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, 2011

or

o **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 o

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 o

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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 8, 2011, there were 31,860,338 shares of the registrant's common stock outstanding.

COMSCORE, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2011

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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 Disclosure 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, macroeconomic trends that we expect may influence our business, plans for capital expenditures, expectations regarding the introduction of new products, regulatory compliance and expected changes in the regulatory landscape affecting our business, expected impact of litigation, plans for growth and future operations, effects of acquisitions, 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, 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
(In thousands, except share and per share data)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 39,945	$ 33,736
Short-term investments	2,591	—
Accounts receivable, net of allowances of $875 and $725, respectively	53,330	54,269
Prepaid expenses and other current assets	8,566	8,391
Deferred tax assets	6,151	6,701
Total current assets	110,583	103,097
Long-term investments	—	2,819
Property and equipment, net	29,746	28,637
Other non-current assets	1,486	733
Long-term deferred tax assets	12,709	11,316
Intangible assets, net	47,873	50,260
Goodwill	88,910	86,217
Total assets	$ 291,307	$ 283,079
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 9,703	$ 5,588
Accrued expenses	19,175	15,297
Deferred revenues	71,797	70,611
Deferred rent	924	941
Deferred tax liabilities	—	132
Capital lease obligations	5,423	4,659
Total current liabilities	107,022	97,228
Deferred rent, long-term	8,083	8,019
Deferred revenue, long-term	1,292	843
Deferred tax liabilities, long-term	—	744
Capital lease obligations, long-term	7,669	7,959
Other long-term liabilities	2,178	2,454
Total liabilities	126,244	117,247
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value per share; 5,000,000 shares authorized at June 30, 2011 and December 31, 2010; no shares issued or outstanding at June 30, 2011 and December 31, 2010	—	—
Common stock, $0.001 par value per share; 100,000,000 shares authorized at June 30, 2011 and December 31, 2010; 31,841,337 and 31,523,559 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	32	32
Additional paid-in capital	221,679	216,895
Accumulated other comprehensive income	5,176	2,166
Accumulated deficit	(61,824)	(53,261)
Total stockholders' equity	165,063	165,832
Total liabilities and stockholders' equity	$ 291,307	$ 283,079

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

COMSCORE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Revenues	**$ 58,095**	**$ 41,962**	**$ 111,046**	**$ 78,101**
Cost of revenues (excludes amortization of intangible assets resulting from acquisitions shown below) (1)	19,302	12,374	36,440	22,733
Selling and marketing (1)	19,717	12,892	37,886	25,610
Research and development (1)	8,833	6,088	16,732	11,135
General and administrative (1)	13,977	8,167	24,295	14,373
Amortization of intangible assets resulting from acquisitions	2,434	658	4,428	1,165
Total expenses from operations	**64,263**	**40,179**	**119,781**	**75,016**
(Loss) Income from operations	**(6,168)**	**1,783**	**(8,735)**	**3,085**
Interest and other (expense) income, net	(124)	40	(213)	154
Gain (loss) from foreign currency	102	(12)	252	(129)
(Loss) Income before income taxes	**(6,190)**	**1,811**	**(8,696)**	**3,110**
Income tax (provision) benefit	(2,039)	(986)	133	(2,056)
Net (loss) income	**$ (8,229)**	**$ 825**	**$ (8,563)**	**$ 1,054**
Net (loss) income available to common stockholders per common share:				
Basic	**$ (0.26)**	**$ 0.03**	**$ (0.27)**	**$ 0.03**
Diluted	**$ (0.26)**	**$ 0.03**	**$ (0.27)**	**$ 0.03**
Weighted-average number of shares used in per share calculation — common stock:				
Basic	31,832,105	30,965,800	31,744,988	30,817,853
Diluted	31,832,105	31,736,718	31,744,988	31,625,650
Comprehensive (loss) income:				
Net (loss) income	$ (8,229)	$ 825	$ (8,563)	$ 1,054
Other comprehensive income (loss):				
Foreign currency cumulative translation adjustment	869	(93)	3,238	(418)
Unrealized (loss) gain on marketable securities, net of tax effect of $0 for the three and six months ended June 30, 2011, respectively, and $11 and $13 for the three and six months ended June 30, 2010, respectively	(286)	(16)	(228)	(19)
Total comprehensive (loss) income	**$ (7,646)**	**$ 716**	**$ (5,553)**	**$ 617**

(1) Amortization of stock-based compensation is included in the line items above as follows

Cost of revenues	$ 605	$ 246	$ 1,068	$ 476
Selling and marketing	2,066	1,037	4,019	2,256
Research and development	627	315	1,058	579
General and administrative	2,208	1,889	4,886	2,850

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

COMSCORE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating activities		
Net (loss) income	$ (8,563)	$ 1,054
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	6,391	3,486
Amortization of intangible assets resulting from acquisitions	4,428	1,166
Provision for bad debts	69	17
Stock-based compensation	11,031	6,165
Amortization of deferred rent	(482)	(440)
Amortization of bond premium	—	173
Deferred tax (benefit) provision	(1,484)	1,072
Loss on asset disposal	8	1
Changes in operating assets and liabilities:		
Accounts receivable	1,417	1,623
Prepaid expenses and other current assets	(736)	47
Accounts payable, accrued expenses, and other liabilities	7,218	2,233
Deferred revenues	(125)	3,688
Deferred rent	520	407
Net cash provided by operating activities	19,692	20,692
Investing activities		
Acquisitions, net of cash acquired	(834)	(16,788)
Sales and maturities of investments	—	25,324
Purchase of property and equipment	(4,222)	(2,624)
Net cash (used in) provided by investing activities	(5,056)	5,912
Financing activities		
Proceeds from the exercise of common stock options	271	789
Repurchase of common stock	(6,081)	(3,608)
Principal payments on capital lease obligations	(2,653)	(420)
Debt issuance costs	(69)	—
Net cash used in financing activities	(8,532)	(3,239)
Effect of exchange rate changes on cash	105	(322)
Net increase in cash and cash equivalents	6,209	23,043
Cash and cash equivalents at beginning of period	33,736	58,284
Cash and cash equivalents at end of period	$ 39,945	$ 81,327

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

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. For measuring and reporting online audiences, comScore also supplements panel information with Web site server metrics. This panel information is complemented by a Unified Digital Measurement solution to digital audience measurement. Unified Digital Measurement blends panel and server methodologies into a solution that provides a direct linkage and reconciliation between server and panel measurement. 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. Also, with key acquisitions, the Company has expanded its abilities to provide its customers a more robust solution for the mobile medium as well as expanded its abilities to provide its customers with actionable information to improve their creative and strategic messaging. Recent acquisitions have also enabled the Company to expand its geographic sales coverage.

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. 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 is required. For investments in 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 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 ("GAAP") 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 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 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, 2010, filed March 15, 2011 with the SEC. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2011 or thereafter. All references to June 30, 2011 and 2010 or to the three or six months ended June 30, 2011 and 2010 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, the determination of the allowance for doubtful accounts, and the determination of estimated selling prices for allocating arrangement consideration to arrangements with multiple elements. 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

The Company evaluates the fair value of certain assets and liabilities using the fair value hierarchy. 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, the Company applies the 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 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 requires 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 equivalents, investments, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, deferred revenue, deferred rent and capital lease obligations reported in the consolidated balance sheets equal or approximate their respective fair values.

Assets and liabilities that are measured at fair value on a non-recurring basis include intangible assets and goodwill. The Company adjusts these items to fair value when they are considered to be impaired. During the three and six months ended June 30, 2011 and 2010, there were no fair value adjustments for assets and liabilities measured on a non-recurring basis.

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.

Investments, which consist principally of auction rate securities, are stated at fair value. These securities are accounted for as available-for-sale securities. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized. 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, 2011 and 2010 were not material.

