts we have begun to undertake will not be successful. In addition, conducting international operations subjects us to new risks that we have not generally faced in the United States. These risks include:

- recruitment and maintenance of a sufficiently large and representative panel both globally and in certain countries;
- different customer needs and buying behavior than we are accustomed to in the United States;
- difficulties and expenses associated with tailoring our products to local markets, including their translation into foreign languages;
- difficulties in staffing and managing international operations — including complex and costly termination requirements;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- potentially adverse tax consequences, including the complexities of foreign value-added taxes and restrictions on the repatriation of earnings;

- reduced or varied protection for intellectual property rights in some countries;
- the burdens of complying with a wide variety of foreign laws and regulations;
- fluctuations in currency exchange rates;
- increased accounting and reporting burdens and complexities; and
- political, social and economic instability abroad, terrorist attacks and security concerns.

Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investments and additional resources required to establish and maintain operations in other countries will hold their value or produce desired levels of revenues or profitability. We cannot be certain that we will be able to maintain and increase the size of the Internet user panel that we currently have in various countries or that we will be able to recruit a representative sample for our audience measurement products. In addition, there can be no assurance that Internet usage and eCommerce will continue to grow in international markets. In addition, governmental authorities in various countries have different views regarding regulatory oversight of the Internet. For example, the Chinese government has taken steps in the past to restrict the content available to Internet users in China.

The impact of any one or more of these risks could negatively affect or delay our plans to expand our international business and, consequently, our future operating results.

As our international operations grow, changes in foreign currencies could have an increased effect on our operating results.

A portion of our revenues and expenses from business operations in foreign countries are derived from transactions denominated in currencies other than the functional currency of our operations in those countries. As such, we have exposure to adverse changes in exchange rates associated with revenues and operating expenses of our foreign operations, but we believe this exposure to be immaterial at this time and do not currently engage in any transactions that hedge foreign currency exchange rate risk. As we grow our international operations, our exposure to foreign currency risk could become more significant.

During the first half of 2009, the value of the U.S. Dollar has appreciated against the British Pound, the Euro, the Canadian Dollar and other local currencies of international customers. As the U.S. Dollar appreciates relative to the local currencies of our international customers, the cost to the customer for our products and projects correspondingly increase and could result in reductions in sales or renewals, longer sales cycles, difficulties in collection of accounts receivable and increased price competition, any of which could adversely affect our operating results. Likewise, as the U.S. Dollar has appreciated, our contracts denominated in foreign currencies have resulted in reduced revenues.

If we fail to respond to technological developments, our products may become obsolete or less competitive.

Our future success will depend in part on our ability to modify or enhance our products to meet customer needs, to add functionality and to address technological advancements. For example, if certain handheld devices become the primary mode of receiving content and conducting transactions on the Internet, and we are unable to adapt to collect information from such devices, then we would not be able to report on online activity. To remain competitive, we will need to develop new products that address these evolving technologies and standards. However, we may be unsuccessful in identifying new product opportunities or in developing or marketing new products in a timely or cost-effective manner. In addition, our product innovations may not achieve the market penetration or price levels necessary for profitability. If we are unable to develop enhancements to, and new features for, our existing methodologies or products or if we are unable to develop new products that keep pace with rapid technological developments or changing industry standards, our products may become obsolete, less marketable and less competitive, and our business will be harmed.

The market for digital marketing intelligence is highly competitive, and if we cannot compete effectively, our revenues will decline and our business will be harmed.

The market for digital marketing intelligence is highly competitive and is evolving rapidly. We compete primarily with providers of digital media intelligence and related analytical products and services. We also compete with providers of marketing services and solutions, with full-service survey providers and with internal solutions developed by customers and potential customers. Our principal competitors include:

- large and small companies that provide data and analysis of consumers' online behavior, including Compete Inc., Google, Inc., Hitwise Pty. Ltd, Quantcast and Nielsen/Nielsen Online;
- online advertising companies that provide measurement of online ad effectiveness, including aQuantive, Inc., DoubleClick Inc., ValueClick, Inc. and WPP Group plc;
- companies that provide audience ratings for TV, radio and other media that have extended or may extend their current services, particularly in certain international markets, to the measurement of digital media, including Arbitron Inc., Nielsen Media Research, Inc. and Taylor Nelson Sofres (owned by WPP Group plc);

- analytical services companies that provide customers with detailed information of behavior on their own Web sites, including Omniture, Inc., Visual Sciences and WebTrends Corporation;
- full-service market research firms and survey providers that may measure online behavior and attitudes, including Harris Interactive Inc., Ipsos Group, Taylor Nelson Sofres (owned by WPP Group plc) and The Nielsen Company;
- companies that provide behavioral, attitudinal and qualitative advertising effectiveness, including Dynamic Logic, Inc., Insight Express, LLC and Marketing Evolution Inc.; and
- specialty information providers for certain industries that we serve, including IMS Health Incorporated (healthcare) and Nielsen Mobile, Inc. (telecommunications).

Some of our current competitors have longer operating histories, access to larger customer bases and substantially greater resources than we do. As a result, these competitors may be able to devote greater resources to marketing and promotional campaigns, panel retention, panel development or development of systems and technologies than we can. In addition, some of our competitors may adopt more aggressive pricing policies or have started to provide some services at no cost. Furthermore, large software companies, Internet portals and database management companies may enter our market or enhance their current offerings, either by developing competing services or by acquiring our competitors, and could leverage their significant resources and pre-existing relationships with our current and potential customers.

If we are unable to compete successfully against our current and future competitors, we may not be able to retain and acquire customers, and we may consequently experience a decline in revenues, reduced operating margins, loss of market share and diminished value from our products.

We may encounter difficulties managing our growth and costs, which could adversely affect our results of operations.

We have experienced significant growth in recent periods. We have substantially expanded our overall business, customer base, headcount, data collection and processing infrastructure and operating procedures as our business has grown. We increased our total number of full time employees to 581 employees as of December 31, 2008 from 176 employees as of December 31, 2003. Given our slower growth under the current economic environment, we expect that we may need to turnover or reduce certain portions of our workforce, and manage or adjust the compensation levels of our workforce to meet our strategic objectives. Such actions may expose us to disruption by dissatisfied employees or employee-related claims, including without limitation, claims by terminated employees that believe they are owed more compensation than we believe these employees are due under our compensation and benefit plans. In addition, during this same period, we made substantial investments in our network infrastructure operations as a result of our growth and the growth of our panel, and we have also undertaken certain strategic acquisitions. We believe that we will need to continue to effectively manage and expand our organization, operations and facilities in order to accommodate potential future growth or acquisitions. If we continue to grow, our current systems and facilities may not be adequate. Our need to effectively manage our operations and cost structure requires that we continue to assess and improve our operational, financial and management controls, reporting systems and procedures. If we are not able to efficiently and effectively manage our cost structure, our business may be impaired.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Increasing our customer base and achieving broader market acceptance of our products will depend to a significant extent on our ability to expand our sales and marketing operations. We expect to continue to rely on our direct sales force to obtain new customers. We may expand or enhance our direct sales force both domestically and internationally. We believe that there is significant competition for direct sales personnel with the sales skills and technical knowledge that we require. Our ability to achieve significant growth in revenues in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of direct sales personnel. In general, new hires require significant training and substantial experience before becoming productive. Our recent hires and planned hires may not become as productive as we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we currently operate or where we seek to conduct business. Our business will be seriously harmed if the efforts to expand our sales and marketing capabilities are not successful or if they do not generate a sufficient increase in revenues.

If we fail to develop our brand, our business may suffer.

We believe that building and maintaining awareness of comScore and our portfolio of products in a cost-effective manner is critical to achieving widespread acceptance of our current and future products and is an important element in attracting new customers. We rely on our relationships with the media and the exposure we receive from numerous citations of our data by media outlets to build brand awareness and credibility among our customers and the marketplace. Furthermore, we believe that brand recognition will become more important for us as competition in our market increases. Our brand's success will depend on the effectiveness of our marketing efforts and on our ability to provide reliable and valuable products to our customers at competitive prices. Our brand marketing activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in attempting to build our brand. If we fail to successfully market our brand, we may fail to attract new customers, retain existing customers or attract media coverage to the extent necessary to realize a sufficient return on our brand-building efforts, and our business and results of operations could suffer.

We have a limited operating history and may not be able to achieve financial or operational success.

We were incorporated in 1999 and introduced our first syndicated Internet audience measurement product in 2000. Many of our other products were first introduced during the past few years. Accordingly, we are still in the early stages of development and have only a limited operating

history upon which our business can be evaluated. You should evaluate our likelihood of financial and operational success in light of the risks, uncertainties, expenses, delays and difficulties associated with an early-stage business in an evolving market, some of which may be beyond our control, including:

- our ability to successfully manage any growth we may achieve in the future;
- the risks associated with operating a business in international markets, including Asia and Europe; and
- our ability to successfully integrate acquired businesses, technologies or services.

We have a history of significant net losses, may incur significant net losses in the future and may not maintain profitability.

Although we achieved net income in the 2008 fiscal year of \$25.2 million, and \$1.5 million for the six months ended June 30, 2009. We cannot assure you that we will continue to sustain or increase profitability in the future. As of June 30, 2009, we had an accumulated deficit of \$54.2 million. Because a large portion of our costs are fixed, we may not be able to reduce or maintain our expenses in response to any decrease in our revenues, which would adversely affect our operating results. In addition, we expect operating expenses to increase as we implement certain growth initiatives, which include, among other things, the development of new products, expansion of our infrastructure, plans for international expansion and general and administrative expenses associated with being a public company. If our revenues do not increase to offset these expected increases in costs and operating expenses, our operating results would be materially and adversely affected. You should not consider our revenue growth in recent periods as indicative of our future performance, as our operating results for future periods are subject to numerous uncertainties.

We have limited experience with respect to our pricing model, and if the fees we charge for our products are unacceptable to our customers, our revenues and operating results will be harmed.

We have limited experience in determining the fees for our products that our existing and potential customers will find acceptable. The majority of our customers purchase specifically-tailored subscription packages that are priced in the aggregate. Due to the level of customization of such subscription packages, the pricing of contracts or individual product components of such packages may not be readily comparable across customers or periods. Existing and potential customers may have difficulty assessing the value of our products and services when comparing it to competing products and services. As the market for our products matures, or as new competitors introduce new products or services that compete with ours, we may be unable to renew our agreements with existing customers or attract new customers with the fees we have historically charged. As a result, it is possible that future competitive dynamics in our market as well as global economic pressures may require us to reduce our fees, which could have an adverse effect on our revenues, profitability and operating results.

If we are unable to sell additional products to our existing customers or attract new customers, our revenue growth will be adversely affected.

To increase our revenues, we believe we must sell additional products to existing customers and regularly add new customers. If our existing and prospective customers do not perceive our products to be of sufficient value and quality, we may not be able to increase sales to existing customers and attract new customers, and our operating results will be adversely affected.

We depend on third parties for data that is critical to our business, and our business could suffer if we cannot continue to obtain data from these suppliers.

We rely on third-party data sources for information regarding certain offline activities of and demographic information regarding our panelists. The availability and accuracy of these data is important to the continuation and development of our products that link online activity to offline purchases. If this information is not available to us at commercially reasonable terms, or is found to be inaccurate, it could harm our reputation, business and financial performance.

System failures or delays in the operation of our computer and communications systems may harm our business.

Our success depends on the efficient and uninterrupted operation of our computer and communications systems and the third-party data centers we use. Our ability to collect and report accurate data may be interrupted by a number of factors, including our inability to access the Internet, the failure of our network or software systems, computer viruses, security breaches or variability in user traffic on customer Web sites. A failure of our network or data gathering procedures could impede the processing of data, cause the corruption or loss of data or prevent the timely delivery of our products.

In the future, we may need to expand our network and systems at a more rapid pace than we have in the past. Our network or systems may not be capable of meeting the demand for increased capacity, or we may incur additional unanticipated expenses to accommodate these capacity demands. In addition, we may lose valuable data, be unable to obtain or provide data on a timely basis or our network may temporarily shut down if we fail to adequately expand or maintain our network capabilities to meet future requirements. Any lapse in our ability to collect or transmit data may decrease the value of our products and prevent us from providing the data requested by our customers. Any disruption in our network processing or loss of Internet user data may damage our reputation and result in the loss of customers, and our business and results of operations could be adversely affected.

We rely on a small number of third-party service providers to host and deliver our products, and any interruptions or delays in services from these third parties could impair the delivery of our products and harm our business.

We host our products and serve all of our customers from two third-party data center facilities located in Virginia and Illinois. While we operate our equipment inside these facilities, we do not control the operation of either of these facilities, and, depending on service level requirements, we

may not continue to operate or maintain redundant data center facilities for all of our products or for all of our data, which could increase our vulnerability. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures and similar events. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. A natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in availability of our products. We may also encounter capacity limitations at our third-party data centers. Additionally, our data center facility agreements are of limited durations, and our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, if at all. Our agreement for our data center facility located in Virginia expires in October 2010, if not renewed, and our agreement for our data center facility located in Illinois expires in July 2010, if not renewed. Although we are not substantially dependent on either data center facility because of planned redundancies, and although we currently are able to migrate to alternative data centers, such a migration may result in an interruption or delay in service. If we are unable to renew our agreements with the owners of the facilities on commercially reasonable terms, or if we migrate to a new data center, we may experience delays in delivering our products until an agreement with another data center facility can be arranged or the migration to a new facility is completed.