Interest income on investments was $0.1 million and $0.1 million for the three months ended June 30, 2011 and 2010, respectively, and $0.1 million and $0.2 million for the six months ended June 30, 2011 and 2010, 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.

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 Consolidated Statements of Operations and Comprehensive (Loss) Income in which the asset is deployed.

Business Combinations

The Company recognizes all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Generally, restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. Subsequent changes to the purchase price (i.e., working capital adjustments) or other fair value adjustments determined during the measurement period are recorded as adjustments to goodwill. All subsequent changes to a valuation allowance or uncertain tax position that relate to the acquired company and existed at the acquisition date that occur both within the measurement period and as a result of facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill. All other changes in valuation allowances are recognized as a reduction or increase to income tax expense or as a direct adjustment to additional paid-in capital as required. Acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed when a business is 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 allocation of the purchase price to intangible assets is done at fair value. The Company estimates the fair value of identifiable intangible assets acquired using various valuation methods, including the excess earnings and relief from royalty methods.

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. 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 at the enterprise level. The Company completed its annual impairment analysis as of October 1st for 2010 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, 2010 analysis.

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

	Useful Lives (Years)
Acquired methodologies/technology	3 to 10
Customer relationships	7 to 12
Panel	7
Intellectual property	10
Trade names	2 to 5

Impairment of Long-Lived Assets

The Company's long-lived assets primarily consist of property and equipment and intangible assets. The Company evaluates the recoverability of its 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, 2011 or 2010.

Lease Accounting

The Company leases its facilities and accounts for those leases as operating 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.

The Company records capital leases as an asset and an obligation at an amount equal to the present value of the minimum lease payments as determined at the beginning of the lease term. Amortization of capitalized leased assets is computed on a straight-line basis over the term of the lease and is included in depreciation and amortization expense in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Foreign Currency Translation

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 reflected as foreign currency cumulative translation adjustment and reported as a component of other comprehensive income.

The Company incurred foreign currency transaction gains of $0.1 million and $0.2 million for the three and six months ended June 30, 2011, respectively and realized foreign currency transaction losses of $0.1 million and $0.1 million for the three and six months ended June 30, 2010, respectively. These losses and gains 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 when the following fundamental criteria are met: (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 is 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 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 either subscriptions to multiple online product solutions or a subscription to the Company's online database combined with customized services. Historically, the Company had determined there was not objective and reliable evidence of fair value for any of its services and, therefore, accounted for all elements in multiple element 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 the commencement of the subscription element. For these historical arrangements, 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 element delivered.

Effective January 1, 2011, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2009-13, *Multiple Deliverable Revenue Arrangements*, which requires the Company to allocate arrangement consideration at the inception of an arrangement to all deliverables, if they represent a separate unit of accounting, based on their relative selling prices. In addition, this guidance eliminated the use of the residual method for allocating arrangement consideration. This guidance is applicable to the Company for all arrangements entered into subsequent to December 31, 2010 and for any existing arrangements that are materially modified after December 31, 2010.

For these types of arrangements, the guidance establishes a hierarchy to determine the selling price to be used for allocating arrangement consideration to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") if VSOE is not available, or (iii) an estimated selling price ("ESP") if neither VSOE nor TPE are available. VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable on a stand-alone basis. ESP reflects the Company's estimate of what the selling price of a deliverable would be if it was sold regularly on a stand-alone basis.

The Company has concluded it does not have VSOE, for these types of arrangements, and TPE is generally not available because the Company's service offerings are highly differentiated and the Company is unable to obtain reliable information on the products and pricing practices of the Company's competitors. As such, ESP is used to allocate the total arrangement consideration at the arrangement inception based on each element's relative selling price.

The Company's process for determining ESP involves management's judgments based on multiple factors that may vary depending upon the unique facts and circumstances related to each product suite and deliverable. The Company determines ESP by considering several external and internal factors including, but not limited to, current pricing practices, pricing concentrations (such as industry, channel, customer class or geography), internal costs and market penetration of a product or service. The total arrangement consideration is allocated to each of the elements based on the relative selling price. If the ESP is determined as a range of selling prices, the mid-point of the range is used in the relative-selling-price method. Once the total arrangement consideration has been allocated to each deliverable based on the relative allocation of the arrangement fee, the Company commences revenue recognition for each deliverable on a stand-alone basis as the data or service is delivered.

The impact of adopting this new revenue recognition guidance in the first half of 2011 is that the Company recognized approximately $2.2 million in revenue and profit before tax that otherwise would have been recognized in future periods under the previous revenue recognition guidance. Based on the amounts involved, the timing of when this revenue would have been recognized under the previous revenue recognition rules, and the current backlog of arrangements, the Company believes the adoption of this accounting guidance will not have a material impact on the Company's financial statements for the year ended December 31, 2011. ESP will be analyzed on an annual basis or more frequently if management deems it likely that changes in the estimated selling prices have occurred.

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.

On July 1, 2010, the Company completed its acquisition of Nexius, resulting in additional revenue sources, including software licenses, professional services (including software customization, implementation, training and consulting services), and maintenance and technical support contracts. The Company's arrangements generally contain multiple elements, consisting of the various service offerings. The Company recognizes software license arrangements that include significant modification and customization of the software in accordance with FASB Accounting Standards Codification ("ASC") 985-605, *Software Recognition*, and ASC 605-35, *Revenue Recognition-Construction-Type and Certain Production-Type Contracts*, typically using the completed-contract method. Prior to March 31, 2011, the Company had not established VSOE of fair value for the multiple deliverables and therefore accounted for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue on a straight line basis over the service period of the last delivered element. During the period of performance, billings and costs (to the extent they are recoverable) are accumulated on the balance sheet, but no profit or income is recorded before user acceptance of the software license. To the extent estimated costs are expected to exceed revenue, the Company accrues for costs immediately. During the quarter ended June 30, 2011 the Company established VSOE of fair value for post contract support ("PCS") services for a group of certain Nexius customers. The establishment of VSOE of fair value followed an alignment of the Company's pricing practices for these services. As a result of establishing VSOE, the Company, for the three months ended June 30, 2011, recorded revenue and related costs of revenue of $1.2 million and $0.6 million, respectively, of which $0.9 million and $0.3 million, respectively, had been previously deferred.

Stock-Based Compensation

The Company estimates the fair value of share-based awards on the date of grant. The fair value of stock options with only service conditions is determined using the Black-Scholes option-pricing model. The fair value of market-based stock options and restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of the Company's common stock on the date of grant. The determination of the fair value of the Company's stock option awards and restricted stock awards is based on a variety of factors including, but not limited to, the Company's common stock price, expected stock price volatility over the expected life of awards, and actual and projected exercise behavior. Additionally, the Company has estimated forfeitures for share-based awards at the dates of grant based on historical experience, adjusted for future expectations. The forfeiture estimate is revised, as necessary, if actual forfeitures differ from these estimates.

The Company issues restricted stock awards where restrictions lapse upon the passage of time (service vesting), achieving performance targets, or some combination of these restrictions. For those restricted stock awards with only service conditions, the Company recognizes compensation cost on a straight-line basis over the explicit service period. For awards with both performance and service conditions, the Company starts recognizing compensation cost over the remaining service period, when it is probable the performance condition will be met. For stock awards that contain performance or market vesting conditions, the Company excludes these awards from diluted earnings per share computations until the contingency is met as of the end of that reporting period.

Income Taxes

Income taxes are accounted for using the asset and liability method. 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.

The Company records a valuation allowance when it determines based on available positive and negative evidence, that it is more-likely-than-not that some portion or all of its deferred tax assets will not be realized. The Company determines the realizability of its deferred tax assets primarily based on projections of future taxable income (exclusive of reversing temporary differences and carryforwards). In evaluating such projections, the Company considers its history of profitability, the competitive environment, the overall outlook for the online marketing industry and general economic conditions. In addition, the Company considers the timeframe over which it would take to utilize the deferred tax assets prior to their expiration.