Further, we depend on access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our bandwidth providers for any reason, we could experience disruption in the delivery of our products or be required to retain the services of a replacement bandwidth provider. It may be difficult for us to replace any lost bandwidth on commercially reasonable terms, or at all, due to the large amount of bandwidth our operations require.

Our operations also rely heavily on the availability of electrical power and cooling capacity, which are also supplied by third-party providers. If we or the third-party data center operators that we use to deliver our products were to experience a major power outage or if the cost of electrical power increases significantly, our operations and profitability would be harmed. If we or the third-party data centers that we use were to experience a major power outage, we would have to rely on back-up generators, which may not function properly, and their supply may be inadequate. Such a power outage could result in the disruption of our business. Additionally, if our current facilities fail to have sufficient cooling capacity or availability of electrical power, we would need to find alternative facilities.

Any errors, defects, disruptions or other performance problems with our products caused by third parties could harm our reputation and may damage our business. Interruptions in the availability of our products may reduce our revenues due to increased turnaround time to complete projects, cause us to issue credits to customers, cause customers to terminate their subscription and project agreements or adversely affect our renewal rates. Our business would be harmed if our customers or potential customers believe our products are unreliable.

The success of our business depends in large part on our ability to protect and enforce our intellectual property rights.

We rely on a combination of patent, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. While we have filed a number of patent applications and own three issued patents, we cannot assure you that any additional patents will be issued with respect to any of our pending or future patent applications, nor can we assure you that any patent issued to us will provide adequate protection, or that any patents issued to us will not be challenged, invalidated, circumvented, or held to be unenforceable in actions against alleged infringers. Also, we cannot assure you that any future trademark or service mark registrations will be issued with respect to pending or future applications or that any of our registered trademarks and service marks will be enforceable or provide adequate protection of our proprietary rights. Furthermore, adequate (or any) patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are available.

We endeavor to enter into agreements with our employees and contractors and with parties with whom we do business in order to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, third parties might independently develop technologies that are competitive to ours or that infringe upon our intellectual property. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet-related industries are uncertain and still evolving, both in the United States and in other countries. The protection of our intellectual property rights may depend on our legal actions against any infringers being successful. We cannot be sure any such actions will be successful.

An assertion from a third party that we are infringing its intellectual property, whether such assertions are valid or not, could subject us to costly and time-consuming litigation or expensive licenses.

The Internet, mobile media, software and technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement or other violations of intellectual property rights, domestically or internationally. As we grow and face increasing competition, the probability that one or more third parties will make intellectual property rights claims against us increases. In such cases, our technologies may be found to infringe on the intellectual property rights of others. Additionally, many of our subscription agreements may require us to indemnify our customers for third-party intellectual property infringement claims, which would increase our costs if we have to defend such claims and may require that we pay damages and provide alternative services if there were an adverse ruling in any such claims. Intellectual property claims could harm our relationships with our customers, deter future customers from subscribing to our products or expose us to litigation. Even if we are not a party to any litigation between a customer and a third party, an adverse outcome in any such litigation could make it more difficult for us to defend against intellectual property claims by the third party in any subsequent litigation in which we are a named party. Any of these results could adversely affect our brand, business and results of operations.

One of our competitors has filed patent infringement lawsuits against others, demonstrating this party's propensity for patent litigation. It is possible that this third party, or some other third party, may bring an action against us, and thus cause us to incur the substantial costs and risks of

litigation. Any intellectual property rights claim against us or our customers, with or without merit, could be time-consuming and expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent us from offering our products to our customers and may require that we procure or develop substitute products that do not infringe on other parties' rights.

With respect to any intellectual property rights claim against us or our customers, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available on reasonable terms or at all, may significantly increase our operating expenses or may significantly restrict our business activities in one or more respects. We may also be required to develop alternative non-infringing technology, which could require significant effort and expense. Any of these outcomes could adversely affect our business and results of operations.

Domestic or foreign laws, regulations or enforcement actions may limit our ability to collect and use information about Internet users or restrict or prohibit our product offerings, causing a decrease in the value of our products and an adverse impact on the sales of our products.

Our business could be adversely impacted by existing or future laws or regulations of, or actions by, domestic or foreign regulatory agencies. For example, privacy concerns could lead to legislative, judicial and regulatory limitations on our ability to collect maintain and use information about Internet users in the United States and abroad. Various state legislatures have enacted legislation designed to protect Internet users' privacy, for example by prohibiting spyware. In recent years, similar legislation has been proposed in other states and at the federal level and has been enacted in foreign countries, most notably by the European Union, which adopted a privacy directive regulating the collection of personally identifiable information online. These laws and regulations, if drafted or interpreted broadly, could be deemed to apply to the technology we use, and could restrict our information collection methods, and the collection methods of third parties from whom we may obtain data, or decrease the amount and utility of the information that we would be permitted to collect. Even if such laws and regulations are not enacted, lawmakers and regulators may publicly call into question the collection and use of Internet or mobile usage data and may affect vendors and customers' willingness to do business with us. In addition, our ability to conduct business in certain foreign jurisdictions, including China, is restricted by the laws, regulations and agency actions of those jurisdictions. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may prevent us from selling our products or increase the costs associated with selling our products, and may affect our ability to invest in or jointly develop products in the United States and in foreign jurisdictions.

In addition, failure to comply with these and other laws and regulations may result in, among other things, administrative enforcement actions and fines, class action lawsuits and civil and criminal liability. State attorneys general, governmental and non-governmental entities and private persons may bring legal actions asserting that our methods of collecting, using and distributing Web site visitor information are illegal or improper, which could require us to spend significant time and resources defending these claims. For example, some companies that collect, use and distribute Web site visitor information have been the subject of governmental investigations and class-action lawsuits. Any such regulatory or civil action that is brought against us, even if unsuccessful, may distract our management's attention, divert our resources, negatively affect our public image or reputation among our panelists and customers and harm our business.

The impact of any of these current or future laws or regulations could make it more difficult or expensive to attract or maintain panelists, particularly in affected jurisdictions, and could adversely affect our business and results of operations.

Laws related to the regulation of the Internet could adversely affect our business.