For certain tax positions, the Company uses a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are measured at 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. The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense.

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,	
	2011	2010	2011	2010
	(In thousands, except share and per share data)			
Net (loss) income	$ (8,229)	$ 825	$ (8,563)	$ 1,054
Weighted-average shares outstanding-common stock, basic	31,832,105	30,965,800	31,744,988	30,817,853
Dilutive effect of:				
Options to purchase common stock	—	726,798	—	757,023
Unvested shares of restricted stock units	—	35,224	—	41,141
Warrants to purchase common stock	—	8,896	—	9,633
Weighted-average shares outstanding-common stock, diluted	31,832,105	31,736,718	31,744,988	31,625,650
Net income per share- common stock:				
Basic	$ (0.26)	$ 0.03	$ (0.27)	$ 0.03
Diluted	$ (0.26)	$ 0.03	$ (0.27)	$ 0.03

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,	
	2011	2010	2011	2010
Stock options and restricted stock units	693,944	682,230	658,123	361,773
Common stock warrants	20,030	—	11,388	—

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, which amends the revenue guidance under the ASC Subtopic 605-25, "*Multiple Element Arrangements*". This update addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration shall be measured and allocated to the separate units of accounting in the arrangement. The Company adopted this guidance on January 1, 2011. The impact of adopting this new revenue recognition guidance in the first half of 2011 is that the Company recognized approximately $2.2 million in revenue and profit before tax that otherwise would have been recognized in future periods under the previous revenue recognition guidance.

In October 2009, the FASB issued ASU 2009-14 "*Certain Revenue Arrangements That Include Software Elements*". Under the ASU tangible products that contain both software and non-software components that work together to deliver a product's essential functionality are excluded from the scope of pre-existing software revenue recognition standards. The Company adopted this guidance on January 1, 2011. The Company does not currently sell tangible products, and accordingly, the adoption of this guidance did not have an impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28 which amends "*Intangibles- Goodwill and Other*" (Topic 350). The ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting entities, they are required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. An entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance in Topic 350, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This new guidance became effective for comScore on January 1, 2011. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, which addresses diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations (Topic 805). This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This ASU also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro-forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This new guidance became effective for comScore on January 1, 2011. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220)—Presentation of Comprehensive Income*, to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for comScore in its first quarter of fiscal 2012 and should be applied retrospectively. The Company currently believes there will be no significant impact on its consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)—Fair Value Measurement*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. ASU 2011-04 is effective for comScore in its fourth quarter of fiscal 2012 and should be applied prospectively. The Company is currently evaluating the impact of adopting ASU 2011-04, but currently believes there will be no significant impact on its consolidated financial statements.

3. Business Combinations

During 2011, the Company finalized its purchase accounting for the acquisition of Nexius, Inc. An additional $0.7 million was recorded to Goodwill related to the final calculation of opening working capital and tax adjustments of Nexius, Inc. During the second quarter of 2011 the Company recorded an additional $0.1 million in goodwill associated with an adjustment to the fair value of acquired deferred revenue related to the acquisition of Nedstat B.V. The Company continues to evaluate the opening balance sheet for certain opening balance sheet liabilities and tax related items and may continue to adjust the preliminary purchase price allocation after obtaining more information about tax liabilities assumed for the acquisition of Nedstat B.V.

4. Investments and Fair Value Measurements

As of June 30, 2011 and December 31, 2010, the Company had $2.6 million and $2.8 million, respectively, in investments consisting of four separate auction rate securities with a par value of $4.3 million. As of December 31, 2010, these investments were classified as long-term investments on the balance sheet. On July 6, 2011, the Company sold these securities for $2.6 million. Accordingly, as of June 30, 2011 the Company adjusted the carrying value of these investments to be equal to the proceeds to be received and classified these investments as short-term investments on the balance sheet.

Marketable securities, which are classified as available-for-sale, are summarized below (in thousands):

	Amortized Cost	Gross Unrealized Gain	Aggregate Fair Value	Classification on Balance Sheet Short-Term Investments	Classification on Balance Sheet Long-Term Investments
As of June 30, 2011:					
Auction rate securities (Level 3)	$2,380	$211	$2,591	$2,591	$ —
	$2,380	$211	$2,591	$2,591	$ —

	Amortized Cost	Gross Unrealized Gain	Aggregate Fair Value	Classification on Balance Sheet Short-Term Investments	Classification on Balance Sheet Long-Term Investments
As of December 31, 2010:					
Auction rate securities (Level 3)	$2,380	$439	$2,819	$ —	$2,819
	$2,380	$439	$2,819	$ —	$2,819

There were no gross unrealized losses related to available-for-sale securities as of June 30, 2011 and December 31, 2010. The unrealized gains of $0.2 million as of June 30, 2011 will be recorded as realized gains upon the sale of the auction rate securities in the third quarter of 2011.

The following table provides a reconciliation of the beginning and ending balances for the major classes of assets measured at fair value using significant unobservable inputs (Level 3) (in thousands):

	Long-term Investments
Balance on December 31, 2010	$ 2,819
Unrealized losses included in other comprehensive income	(228)
Balance on June 30, 2011	$ 2,591

5. Goodwill and Intangible Assets

The change in the carrying value of goodwill for the three months ended June 30, 2011 is as follows (in thousands):

Balance as of December 31, 2010	$ 86,217
Nexius, Inc. net working capital and tax adjustments	704
Nedstat acquired deferred revenue adjustments	103
Translation adjustments	1,886
Balance as of June 30, 2011	$ 88,910

Certain of the Company's goodwill and intangible assets are recorded in euros, British Pounds and the local currencies of its South American subsidiaries, and therefore, the gross carrying amount and accumulated amortization are subject to foreign currency translation adjustments.The carrying values of the Company's finite-lived acquired intangible assets are as follows (in thousands):

	June 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired methodologies/technology	$ 10,795	$ (2,470)	$ 8,325	$ 10,157	$ (1,633)	$ 8,524
Customer relationships	39,893	(5,643)	34,250	38,471	(3,140)	35,331
Panel	1,634	(720)	914	1,615	(597)	1,018
Intellectual property	2,569	(792)	1,777	2,561	(662)	1,899
Trade names	4,202	(1,595)	2,607	4,069	(581)	3,488
	$ 59,093	$ (11,220)	$ 47,873	$ 56,873	$ (6,613)	$ 50,260

During the quarter ended June 30, 2011, the Company decided to cease using the ARS trade name effective December 31, 2011. Accordingly, the net book value of the ARS trade name of $1.2 million will be amortized over the nine months ending December 31, 2011.

Amortization expense related to intangible assets was approximately $2.4 million and $4.4 million for the three and six months ended June 30, 2011, respectively, and $0.7 million and $1.2 million for the three and six months ended June 30, 2010, respectively.

The weighted average remaining amortization period by major asset class as of June 30, 2011, is as follows:

	(In years)
Acquired methodologies/technology	5.9
Customer relationships	7.9
Panel	3.9
Intellectual property	6.9
Trade names	1.8

The estimated future amortization of acquired intangible assets as of June 30, 2011 is as follows:

	(In thousands)
2011	$ 4,849
2012	7,810
2013	7,156
2014	7,000
2015	6,011
Thereafter	15,047
	$ 47,873

6. Long-term Debt and Other Financing Arrangements

Capital Leases

In November 2010, the Company increased its lease financing arrangement with Banc of America Leasing & Capital, LLC to $15.0 million. This arrangement was established to allow the Company to lease new software, hardware and other computer equipment as it expands its technology infrastructure in support of its business growth. Future minimum payments under capital leases with initial terms of one year or more are as follows:

	(In thousands)
2011	$ 2,880
2012	5,918
2013	4,612
2014	444
2015	5
Total minimum lease payments	13,859
Less amount representing interest	(767)
Present value of net minimum lease payments	13,092
Less current portion	(5,423)
Capital lease obligations, long-term	$ 7,669

During the six months ended June 30, 2011 and 2010, the Company acquired $2.8 million and $5.5 million, respectively, in computer equipment through the issuance of capital leases.

Secured Revolving Credit Facility

On June 30, 2011, the Company entered into a secured credit and security agreement (the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”) for a two-year, $50.0 million secured revolving credit facility (the “Revolving Credit Facility”). The agreement includes a maximum $7.0 million sublimit for a euro loan facility and a $10.0 million sublimit for the issuance of letters of credit. The maturity date of the Revolving Credit Facility is June 30, 2013. Borrowings under the Revolving Credit Facility shall be used towards working capital and other general corporate purposes as well as for the issuance of letters of credit. Loans made under the Revolving Credit Facility will bear interest at a fluctuating rate based on the London Interbank Offered Rate (“LIBOR”) plus an applicable margin, which will range from 1.75% to 2.75%, based on the company’s funded debt ratio.

On June 30, 2011, the Company and each of the Company’s material, wholly-owned subsidiaries entered into a Security Agreement in favor of Bank of America (the “Security Agreement”). Pursuant to the Security Agreement, the obligations under the Revolving Credit Facility are secured by a security interest in substantially all of the Company’s assets.

Under the terms of the Revolving Credit Facility, the Company is restricted from paying dividends and incurring certain indebtedness, among other restrictive covenants. The Company continues to be in full compliance with all covenants contained in the Revolving Credit Facility.

As of August 4, 2011, no amounts are outstanding under the terms of the Company’s Revolving Credit Facility.

The Company maintains letters of credit in lieu of security deposits with respect to certain office leases. During the three months ended June 30, 2011, one letter of credit was reduced by approximately $0.2 million. The reduction will be effective as of July 1, 2011. As of June 30, 2011, $3.1 million in letters of credit were outstanding, leaving $6.9 million available for additional letters of credit. These letters of credit may be reduced periodically provided the Company meets the conditional criteria of each related lease agreement.

7. Commitments and Contingencies

Leases

In addition to equipment financed through capital leases, the Company is obligated under various noncancelable operating leases for office facilities and equipment. These leases generally provide for renewal options and rent escalation. Future minimum payments under non-cancellable lease agreements with initial terms of one year or more are as follows:

	(In thousands)
2011	$ 3,367
2012	6,458
2013	5,601
2014	5,686
2015	5,767
Thereafter	16,632
Total minimum lease payments	$ 43,511

Total rent expense was $1.8 million and $3.3 million for the three and six months ended June 30, 2011, respectively, and $1.3 million and $2.6 million for the three and six months ended June 30, 2010, respectively.

Contingencies

On March 16, 2011, the Company received notice that The Nielsen Company (US) LLC ("Nielsen") filed a lawsuit against the Company in the United States District Court for the Eastern District of Virginia alleging, among other things, infringement of certain patent rights of Nielsen by the Company. Nielsen's complaint seeks unspecified damages and injunctive relief. Based on an initial review of these claims against the Company, the Company believes that they are without merit. The Company continues to investigate the claims against the Company by Nielsen, as well as any defenses and additional potential counterclaims, and the Company intends to vigorously defend itself. It is not possible for the Company to estimate a potential range of loss at this time.

On March 22, 2011, the Company filed a lawsuit against Nielsen and Netratings, LLC d/b/a Nielsen Online ("Netratings") in the United States District Court for the Eastern District of Virginia alleging infringement of certain patent rights of the Company by Nielsen and Netratings. The Company's complaint seeks unspecified damages and injunctive relief.

From time to time, the Company is exposed to unasserted potential claims encountered in the normal course of business. Although the outcome of any legal proceeding 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.

8. 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 . 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, 2011, the Company recorded an income tax provision of $2.0 million and an income tax benefit of $0.1 million, respectively, resulting in effective tax rates of 32.9% and 1.5%, respectively. During the three and six months ended June 30, 2010, the Company recorded an income tax provision of $1.0 million and $2.1 million, respectively, resulting in effective tax rates of 54.4% and 66.1%, respectively. These effective tax rates differ from the Federal statutory rate of 35% primarily due to the effects of valuation allowances associated with foreign losses, state income taxes, foreign income taxes, nondeductible expenses such as certain stock compensation and meals and entertainment, unrecognized tax benefits, and changes in statutory tax rates which took effect during the year. During the three and six months ended June 30, 2010, 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. 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, the impact of these shortfalls totaling $0.1 million and $0.3 million has been included in income tax expense for the three and six months June 30, 2010, respectively. There was no comparative amount for the three and six months ended June 30, 2011.

The exercise of certain stock options and the vesting of certain restricted stock awards during the three and six months ended June 30, 2011 and 2010, generated income tax deductions equal to the excess of the fair market value over the exercise price or grant date fair value, as applicable. 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 consolidated financial statements related to the additional net operating losses generated from the windfall tax deductions associated with the exercise of these stock options and the vesting of restricted stock awards. 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.

As of June 30, 2011 and December 31, 2010, the Company had a valuation allowance related to the deferred tax asset for the value of the auction rate securities and the deferred tax assets of the foreign subsidiaries (primarily net operating loss carryforwards), that are in their start-up phases. Management will continue to evaluate the Company's deferred tax position of its U.S. and foreign companies throughout 2011 to determine the appropriate level of valuation allowance required against its deferred tax assets.

As of June 30, 2011 and December 31, 2010, the Company had unrecognized tax benefits of approximately $2.4 million. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of June 30, 2011 and December 31, 2010, the amount of accrued interest and penalties on unrecognized tax benefits was approximately $0.8 million.

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 examinations by tax authorities for years before 2007 or state and local examinations by tax authorities for years before 2006 although tax attribute carryforwards generated prior to these years may still be adjusted upon examination by tax authorities.

9. 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 June 30, 2011 and December 31, 2010, the Plans provided for the issuance of a maximum of approximately 7.2 million shares and 5.9 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 ratable over a four-year period. Options generally expire 10 years from the date of the grant. Effective January 1, 2011, the shares available for grant increased 1,260,942 pursuant to the automatic share reserve increase provision under the Plan. Accordingly, as of June 30, 2011, 2,122,909 shares were available for future grant under the Plans.

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, 2011, no stock options were granted.

On March 15, 2011, the Compensation Committee (the "Compensation Committee") of the Company's Board of Directors approved the 2011 Executive Compensation Bonus Policy (the "Policy") authorizing annual performance-based stock bonus target and maximum levels for certain employees of the Company, including certain members of the Company's senior management, for the 2011 fiscal year. Awards under the Policy will be settled in shares of the Company's common stock. The amount of the award for each participant will be determined in the first quarter of 2012 based on a combination of qualitative and quantitative performance metrics applicable to each participant. Bonus awards will include two components: short-term and long-term. The award associated with the short-term performance bonus is expected to vest immediately on the grant date. With respect to the long-term performance bonus award, 25% of the award is expected to vest immediately on the grant date, with the remaining 75% vesting ratably over the next 3 years. Also on March 15, 2011, the Committee approved the payment of stock to certain members of the Company's senior management in lieu of cash salary for the period from March 1, 2011 through December 31, 2011. The stock, to the extent earned, would be issued as soon as practicable following the end of the Company's 2011 fiscal year and will fully vest at the time issued. The amount of stock to be issued will have a value at time of issuance equal to the amount of salary foregone by such employees from March 1, 2011 through December 31, 2011, based on the closing price of Company's common stock as reported on the NASDAQ Global Market at the time of issuance. The amount of salary foregone by such employees for such period is expected to be approximately $0.8 million. Stock compensation expense for the three and six months ended June 30, 2011 included $0.7 million and $0.2 million, respectively, related to these estimated awards.