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. In particular, the growth and development of the market for eCommerce has prompted calls for more stringent tax, consumer protection and privacy laws in the United States and abroad that may impose additional burdens on companies conducting business online. The adoption, modification or interpretation of laws or regulations relating to the Internet or our customers' digital operations could negatively affect the businesses of our customers and reduce their demand for our products. Even if such laws and regulations are not enacted, lawmakers and regulators may publicly call into question the collection and use of Internet or mobile usage data and may affect vendors and customers' willingness to do business with us.

If we fail to respond to evolving industry standards, our products may become obsolete or less competitive.

The market for our products is characterized by rapid technological advances, changes in customer requirements, changes in protocols and evolving industry standards. For example, industry associations such as the Advertising Research Foundation, the Council of American Survey Research Organizations, the Internet Advertising Bureau, or IAB, and the Media Ratings Council have independently initiated efforts to either review online market research methodologies or to develop minimum standards for online market research. On April 19, 2007, we received a letter from the IAB, citing discrepancies between our audience measurement data, those of our competitors and those provided by the server logs of IAB's member organizations. In its letter, the IAB asked us to submit to an independent audit and accreditation process of our audience measurement systems and processes. In September 2007, we began a full audit to obtain accreditation by the Media Ratings Council. Any standards adopted by the IAB or similar organizations may lead to costly changes to our procedures and methodologies. As a result, the cost of developing our digital marketing intelligence products could increase. If we do not adhere to standards prescribed by the IAB or other industry associations, our customers could choose to purchase products from competing companies that meet such standards. Furthermore, industry associations based in countries outside of the United States often endorse certain vendors or methodologies. If our methodologies fail to receive an endorsement from an important industry association located in a foreign country, advertising agencies, media companies and advertisers in that country may not purchase our products. As a result, our efforts to further expand internationally could be adversely affected.

The success of our business depends on the continued growth of the Internet as a medium for commerce, content, advertising and communications.

Expansion in the sales of our products depends on the continued acceptance of the Internet as a platform for commerce, content, advertising and communications. The use of the Internet as a medium for commerce, content, advertising and communications could be adversely impacted

by delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service. The performance of the Internet and its acceptance as a medium for commerce, content commerce, content, advertising and communications has been harmed by viruses, worms, and similar malicious programs, and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If for any reason the Internet does not remain a medium for widespread commerce, content, advertising and communications, the demand for our products would be significantly reduced, which would harm our business.

We rely on our management team and need additional personnel to grow our business, and the loss of one or more key employees or the inability to attract and retain qualified personnel could harm our business.

Our success and future growth depends to a significant degree on the skills and continued services of our management team, including our founders, Magid M. Abraham, Ph.D. and Gian M. Fulgoni. Our future success also depends on our ability to retain, attract and motivate highly skilled technical, managerial, marketing and customer service personnel, including members of our management team. All of our employees work for us on an at-will basis. We plan to hire additional personnel in all areas of our business, particularly for our sales, marketing and technology development areas, both domestically and internationally, which will likely increase our recruiting and hiring costs. Competition for these types of personnel is intense, particularly in the Internet and software industries. In addition, our recent actions to adjust compensation in favor of equity incentive compensation over cash compensation in order to better align employee interests with shareholder interest may negatively impact our ability to attract and retain important personnel. As a result, we may be unable to successfully attract or retain qualified personnel. Our inability to retain and attract the necessary personnel could adversely affect our business.

We may expand through investments in, acquisitions of, or the development of new products with assistance from other companies, any of which may not be successful and may divert our management's attention.

In mid-2008, we closed our acquisition of M:Metrics and have integrated this business into our own. We also expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions, including acquiring complementary products, technologies or businesses. We also may enter into relationships with other businesses in order to expand our product offerings, which could involve preferred or exclusive licenses, discount pricing or investments in other company. These transactions could be material to our financial condition and results of operations. Although these transactions may provide additional benefits, they may not be profitable immediately or in the long term. Negotiating any such transactions could be time-consuming, difficult and expensive, and our ability to close these transactions may be subject to regulatory or other approvals and other conditions which are beyond our control. Consequently, we can make no assurances that any such transactions, if undertaken and announced, would be completed.

An acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to be employed by us, and we may have difficulty retaining the customers of any acquired business due to changes in management and ownership. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for ongoing development of our business. Moreover, we cannot assure you that the anticipated benefits of any acquisition, investment or business relationship would be realized or that we would not be exposed to unknown liabilities. In connection with any such transaction, we may:

- encounter difficulties retaining key employees of the acquired company or integrating diverse business cultures;
- issue additional equity securities that would dilute the common stock held by existing stockholders;
- incur large charges or substantial liabilities;
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges;
- use cash that we may need in the future to operate our business; and
- incur debt on terms unfavorable to us or that we are unable to repay.

The impact of any one or more of these factors could adversely affect our business or results of operations or cause the price of our common stock to decline substantially.

Future acquisitions or dispositions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or write-offs of goodwill, any of which could harm our financial condition. Also, the anticipated benefit of many of our acquisitions may not materialize.

Changes and instability in the national and global political environments may adversely affect our business and financial results.

Recent turmoil in the political environment in many parts of the world, including terrorist activities and military actions, the continuing tension in and surrounding North Korea, Afghanistan, Iraq and the Middle East and increases in energy costs due to instability in oil-producing regions may continue to put pressure on global economic conditions. If global economic and market conditions, or economic conditions in the United States or other key markets deteriorate, we may experience material impacts on our business, operating results, and financial condition.

Changes in, or interpretations of, accounting rules and regulations, including recent rules and regulations regarding expensing of stock options, could result in unfavorable accounting charges or cause us to change our compensation policies.

Accounting methods and policies, including policies governing revenue recognition, expenses and accounting for stock options are continually subject to review, interpretation, and guidance from relevant accounting authorities, including the Financial Accounting Standards Board, or FASB, and the SEC. Changes to, or interpretations of, accounting methods or policies in the future may require us to reclassify, restate or otherwise change or revise our financial statements, including those contained in Part II, Item 8 of our Annual Report on Form 10-K.

Investors could lose confidence in our financial reports, and our business and stock price may be adversely affected, if our internal control over financial reporting is found by management or by our independent registered public accounting firm to not be adequate or if we disclose significant existing or potential deficiencies or material weaknesses in those controls.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to include a report on our internal control over financial reporting in our Annual Report on Form 10-K. That report includes management's assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year. Additionally, our independent registered public accounting firm is required to issue a report on their evaluation of the operating effectiveness of our internal control over financial reporting.

We continue to evaluate our existing internal controls against the standards adopted by the Public Company Accounting Oversight Board, or PCAOB. During the course of our ongoing evaluation of our internal controls, we have in the past identified, and may in the future identify, areas requiring improvement, and may have to design enhanced processes and controls to address issues identified through this review. Remediating any significant deficiencies or material weaknesses that we or our independent registered public accounting firm may identify could require us to incur significant costs and expend significant time and management resources. We cannot assure you that any of the measures we may implement to remedy any such deficiencies will effectively mitigate or remedy such deficiencies. Further, if we are not able to complete the assessment under Section 404 in a timely manner or to remedy any identified material weaknesses, we and our independent registered public accounting firm would be unable to conclude that our internal control over financial reporting is effective at the required reporting deadlines. If our internal control over financial reporting is found by management or by our independent registered public accountant to not be adequate or if we disclose significant existing or potential deficiencies or material weaknesses in those controls, investors could lose confidence in our financial reports, we could be subject to sanctions or investigations by The NASDAQ Global Market, the Securities and Exchange Commission or other regulatory authorities and our stock price could be adversely affected.

A determination that there is a significant deficiency or material weakness in the effectiveness of our internal control over financial reporting could also reduce our ability to obtain financing or could increase the cost of any financing we obtain and require additional expenditures to comply with applicable requirements.

Our net operating loss carryforwards may expire unutilized or underutilized, which could prevent us from offsetting future taxable income.

We have experienced "changes in control" that have triggered the limitations of Section 382 of the Internal Revenue Code on our net operating loss carryforwards. As a result, we may be limited in the portion of net operating loss carryforwards that we can use in the future to offset taxable income for U.S. Federal income tax purposes.

As of June 30, 2009, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately \$66.2 million and \$32.1 million, respectively. These net operating loss carryforwards will begin to expire in 2022 for federal income tax reporting purposes and in 2014 for state income tax reporting purposes.

In addition, at June 30, 2009 we estimate our aggregate net operating loss carryforwards for tax purposes related to our foreign subsidiaries is \$11.2 million, which will begin to expire in 2014.

We periodically assess the likelihood that we will be able to recover our deferred tax assets, principally net operating loss carryforwards. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies. As a result of this analysis of all available evidence, both positive and negative, we reduced the valuation allowance against a substantial portion of our U.S. deferred tax assets and certain foreign deferred tax assets and recognized an income tax benefit during the year ended December 31, 2008 of \$20.4 million.

As of June 30, 2009, we had a valuation allowance of \$3.0 million against certain deferred tax assets. The valuation allowance relates to the acquired deferred tax assets of the M:Metrics UK subsidiary and the deferred tax asset related to the unrealized impairment on the marketable securities in the U.S. Depending on our actual results in the future, there may be sufficient positive evidence to support the conclusion that all or a portion of our remaining valuation allowance should be further reduced. To the extent we determine that all or a portion of our valuation allowance is no longer necessary, we expect to recognize an income tax benefit in the period such determination is made for the reversal of the valuation allowance. If we determine that, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized, we may recognize an income tax provision in that period. These events could have a material impact on our reported results of operations.

During 2009, we expect to utilize a portion of our deferred tax assets related to our net operating loss carryforwards to partially offset current cash taxes payable. If we are unable to utilize these deferred tax assets, significant cash payments for income taxes could impact our financial condition and results of operations. The overall 2009 effective tax rate may be materially impacted, and our after-tax net income could decrease, as a result of discrete charges to income tax expense such as certain stock compensation shortfalls, changes in tax law, changes in our assessment regarding uncertain tax positions or changes in our judgment related to our ability to utilize net deferred tax assets.

We may require additional capital to support business growth, and this capital may not be available on acceptable terms or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new products or enhance our existing products, enhance our operating infrastructure and acquire complementary businesses and technologies.

Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited. In addition, the terms of any additional equity or debt issuances may adversely affect the value and price of our common stock.

Due to the prevailing global economic conditions that largely began in 2008, many businesses do not have access to the capital markets on acceptable terms. In addition, as a result of this global credit market crisis, conditions for acquisition activities have become very difficult as tight global credit conditions have adversely affected the ability of potential buyers to finance acquisitions. Although these conditions have not immediately affected our current plans, these adverse conditions are not likely to improve significantly in the near future and could have a negative impact on our ability to execute on future strategic activities.

We face the risk of a decrease in our cash balances and losses in our investment portfolio.

We hold a large balance of cash, cash equivalents and short-term investments. The ability to achieve our investment objectives is affected by many factors, some of which are beyond our control. We rely on third-party money managers to manage the majority of our investment portfolio in a risk-controlled framework. Our cash is invested in high-quality fixed-income securities and is affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions.

The outlook for our investment income is dependent on the future direction of interest rates and the amount of cash flows from operations that are available for investment. Any significant decline in our investment income or the value of our investments as a result of falling interest rates, deterioration in the credit of the securities in which we have invested, decreased liquidity in the market for these investments, or general market conditions, could have an adverse effect on our net income and cash position.

Our investment strategy attempts to manage interest rate risk and limit credit risk. By policy, we only invest in what we view as very high quality debt securities, and our largest holdings are short-term U.S. Government securities. We do not hold any sub-prime mortgages or structured investment vehicles. We do not invest in below investment-grade securities.

Our investments in auction rate securities are subject to risks which may cause losses and affect the liquidity of these investments.

As of June 30, 2009, our principal sources of liquidity consisted of cash, cash equivalents and short-term investments of \$74.0 million. As of June 30, 2009 we held \$7.4 in long-term investments consisting of \$4.5 million in other long-term fixed income securities and \$2.9 million in auction rate securities, with a par value of \$5.1 million. As of December 31, 2008 we held \$3.5 million in long-term investments consisting of \$2.9 million in auction rate securities, with a par value of \$5.1 million, and \$636,000 in other long-term fixed income securities. In prior years we invested in auction rate securities. Auctions for some of these auction rate securities have failed, and there is no assurance that auctions on the remaining auction rate securities in our investment portfolio will succeed in the future. An auction failure means that the parties wishing to sell their securities could not do so. As a result, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or not exist. These developments have resulted in the classification of all of these securities as long-term investments in our consolidated financial statements.