A summary of the Company's equity 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, 2010	1,713,165	$ 11.68		
Options granted	—	—		
Options exercised	(81,141)	3.34		$ 1,927
Options forfeited	(82)	9.29		
Options expired	(562)	9.90		
Options outstanding at June 30, 2011	1,631,380	$ 12.10	3.52	$ 22,335
Options exercisable at June 30, 2011	588,335	$ 1.27	2.93	$ 14,314

The 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. 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, 2011. As of June 30, 2011, total unrecognized compensation expense related to non-vested stock options granted prior to that date is estimated at $1.2 million, which the Company expects to recognize over a weighted-average period of approximately 0.66 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 three months ended June 30, 2011, 47,015 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, 2011 is presented as follows:

Nonvested Stock Awards	Restricted Stock	Restricted Stock Units	Number of Shares Underlying Awards	Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2010	1,591,522	405,071	1,996,593	$ 15.43
Granted	456,779	241,983	698,762	28.12
Vested	(555,047)	(56,700)	(611,747)	15.30
Forfeited	(59,329)	(10,240)	(69,569)	17.30
Nonvested at March 31, 2011	1,433,925	580,114	2,014,039	$ 19.80

The aggregate intrinsic value for all non-vested shares of restricted common stock outstanding as of June 30, 2011 was $37.1 million.

The Company granted nonvested stock awards at no cost to recipients during the three months ended June 30, 2011. As of June 30, 2011, total unrecognized compensation expense related to non-vested restricted stock and restricted stock units was $26.8 million, which the Company expects to recognize over a weighted-average period of approximately 1.25 years. Total unrecognized compensation expense may be increased or decreased in future periods for subsequent grants or forfeitures.

Of the 74,722 shares of the Company's restricted stock and restricted stock units vesting during the three months ended June 30, 2011, the Company repurchased 25,195 shares at an aggregate purchase price of approximately $0.7 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, 2011, 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	2,122,909
Common stock reserved for outstanding options and restricted stock units	2,211,494
Common stock reserved for outstanding warrants	24,375
	4,358,778

10. 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, 2011 and 2010 is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
United States	$ 43,400	$ 35,418	$ 83,907	$ 65,276
Europe	8,203	2,748	15,443	5,526
Canada	2,496	1,731	4,615	3,790
Latin America	1,995	1,641	3,717	2,638
Middle East & Africa	1,080	—	1,576	—
Asia	921	424	1,788	871
Total Revenues	$ 58,095	$ 41,962	$ 111,046	$ 78,101

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, 2011	December 31, 2010
	(In thousands)	
United States	$ 23,711	$ 22,627
Europe	5,232	5,221
Canada	391	411
Latin America	374	378
Asia	38	—
Total	$ 29,746	$ 28,637

11. Subsequent Event

On August 3, 2011, the Company entered into a definitive Merger Agreement (the "Merger Agreement") with AdXpose, Inc. ("AdXpose"). The acquisition of AdXpose has been approved by both companies' boards of directors and remains subject to customary closing conditions. Following closing, AdXpose will become a wholly-owned subsidiary of the Company. AdXpose provides advertisers and publishers with greater transparency and confidence in the quality, safety, and performance of their digital advertising campaigns by allowing them to verify and optimize billions of campaign data points captured in real-time. The consideration for the acquisition is payable in a combination of cash and the Company's common stock, subject to certain closing adjustments as set forth in the Merger Agreement. Approximately $4.0 million of the total merger consideration will be placed into escrow on the closing date to secure indemnity obligations pursuant to the Merger Agreement.

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 approximately 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. This panel information is complemented by a Unified Digital Measurement solution to digital audience measurement. Unified Digital Measurement blends panel and server methodologies into a solution that provides a direct linkage and reconciliation between server and panel measurement.

We deliver our digital marketing intelligence through our comScore Media Metrix product suite, our comScore Marketing Solutions products, our comScore mobile solutions and our comScore web analytics solutions. 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. 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 this data anytime online. 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. 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 web analytics products and video measurement solutions help organizations optimize customer experience and maximize return on digital media investments by allowing marketers to collect, view and distribute information tailored to their specific business requirements. Our web analytics platform is designed to integrate data from multiple sources including web, mobile and social media interactions, as well as CRM, call center and back-office systems.

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 approximately 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 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 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, Plan Metrix, the second generation of our media planning product, and 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. Beginning in Summer 2009, the panel information has been complemented by comScore Media Metrix 360, a "Unified Digital Measurement" solution to digital audience measurement that blends panel and server methodologies into an approach that provides a direct linkage and reconciliation between server and panel measurement.

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. In the middle of November 2009, we acquired Certifica, Inc., a leader in web measurement in Latin America, as part of our global expansion. Certifica maintains offices and sales resources in six Latin American countries, which we hope will provide a platform to enhance our business in that region. On February 10, 2010, we acquired the outstanding stock of ARSgroup, Inc. to expand our ability to provide our clients with actionable information to improve their creative and strategic messaging targeted against specific audiences. On July 1, 2010, we acquired the outstanding stock of Nexius, Inc., or Nexius. Nexius is a provider of products to the large mobile networks that deliver network analysis focused on the experience of wireless subscribers, as well as network intelligence with respect to performance, capacity and configuration analytics. On August 31, 2010, we acquired the outstanding stock of Nedstat B.V., or Nedstat, a provider of web analytics and innovative video measurement solutions based out of Amsterdam, Netherlands. On August 3, 2011, we entered into a definitive merger agreement to acquire all of the outstanding equity of AdXpose, Inc., or AdXpose, a provider of digital advertising analytics solutions based out of Seattle, Washington.

Our total revenues have grown to $175.0 million during the fiscal year ended December 31, 2010 and $111.0 million during the first half of 2011 from $87.2 million during the fiscal year ended December 31, 2007. By comparison, our total expenses from operations have grown to $176.5 million during the fiscal year ended December 31, 2010 and $119.8 million during the first half of 2011 from $76.5 million during the fiscal year ended December 31, 2007. We attribute the growth in our revenues primarily 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 and from acquired businesses;
- 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, 2011, we had 1,860 customers, compared to 895 as of December 31, 2007. We sell most of our products through our direct sales force.

As a result of the economic events over the last several years, such as, the global financial crisis in the credit markets, softness in the housing markets, difficulties in the financial services sector and political uncertainty in the Middle East, the direction and relative strength of the U.S. and global economies have become somewhat uncertain. During 2010, 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 economic downturn. Further, certain of our existing customers exited the market due to industry consolidation and bankruptcy in connection with these challenging economic conditions. During the first half of 2011, the U.S. and other economies showed signs of recovery and we continued to add net new customers. In addition, our existing customers renewed their subscriptions at a rate of over 90% based on dollars renewed during the first half of 2011. However, if economic recovery slows or 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 suite, comScore Marketing Solutions, comScore mobile solutions and comScore web analytics solutions.

A significant characteristic of our business model is our large percentage of subscription-based contracts. Subscription-based revenues accounted for 85% of total revenues in the six months ended June 30, 2011 and the full year 2010. 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, 2010, our international revenues were $32.7 million, an increase of $13.0 million, or 66%, compared to 2009. For the six months ended June 30, 2011, our international revenues were $27.1 million, an increase of $14.3 million, or 112% over international revenues of $12.8 million for the six months ended June 30, 2010. International revenues comprised approximately 24%, 19% and 15% of our total revenues for the six months ended June 30, 2011 and fiscal years ended December 31, 2010, 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 suite. Products within the Media Metrix suite include Media Metrix 360, Media Metrix, 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 questionnaires 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.

On July 1, 2010, we completed our acquisition of Nexius, resulting in additional revenue sources, including software licenses, professional services (including software customization, implementation, training and consulting services), and maintenance and technical support contracts. Our arrangements generally contain multiple elements, consisting of the various service offerings. We recognize software license arrangements that include significant modification and customization of the software in accordance with FASB Accounting Standards Codification (“ASC”) 985-605, Software Recognition, and ASC 605-35, Revenue Recognition-Construction-Type and Certain Production-Type Contracts, typically using the completed-contract method. Prior to March 31, 2011, we had not established VSOE of fair value for the multiple deliverables and therefore accounted for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue on a straight line basis over the service period of the last delivered element. During the period of performance, billings and costs (to the extent they are recoverable) are accumulated on the balance sheet, but no profit or income is recorded before user acceptance of the software license. To the extent estimated costs are expected to exceed revenue, we accrue for costs immediately. During the quarter ended June 30, 2011 we established VSOE of fair value for post contract support (“PCS”) services for certain Nexius customers. The establishment of VSOE of fair value followed an alignment of our pricing practices for these services. As a result of establishing VSOE, for the three months ended June 30, 2011, we recorded revenue and related costs of revenue of $1.2 million and $0.6 million, respectively, of which $0.9 million and $0.3 million, respectively, had been previously deferred. On August 31, 2010, we completed our acquisition of Nedstat, resulting in additional revenue sources, including software subscriptions, server calls, and professional services (including training and consulting). Our arrangements generally contain multiple elements, consisting of the various service offerings.

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.

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 in Item 8 of our Annual Report on Form 10-K for the year ended

December 31, 2010, 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 when the following fundamental criteria are met: (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 is 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 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 the our arrangements contain multiple elements, consisting of the various services we offer. Multiple element arrangements typically consist of either subscriptions to multiple online product solutions or a subscription to our online database combined with customized services. Historically, we had determined there was not objective and reliable evidence of fair value for any of our services and, therefore, accounted for all elements in multiple element 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 the commencement of the subscription element. For these historical arrangements, 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 element delivered.

Effective January 1, 2011, the Company adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2009-13, *Multiple Deliverable Revenue Arrangements* , which requires us to allocate arrangement consideration at the inception of an arrangement to all deliverables, if they represent a separate unit of accounting, based on their relative selling prices. In addition, this guidance eliminated the use of the residual method for allocating arrangement consideration. This guidance is applicable to us for all arrangements entered into subsequent to December 31, 2010 and for any existing arrangements that are materially modified after December 31, 2010.

For these types of arrangements, the guidance establishes a hierarchy to determine the selling price to be used for allocating arrangement consideration to deliverables: (i) vendor-specific objective evidence of fair value (“VSOE”), (ii) third-party evidence of selling price (“TPE”) if VSOE is not available, or (iii) an estimated selling price (“ESP”) if neither VSOE nor TPE are available. VSOE generally exists only when we sell the deliverables separately and is the price actually charged by us for that deliverable on a stand-alone basis. ESP reflects our estimate of what the selling price of a deliverable would be if it was sold regularly on a stand-alone basis.

We have concluded we do not have VSOE for these types of arrangements, and TPE is generally not available because our service offerings are highly differentiated and we are unable to obtain reliable information on the products and pricing practices of our competitors. As such, ESP is used to allocate the total arrangement consideration at the arrangement inception based on each element’s relative selling price.

Our process for determining ESP involves management’s judgments based on multiple factors that may vary depending upon the unique facts and circumstances related to each product suite and deliverable. We determine ESP by considering several external and internal factors including, but not limited to, current pricing practices, pricing concentrations (such as industry, channel, customer class or geography), internal costs and market penetration of a product or service. The total arrangement consideration is allocated to each of the elements based on the relative selling price. If the ESP is determined as a range of selling prices, the mid-point of the range is used in the relative-selling-price method. Once the total arrangement consideration has been allocated to each deliverable based on the relative allocation of the arrangement fee, we commence revenue recognition for each deliverable on a stand-alone basis as the data or service is delivered.

The impact of adopting this new revenue recognition guidance in the first half of 2011 is that we recognized approximately $2.2 million in revenue and profit before tax that otherwise would have been recognized in future periods under the previous revenue recognition guidance. Based on the amounts involved, the timing of when this revenue would have been recognized under the previous revenue recognition rules, and the current backlog of arrangements, we believe the adoption of this accounting guidance will not have a material impact on our financial statements for the year ended December 31, 2011. ESP will be analyzed on an annual basis or more frequently if management deems it likely that changes in the estimated selling prices have occurred.

In the future, as our pricing strategies and market conditions change, modifications may occur to the determination of ESP to reflect these changes. As a result, the future revenue recognized for these arrangements could differ from the results in the current period.

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.

In connection with our acquisition of Nexius, Inc., we acquired additional revenue sources, including software licenses, professional services (including software customization, implementation, training and consulting services), and maintenance and technical support contracts. Our arrangements generally contain multiple elements, consisting of the various service offerings. We recognize software license arrangements that include significant modification and customization of the software in accordance with ASC 985-605, *Software Recognition,* and ASC 605-35, *Revenue Recognition-Construction-Type and Certain Production-Type Contracts*, typically using the completed-contract method. Prior to March 31, 2011, the Company had not established VSOE of fair value for the multiple deliverables and therefore accounted for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue on a straight line basis over the service period of the last delivered element. During the period of performance, billings and costs (to the extent they are recoverable) are accumulated on the balance sheet, but no profit or income is recorded before user acceptance of the software license. To the extent estimated costs are expected to exceed revenue, the Company accrues for costs immediately. During the quarter ended June 30, 2011 the Company established VSOE of fair value for post contract support ("PCS") services for certain Nexius customers. The establishment of VSOE of fair value followed an alignment of the Company's pricing practices for these services. As a result of establishing VSOE, the Company, for the three months ended June 30, 2011, recorded revenue and related costs of revenue of $1.2 million and $0.6 million, respectively, of which $0.9 million and $0.3 million, respectively, had been previously deferred.

Business Combinations

We recognize all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. Subsequent changes to the purchase price (i.e., working capital adjustments) or other fair value adjustments determined during the measurement period are recorded as an adjustment to goodwill. All subsequent changes to a valuation allowance or uncertain tax position that relate to the acquired company and existed at the acquisition date that occur both within the measurement period and as a result of facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill. All other changes in valuation allowances are recognized as a reduction or increase to income tax expense or as a direct adjustment to additional paid-in capital as required. Acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life.

Goodwill and Intangible Assets

We record goodwill and intangible assets when we acquire other businesses. 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 allocation of the purchase price to intangible assets is done at fair value. The Company estimates the fair value of identifiable intangible assets acquired using various valuation methods, including the excess earnings and relief from royalty methods.

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. 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 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 impairment charges recognized during the three and six months ended June 30, 2011 and 2010.

Long-lived assets

Our long-lived assets primarily consist of property and equipment and intangible 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, 2011 and 2010.

Allowance for Doubtful Accounts

We manage credit risk on accounts receivable by performing credit evaluations for existing customers coming up for renewal as well as for 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 Taxes

We account for income taxes using the asset and liability method. 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 deferred tax assets, 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 carrying value of such assets.

As of June 30, 2011, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately $35.5 million and $26.3 million, respectively. These net operating loss carryforwards will begin to expire in 2022 for federal and in 2016 for state income tax reporting purposes. As of June 30, 2011, we estimate our aggregate net operating loss carryforward for tax purposes related to our foreign subsidiaries is $32.6 million, which begins to expire in 2011. In addition, as of June 30, 2011, we had alternative minimum tax credit carryforwards of $1.5 million, which can be carried forward indefinitely and research and development credit carryforwards of approximately $0.7 million, which begin to expire in 2025.