The uncertainties in the credit markets have prevented us and other investors from liquidating holdings of auction rate securities, there have been no auctions for these securities in 2009. Accordingly, we still hold these long-term securities and are due interest at a higher rate than similar securities. None of these investments are mortgage backed securities or collateralized debt obligations. As of December 31, 2008, certain of these investments were fully backed by bonds with ratings ranging from A- to B and were insured against loss of principal and interest by bond insurers whose ratings range from BBB to C. However, as of June 30, 2009 and December 31, 2008, five auction rate securities with a par value of \$5.1 million had failed their most recent auction and are considered illiquid. As of December 31, 2008, we have recognized an impairment charge of approximately \$2.2 million assuming that the decline in value of these five securities is other than temporary. These securities were valued using a discounted cash flow model that takes into consideration, the securities coupon rate, the financial condition of the issuers and the bond insurers, the expected date liquidity will be restored, as well as an applied illiquidity discount. Based on the valuation models and an analysis of other-than-temporary impairment factors, we concluded during the year ended December 31, 2008 that our investments in auction rate securities have experienced an other-than-temporary decline in fair value. If the credit ratings of the issuer, the bond insurers or the collateral deteriorate further, we may further adjust the carrying value of these investments. During the six months ended June 30, 2009, based on our updated valuation, no further adjustments to the carrying value of these investments was necessary. We are uncertain as to when the liquidity issues relating to these investments will improve. Accordingly, we classified these securities as long-term as of June 30, 2009 and December 31, 2008. If the issuers of these auction rate securities are unable to successfully close future auctions and their credit ratings continue to deteriorate, we may in the future be required to record further impairment charges on these investments. We may be required to wait until market stability is restored for these instruments or until the final maturity of the underlying notes (up to 30 years) to recover our investment.

Risks Related to the Securities Market and Ownership of our Common Stock

We cannot assure you that a market will continue to develop or exist for our common stock or what the market price of our common stock will be.

Prior to our initial public offering, which was completed on July 2, 2007, there was no public trading market for our common stock, and we cannot assure you that one will continue to develop or be sustained. If a market does not continue to develop or is not sustained, it may be difficult for you to sell your shares of common stock at an attractive price or at all. We cannot predict the prices at which our common stock will trade.

The trading price of our common stock may be subject to significant fluctuations and volatility, and our new stockholders may be unable to resell their shares at a profit.

The stock markets, in general, and the markets for technology stocks in particular, have experienced high levels of volatility. The market for technology stocks has been extremely volatile and frequently reaches levels that bear no relationship to the past or present operating performance of those companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the trading price of our common stock has been subject to significant fluctuations and may continue to fluctuate or decline.

The price of our common stock in the market may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be related to our operating performance. It is possible that, in future quarters, our operating results may be below the expectations of analysts or investors. As a result of these and other factors, the price of our common stock may decline, possibly materially. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market price and trading volume of technology companies and of companies in our industry;
- actual or anticipated changes or fluctuations in our operating results;
- actual or anticipated changes in expectations regarding our performance by investors or securities analysts;
- the failure of securities analysts to cover our common stock after this offering or changes in financial estimates by analysts;
- actual or anticipated developments in our competitors' businesses or the competitive landscape;
- actual or perceived inaccuracies in, or dissatisfaction with, information we provide to our customers or the media;
- litigation involving us, our industry or both;
- regulatory developments;
- privacy and security concerns, including public perception of our practices as an invasion of privacy;
- general economic conditions and trends;
- major catastrophic events;
- sales of large blocks of our stock;
- the timing and success of new product introductions or upgrades by us or our competitors;
- changes in our pricing policies or payment terms or those of our competitors;
- concerns relating to the security of our network and systems;
- our ability to expand our operations, domestically and internationally, and the amount and timing of expenditures related to this expansion; or
- departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation, which could result in substantial costs and

divert our management's attention and resources from our business. In addition, volatility, lack of positive performance in our stock price or changes to our overall compensation program, including our equity incentive program, may adversely affect our ability to retain key employees.

If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Insiders have substantial control over the outstanding shares of our common stock, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, executive officers and each of our stockholders who own greater than 5% of our outstanding common stock and their affiliates, in the aggregate, together beneficially own a substantial amount of the outstanding shares of our common stock. As a result, these stockholders, if acting together, may be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might affect the market price of our common stock.

We have incurred and will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting a public company, which could adversely affect our operating results.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as rules implemented by the Securities and Exchange Commission and The NASDAQ Stock Market, requires certain corporate governance practices for public companies. Our management and other personnel devote a substantial amount of time to public reporting requirements and corporate governance. These rules and regulations have significantly increased our legal and financial compliance costs and made some activities more time-consuming and costly. We also have incurred additional costs associated with our public company reporting requirements. If these costs do not continue to be offset by increased revenues and improved financial performance, our operating results would be adversely affected. These rules and regulations also make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage if these costs continue to rise. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors or as executive officers.

Provisions in our certificate of incorporation and bylaws and under Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Our certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- provide for a classified board of directors so that not all members of our board of directors are elected at one time;
- authorize "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, which means that all stockholder actions must be taken at a meeting of our stockholders;
- prohibit stockholders from calling a special meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- provide for advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder and which may discourage, delay or prevent a change of control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(a) Unregistered Sales of Equity Securities during the Three Months Ended June 30, 2009**

None.

(b) Use of Proceeds from Sale of Registered Equity Securities

On June 26, 2007, our Registration Statements on Form S-1, as amended (Reg. Nos. 333-131740 and 333-144071) were declared effective in connection with the initial public offering of our common stock, pursuant to which we registered an aggregate of 6,095,000 shares of our common stock, of which we sold 5,000,000 shares and certain selling stockholders sold 1,095,000 shares, including the underwriters' over-allotment, at a price to the public of \$16.50 per share. We received net proceeds of approximately \$73.1 million after deducting discounts, commissions and related costs as well as the net proceeds received by selling stockholders from the gross proceeds.

The principal purposes of the offering were to create a public market for our common stock and to facilitate our future access to the public equity markets, as well as to obtain additional capital. Except as discussed below, we currently have no specific plans for the use of a significant portion of the net proceeds of the offering. However, we anticipate that we will use the net proceeds from the offering for general corporate purposes, which may include working capital, capital expenditures, other corporate expenses and acquisitions of complementary products, technologies or businesses. We used approximately \$10.8 million of the net proceeds for capital expenditures related to computer hardware and equipment as well as office improvements. We used \$44.5 million for the acquisition of M:Metrics, Inc. We currently have no agreements or commitments with respect to acquisitions of complementary products, technologies or businesses. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations and the anticipated growth of our business.

Pending the uses described above, we intend to invest the net proceeds in a variety of short-term, interest-bearing, investment grade securities. There has been no material change in the planned use of proceeds from our initial public offering from that described in the final prospectus filed by us with the SEC pursuant to Rule 424(b) on June 28, 2007.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended June 30, 2009, we repurchased the following shares of common stock in connection with certain restricted stock and restricted stock unit awards issued under our Equity Incentive Plans:

	<i>Total Number of Shares (or Units) Purchased(1)</i>	<i>Average Price Per Share (or Unit)</i>	<i>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs</i>	<i>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</i>
April 1 — April 30, 2009	8,704	\$5.42	—	—
May 1 — May 31, 2009	69,863	\$0.42	—	—
June 1 — June 30, 2009	13,237	\$7.54	—	—
Total	91,804		—	—

(1) The shares included in the table above were repurchased either in connection with (i) our exercise of the repurchase right afforded to us in connection with certain employee restricted stock awards or (ii) the forfeiture of shares by an employee as payment of the minimum statutory withholding taxes due upon the vesting of certain employee restricted stock and restricted stock unit awards. A detailed breakout of each category follows below.