As of June 30, 2011 and December 31, 2010, we had a valuation allowance related to the deferred tax asset for the value of the auction rate securities and the deferred tax assets of the foreign subsidiaries (primarily net operating loss carryforwards), that are in their start-up phases. Management will continue to evaluate the deferred tax position of our U.S. and foreign companies throughout 2011 to determine the appropriate level of valuation allowance required against our deferred tax assets.

The exercise of certain stock options and the vesting of certain restricted stock awards during the six months ended June 30, 2011 and 2010 generated income tax deductions equal to the excess of the fair market value over the exercise price or grant date fair value, as applicable. 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 and the vesting of the restricted stock awards. 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 months ended June 30, 2010, 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. 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, the impact of these shortfalls totaling $0.1 million and $0.3 million has been included in income tax expense for the three and six months ended June 30, 2010. There is no comparative amount for the three and six months ended June 30, 2011. Looking forward, we expect our income tax provisions for future reporting periods 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.

For uncertain tax positions, we use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are 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. As of June 30, 2011 and December 31, 2010, we had unrecognized tax benefits of $2.4 million, on a tax-effected basis. It is our policy to recognize interest and penalties related to income tax matters in income tax expense. As of June 30, 2011 and December 31, 2010, the amount of accrued interest and penalties on unrecognized tax benefits was $0.8 million. 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 examinations by tax authorities for years before 2007 or state and local tax examinations by tax authorities for years before 2006, although tax attribute carryforwards generated prior to these years may still be adjusted upon examination by tax authorities.

Stock-Based Compensation

We estimate the fair value of share-based awards on the date of grant. The fair value of service-based stock options is determined using the Black-Scholes option-pricing model. The fair value of market-based stock options and restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of our common stock on the date of grant. The determination of the fair value of stock option awards and restricted stock awards is based on a variety of factors including, but not limited to, our common stock price, expected stock price volatility over the expected life of awards, and actual and projected exercise behavior. Additionally we estimate forfeitures for share-based awards at the dates of grant based on historical experience, adjusted for future expectations. The forfeiture estimate is revised as necessary if actual forfeitures differ from these estimates.

We issue restricted stock awards whose restrictions lapse upon either the passage of time (service vesting), achieving performance targets, or some combination of these restrictions. For those restricted stock awards with only service conditions, we recognize compensation cost on a straight-line basis over the explicit service period. For awards with both performance and service conditions, we start recognizing compensation cost over the remaining service period when it is probable the performance condition will be met. Stock awards that contain performance or market vesting conditions, are excluded from diluted earnings per share computations until the contingency is met as of the end of that reporting period.

At June 30, 2011, total estimated unrecognized compensation expense related to unvested stock-based awards granted prior to that date was $28.0 million, which is expected to be recognized over a weighted-average period of 1.22 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. If factors change and we employ different assumptions in future periods, the compensation expense we record may differ significantly from what we have previously recorded.

Seasonality

Historically, a slightly higher percentage of our customers have renewed their subscription products with us during the fourth quarter.

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,	
	2011	2010	2011	2010
Revenues	100%	100%	100%	100%
Cost of revenues	33.2	29.5	32.8	29.1
Selling and marketing	33.9	30.7	34.1	32.8
Research and development	15.2	14.5	15.1	14.3
General and administrative	24.1	19.5	21.9	18.4
Amortization	4.2	1.6	4.0	1.5
Total expenses from operations	110.6	95.8	107.9	96.1
(Loss) income from operations	(10.6)	4.2	(7.9)	3.9
Interest and other (expense) income, net	(0.2)	0.1	(0.2)	0.2
Gain (loss) from foreign currency	0.2	—	0.2	(0.2)
(Loss) income before income taxes	(10.6)	4.3	(7.9)	3.9
Income tax benefit (provision)	(3.5)	(2.4)	0.1	(2.6)
Net (loss) income	(14.1)%	1.9%	(7.8)%	1.3%

Three and Six Month period ended June 30, 2011 compared to the Three and Six Month Period ended June 30, 2010

Revenues

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2011	2010	$	%	2011	2010	$	%
	(In thousands)							
Total Revenues	$58,095	$41,962	$16,133	38.4%	$111,046	$78,101	$32,945	42.2%

Total revenues increased by approximately $16.1 million, or approximately 38%, during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. We attribute the revenue growth to a combination of increased sales to our existing customer base and continued growth of our customer base during the period. Revenue from existing customers increased $11.0 million from $38.1 million for the three months ended June 30, 2010 to $49.1 million for the three months ended June 30, 2011, while revenues from new customers increased $5.1 million from $3.9 million for the three months ended June 30, 2010 to $9.0 million for the three months ended June 30, 2011.

We experienced continued revenue growth in subscription revenues, which increased by approximately $13.0 million during the three months ended June 30, 2011, from $36.5 million in the prior year period. In addition, our project-based revenues increased by approximately $3.1 million during the three months ended June 30, 2011, from $5.5 million in the prior year period.

Revenues from U.S customers increased to $43.4 million for the three months ended June 30, 2011, or approximately 75% of total revenues, while revenues from customers outside of the U.S. increased to $14.7 million for the three months ended June 30, 2011, or approximately 25% of total revenues. A substantial portion of this increase in the proportion of our international revenues is attributable to our international acquisitions in the second half of 2010. However, this growth was further supplemented by our organic growth efforts in international markets. These combined activities resulted in increased international revenues of $8.2 million, comprised of increases of $5.5 million in Europe, $0.4 million in Latin America, $1.1 million in the Middle East & Africa, $0.5 million in Asia, and $0.7 million in Canada during the three months ended June 30, 2011 as compared to the prior year period.

Included in total revenues for the three months ended June 30, 2011 was approximately $7.8 million related to businesses that were acquired subsequent to June 30, 2010.

Total revenues increased by approximately $32.9 million, or approximately 42%, during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The revenue growth was due to a combination of increased sales to our existing customer base and continued growth of our customer base. Revenue from existing customers increased $23.7 million from $70.4 million for the six months ended June 30, 2010 to $94.1 million for the six months ended June 30, 2011, while revenues from new customers increased $9.2 million from $7.7 million for the six months ended June 30, 2010 to $16.9 million for the six months ended June 30, 2011.

We experienced continued revenue growth in subscription revenues, which increased by approximately $26.9 million during the six months ended June 30, 2011, from $67.4 million in the prior year period. In addition, our project-based revenues increased by approximately $6.0 million during the six months ended June 30, 2011, from $10.7 million in the prior year period.

Revenues from U.S customers increased to $83.9 million for the six months ended June 30, 2011, or approximately 76% of total revenues, while revenues from customers outside of the U.S. increased to $27.1 million for the six months ended June 30, 2011, or approximately 24% of total revenues. A substantial portion of this increase is attributable to our international acquisitions in the second half of 2010. However, this growth was further supplemented by organic growth efforts in international markets. These combined activities resulted in increased international revenues of $14.3 million, comprised of increases of $9.9 million in Europe, $1.1 million in Latin America, $1.6 million in the Middle East & Africa, $0.9 million in Asia, and $0.8 million in Canada during the six months ended June 30, 2011 as compared to the prior year period.

Included in total revenues for the six months ended June 30, 2011 was approximately $13.7 million related to businesses that were acquired subsequent to June 30, 2010. Our total customer base grew through both organic growth and through acquisitions by a net increase of 439 customers to 1,860 customers as of June 30, 2011 from 1,421 as of June 30, 2010.

Operating Expenses

The majority of our operating expenses consist of employee salaries and related benefits, stock compensation expense, rent and other facility related costs and depreciation expense, and amortization of acquired intangible assets.