For the three months ended June 30, 2009, the shares repurchased in connection with our exercise of the repurchase right afforded to us upon the cessation of employment consisted of the following:

	<i>Total Number of Shares Purchased</i>	<i>Average Price Per Share</i>
April 1 — April 30, 2009	5,135	\$0.00
May 1 — May 31, 2009	67,324	\$0.00
June 1 — June 30, 2009	<u>5,569</u>	<u>\$0.00</u>
 Total	 <u>78,028</u>	

The shares we repurchased in connection with the payment of minimum statutory withholding taxes due upon the vesting of certain restricted stock and restricted stock unit awards were repurchased at the then current fair market value of the shares. For the three months ended June 30, 2009, these shares consisted of the following:

	<i>Total Number of Shares Purchased</i>	<i>Average Price Per Share</i>
April 1 — April 30, 2009	3,569	\$13.23
May 1 — May 31, 2009	2,539	\$11.65
June 1 — June 30, 2009	<u>7,668</u>	<u>\$13.02</u>
 Total	 <u>13,776</u>	

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits

The exhibits listed on the Exhibit Index attached hereto are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements 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.

comScore, Inc.

/s/ Kenneth J. Tarpey

Kenneth J. Tarpey

Chief Financial Officer

(Principal Financial Officer and Duly Authorized Officer)

Date: August 10, 2009

EXHIBIT INDEX

**Exhibit
Number****Description**

3.1(1)	Amended and Restated Certificate of Incorporation of the Registrant (Exhibit 3.3)
3.2(1)	Amended and Restated Bylaws of the Registrant (Exhibit 3.4)
10.1(2)	Letter Agreement with Kenneth J. Tarpey, dated April 1, 2009 (Exhibit 10.1)
10.2	Letter Agreement with John M. Green, dated May 20, 2009
10.3	2007 Equity Incentive Plan, as amended and restated July 29, 2009
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a 14(a) and Rule 15d 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a 14(a) and Rule 15d 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of 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 Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- (1) Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-1, as amended, dated June 26, 2007 (No. 333-141740). The number given in parenthesis indicates the corresponding exhibit number in such Form S-1.
- (2) Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K, filed April 20, 2009 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 10-K.



May 20, 2009

Mr. John Green
4101 Fordham Road, NW
Washington, DC 20016

Dear John:

This offer letter sets forth the terms of your employment in connection with your transition from Chief Financial Officer to **Executive Vice President, Human Capital**, which took effect as of **April 20, 2009**. We are confident that you will continue to play a key role in comScore's continued success while helping us remain a leader in the provision of innovative and valuable marketing solutions.

You will continue working from comScore's offices located in **Reston, VA**.

Effective as of May 15, 2009, your base salary will be **\$10,000** Semi-Monthly (equivalent to an annual salary of **\$240,000.00**), payable in accordance with comScore's standard payroll practice and subject to applicable payroll deductions and withholdings. Consistent with other senior comScore management, this amount will be reduced by 7.5% effective on May 15, 2009, and will continue indefinitely until the Compensation Committee of the Board of Directors (the "Committee") provides otherwise. The Committee expects to make a one-time stock grant of **1,645** shares to help set-off the reduction in base salary (the "One-Time Restricted Stock Award"). The grant shall vest in equal yearly installments over four (4) years, beginning on May 18, 2010. In the event your employment with comScore ends before your One-Time Restricted Stock Award Transition Restricted Stock Award is fully vested, you will forfeit the unvested portion as of the date of your separation. The One-Time Restricted Stock Award will be governed by the comScore, Inc. 2007 Equity Incentive Plan (the "2007 Plan") and related award agreement.

In connection with the execution of this offer letter, you and comScore are entering into amendments to certain of your outstanding stock option and restricted stock awards. In addition, Committee has approved the award of **10,000** restricted shares of comScore's common stock (the "Transition Restricted Stock Award"). The Transition Restricted Stock Award shall vest in equal yearly installments over four (4) years, beginning on May 18, 2010. In the event your employment with comScore ends before your Transition Restricted Stock Award is fully vested, you will forfeit the unvested portion as of the date of your separation. The Transition Restricted Stock Award will be governed by the 2007 Plan and related award agreement.

In addition, subject to approval by the Committee, during the Committee meeting at which the approval of discretionary performance-based equity incentive awards for calendar year 2009 is scheduled to take place, you will be eligible for an award of restricted shares of comScore's

Mr. John Green
May 20, 2009
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common stock (the "Performance Restricted Stock Award") with the value of up to 75% of the actual earned salary you earned during 2009 in the position of Executive Vice President, Human Capital, after giving effect to the 7.5% reduction. The Performance Restricted Stock Award shall vest in equal yearly installments over three (3) years, with the initial 25% tranche vesting on the date your equity incentive award is approved by the Committee. In the event your employment with comScore ends before your Performance Restricted Stock Award is fully vested, you will forfeit the unvested portion as of the date of your separation. The Performance Restricted Stock Award will be subject to the applicable comScore bonus plan, the 2007 Plan, and related award agreement.

During your employment, you will continue to be eligible to participate in comScore's standard benefits such as medical insurance, life insurance, sick leave, 401k and paid time off consistent with any eligibility requirements and standard company policy. comScore's current vacation policy provides three (3) weeks paid vacation per year, earned on an accrual basis. The accompanying benefits brochure provides additional benefits information. Detailed benefits information is provided in the comScore Employee Guide and in Summary Plan Descriptions, which we previously have provided to you.

As a comScore employee, you will be expected to abide by comScore's rules and policies and by signing this offer letter you reaffirm that you previously have read and will continue to abide by the comScore Employee Guide. In addition, you will continue to be bound by and comply with the Employment, Invention Assignment and Non-Disclosure Agreement that you executed in connection with your initial employment with comScore, which, among other things, prohibits unauthorized use or disclosure of comScore's proprietary information. Please keep in mind that your employment will continue to be at-will, which simply means that either you or comScore may terminate the relationship at any time for any reason, with or without cause.

By signing below, you acknowledge that you have apprised comScore of any and all contractual obligations that you may have that would prevent you from working at comScore, or limit your activities with comScore, including but not limited to any non-competition obligations to past employers.

The terms described in this letter will be the terms of your employment and supersede any other agreements or promises made to you by anyone from comScore regarding these terms, including any offer letter you may have entered into as Chief Financial Officer, except that your previous awards of stock options and restricted will continue to be governed by their terms, as they may have been amended by the amendments you are entering concurrently with this offer letter. This letter can only be modified by a written agreement signed by you and an authorized official of comScore.

Please return a signed copy of this letter to me as soon as possible.

We are very excited about your continuing role with comScore. We hope that you will continue to help us in making comScore all it can be, to the lasting credit and economic benefit of us all.

Mr. John Green

May 20, 2009

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Best Regards,

/s/ Christiana L. Lin

Christiana L. Lin

ACKNOWLEDGEMENT:

In response to this offer of employment *please sign one only.*

/s/ John M. Green

I accept the offer of employment.

 I do not accept the offer of employment.

COMSCORE, INC.
2007 EQUITY INCENTIVE PLAN
(As amended and restated July 29, 2009)

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

- (a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.
- (b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.
- (c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.
- (d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.
- (e) "Board" means the Board of Directors of the Company.
- (f) "Change in Control" means the occurrence of any of the following events:
 - (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
 - (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" means directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or
 - (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.
- (g) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.
- (h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.
- (i) "Common Stock" means the common stock of the Company.
- (j) "Company" means comScore, Inc., a Delaware corporation, or any successor thereto.
- (k) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.
- (l) "Director" means a member of the Board.
- (m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.
- (n) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.
- (o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(p) “Exchange Program” means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(q) “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(iii) For purposes of any Awards granted on the Registration Date, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company’s Common Stock; or

(iv) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(r) “Fiscal Year” means the fiscal year of the Company.

(s) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) “Inside Director” means a Director who is an Employee.

(u) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(v) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) “Option” means a stock option granted pursuant to the Plan.

(x) “Outside Director” means a Director who is not an Employee.

(y) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) “Participant” means the holder of an outstanding Award.

(aa) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.

(bb) “Performance Unit” means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.

(cc) “Period of Restriction” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(dd) “Plan” means this 2007 Equity Incentive Plan.

(ee) “Registration Date” means the effective date of the first registration statement that is filed by the Company and declared effective pursuant to Section 12(g) of the Exchange Act, with respect to any class of the Company’s securities.

(ff) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.

(gg) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(hh) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(ii) “Section 16(b)” means Section 16(b) of the Exchange Act.

(jj) “Service Provider” means an Employee, Director or Consultant.

(kk) “Share” means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

(ll) “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.

(mm) “Subsidiary” means a “subsidiary corporation”, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 1,400,000 Shares (following the 1-for-5 reverse stock split of the Company's outstanding capital stock occurring on June 21, 2007), plus (i) any Shares that, as of the Registration Date, have been reserved but not issued pursuant to any awards granted under the Company's Incentive Plan (the "Existing Plan") and are not subject to any awards granted thereunder, and (ii) any Shares subject to stock options or similar awards granted under the Existing Plan that expire or otherwise terminate without having been exercised in full and Shares issued pursuant to awards granted under the Existing Plan that are forfeited to or repurchased by the Company, with the maximum number of Shares to be added to the Plan pursuant to clauses (i) and (ii) equal to 1,000,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Automatic Share Reserve Increase. The number of Shares available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2008 Fiscal Year, in an amount equal to the least of (i) 1,800,000 Shares, (ii) 4% of the outstanding Shares on the last day of the immediately preceding Fiscal Year or (iii) such number of Shares determined by the Board.

(c) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Sections 3(b) and 3(c).

(d) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan will be administered by a Committee of two (2) or more “outside directors” within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to determine the terms and conditions of any, and to institute any Exchange Program;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws;

(ix) to modify or amend each Award (subject to Section 18(c) of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(b) regarding Incentive Stock Options);

(x) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 14;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(b) Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock

Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

a) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

b) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program implemented by the Company in connection with the Plan; (6) any combination of the foregoing methods of payment; or (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the

time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 7, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed. Unless otherwise provided by the Administrator, all Shares of Restricted Stock for which restrictions have not lapsed at the time of the Participant's termination as a Service Provider for any or no reason, will be forfeited and automatically transferred to and reacquired by the Company and will revert to the Plan and become

available for future grant under the Plan upon the date of such termination and the Participant will have no further rights thereunder.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

8. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout. Unless otherwise provided by the Administrator, all Restricted Stock Units that have not vested at the time of the Participant's termination as a Service Provider for any or no reason, will be forfeited to the Company and will revert to the Plan and become available for future grant under the Plan upon the date of such termination and the Participant's right to receive any Shares or payment thereunder will immediately terminate.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may only settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

9. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, subject to Section 6(a) of the Plan, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(d) also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

- (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
- (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the “Performance Period.” Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, or individual goals, applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share. Unless otherwise provided by the Administrator, all Performance Units/Shares that are unearned or unvested at the time of the Participant’s termination as a Service Provider for any or no reason, will be forfeited to the Company and will revert to the Plan and become available for future grant under the Plan upon the date of such termination and the Participant’s right to receive any Shares or payment thereunder will immediately terminate.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

11. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the

Company is not so guaranteed, then three (3) months following the ninety-first (91st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

12. **Transferability of Awards.** Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

13. **Adjustments; Dissolution or Liquidation; Merger or Change in Control.**

(a) **Adjustments.** In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share limits in Section 3 of the Plan.

(b) **Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) **Change in Control.** In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share

subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Performance Units and Performance Shares, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

14. Tax Withholding.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, or (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

15. **No Effect on Employment or Service.** Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

16. **Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. **Term of Plan.** Subject to Section 21 of the Plan, the Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 18 of the Plan.

18. **Amendment and Termination of the Plan.**

(a) **Amendment and Termination.** The Board may at any time amend, alter, suspend or terminate the Plan.

(b) **Stockholder Approval.** The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) **Effect of Amendment or Termination.** No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. **Conditions Upon Issuance of Shares.**

(a) **Legal Compliance.** Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) **Investment Representations.** As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

20. **Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

21. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Magid M. Abraham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of comScore, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure control and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ Magid M. Abraham

Magid M. Abraham, Ph.D.
President and Chief Executive Officer

Date: August 10, 2009

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth J. Tarpey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of comScore, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure control and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ Kenneth J. Tarpey

Kenneth J. Tarpey
Chief Financial Officer

Date: August 10, 2009

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of comScore, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Magid M. Abraham, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Magid M. Abraham

Magid M. Abraham, Ph.D.

President and Chief Executive Officer

August 10, 2009

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of comScore, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth J. Tarpey, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth J. Tarpey

Kenneth J. Tarpey
Chief Financial Officer

August 10, 2009