Our total operating expenses increased by approximately $24.1 million, or approximately 60%, during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. This increase is primarily attributable to increased expenditures for employee salaries, benefits and related costs of $7.2 million and increased stock-based compensation of $2.0 million associated with our increased headcount, increased professional fees of $4.5 million, of which $5.2 million is associated with litigation, offset by reductions of $0.7 million in other professional fees, increased use of third party providers for customer service and support related to our data collection efforts of $2.2 million due to increased revenue and expansion, increased rent and other facility related costs and depreciation expense allocations of $2.0 million, increases in amortization expense of $1.8 million related to the acquired intangible assets as part of the Nexius and Nedstat acquisitions and increases in sales commissions of $1.1 million due to our increases in revenue. All of the above costs have been allocated to the various components of our operating expenses, as further described in the following sections. Also included in our operating expenses for the three months ended June 30, 2011 was approximately $9.1 million related to the acquired businesses that were acquired subsequent to June 30, 2010, which accounts for approximately 38% of the overall increase in operating expenses (excluding amortization of intangible assets).

Our total operating expenses increased by approximately $44.8 million, or approximately 60%, during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. This increase is primarily attributable to increased expenditures for employee salaries, benefits and related costs of $16.1 million and increased stock-based compensation of $4.9 million associated with our increased headcount, increased professional fees of $5.6 million primarily associated with litigation, increased use of third party providers for customer service and support related to our data collection efforts of $4.0 million due to increased revenue and expansion, increased rent and other facility related costs and depreciation expense allocations of $3.9 million, increases in amortization expense of $3.3 million related to the acquired intangible assets as part of the Nexius and Nedstat acquisitions and increases in sales commissions of $1.6 million due to our increases in revenue. All of the above costs have been allocated to the various components of our operating expenses, as further described in the following sections.

Also included in our operating expenses for the six months ended June 30, 2011 was approximately $16.9 million related to the acquired businesses that were acquired subsequent to June 30, 2010, which accounts for approximately 38% of the overall increase in operating expenses (excluding amortization of intangible assets).

Cost of Revenues

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2011	2010	$	%	2011	2010	$	%
				(In thousands)				
Total cost of revenues	$19,302	$12,374	$6,928	56.0%	$36,440	$22,733	$13,707	60.3%
As a percentage of revenues	33.2%	29.5%			32.8%	29.1%		

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 other facilities related costs, and depreciation expense generated by general purpose equipment and software.

Cost of revenues increased by approximately $6.9 million during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. This increase was attributable to increased use of third party providers for customer service and support related to our data collection efforts of $2.2 million due to increased revenue and expansion, increased expenditures for employee salaries, benefits and related costs of $2.1 million associated with our increased headcount, increased rent and other facility related costs and depreciation expense allocations of $1.2 million, and increased data center and bandwidth costs of $0.8 million related to the increased number of Web sites using our Unified Digital Measurement solution, increased stock-based compensation of $0.4 million and increased hardware and software costs of $0.3 million. These costs were partially offset by reductions in panel recruitment, incentives and related costs of $0.5 million. Included within total cost of revenues for the three months ended June 30, 2011 was approximately $3.7 million directly related to the businesses that were acquired subsequent to June 30, 2010. Cost of revenues increased as a percentage of revenues during the three months ended June 30, 2011 as compared to the same period in 2010 reflecting our increased expenses for additional employees and infrastructure in anticipation of increased growth.

Cost of revenues increased by approximately $13.7 million during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. This increase was attributable to increased expenditures for employee salaries, benefits and related costs of $4.9 million associated with our increased headcount, increased use of third party providers for customer service and support related to our data collection efforts of $3.8 million due to increased revenue and expansion, increased rent and other facility related costs and depreciation expense allocations of $2.5 million, and increased data center and bandwidth costs of $1.2 million related to the increased number of Web sites using our Unified Digital Measurement solution, and increased stock-based compensation of $0.6 million. In addition, we experienced increased hardware and software costs of $0.4 million, increased travel costs of $0.2 million and increased office expenses of $0.2 million. These costs were partially offset by reductions in panel recruitment, incentives and related costs of $0.4 million. Included within total cost of revenues for the six months ended June 30, 2011 was approximately $6.6 million directly related to the businesses that were acquired subsequent to June 30, 2010. Cost of revenues increased as a percentage of revenues during the six months ended June 30, 2011 as compared to the same period in 2010 reflecting our increased expenses for additional employees and infrastructure in anticipation of increased growth.

Selling and Marketing Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2011	2010	$	%	2011	2010	$	%
				(In thousands)				
Total selling and marketing	$19,717	$12,892	$ 6,825	52.9%	$37,886	$25,610	$12,276	47.9%
As a percentage of revenues	33.9%	30.7%			34.1%	32.8%		

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, industry conferences, promotional materials, public relations, other sales and marketing programs, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense generated by general purpose equipment and software. 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 $6.8 million during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. This increase was attributable to increased employee salaries, benefits and related costs of $3.2 million and increased stock-based compensation of $1.0 million associated with our increased headcount, additional sales commissions of $1.1 million and increased travel costs of $0.5 million in connection with our sales growth, and increased rent and other facility related costs and depreciation expense allocations of $0.5 million.

Selling and marketing expenses increased by $12.3 million during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. This increase was attributable to increased employee salaries, benefits and related costs of $6.8 million and increased stock-based compensation of $1.8 million associated with our increased headcount, additional sales commissions of $1.6 million and increased travel costs of $0.8 million in connection with our sales growth, and increased rent and other facility related costs and depreciation expense allocations of $0.8 million. These costs were partially offset by the absence of severance expense of $0.3 million that was incurred in the first half of 2010 but not in the first half of 2011. Included within total selling and marketing expenses for the three and six months ended June 30, 2011 was approximately $4.3 million and $8.2 million, respectively, related to the acquired businesses that were acquired subsequent to June 30, 2010. Selling and marketing expenses increased as a percentage of revenues during the three and six months ended June 30, 2011 as compared to the same periods in 2010 as our overall headcount in this area increased.

Research and Development Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2011	2010	$	%	2011	2010	$	%
				(In thousands)				
Total research and development	$ 8,833	$ 6,088	$ 2,745	45.1%	$16,732	$11,135	$ 5,597	50.3%
As a percentage of revenues	15.2%	14.5%			15.1%	14.3%		

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, which is comprised of rent and other facilities related costs, and depreciation expense generated by general purpose equipment and software.

Research and development expenses increased by $2.7 million during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. This increase was attributable to increased employee salaries, benefits and related costs of $1.4 million associated with our increased headcount for research and development activities, higher costs of $0.3 million related to certain data licensing contracts that began in Q1 2011, increased stock-based compensation of $0.3 million, increased rent and other facility related costs and depreciation expense allocations of $0.2 million, and increased hardware and software costs of $0.2 million.

Research and development expenses increased by $5.6 million during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. This increase was attributable to increased employee salaries, benefits and related costs of $3.3 million associated with our increased headcount for research and development activities, higher costs of $0.6 million related to certain data licensing contracts that began in Q1 2011, increased stock-based compensation of $0.5 million, and increased rent and other facility related costs and depreciation expense allocations of $0.4 million. In addition, we experienced increased hardware and software costs of $0.3 million, increased travel costs of $0.2 million and increased office expenses of

$0.2 million. Research and development expenses were generally unchanged as a percentage of revenues for the three and six months ended June 30, 2011 compared to the same periods in 2010.

General and Administrative Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2011	2010	$	%	2011	2010	$	%
				(In thousands)				
Total general and administrative	$13,977	$ 8,167	$ 5,810	71.1%	$24,295	$14,373	$ 9,922	69.0%
As a percentage of revenues	24.1%	19.5%			21.9%	18.4%		

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, overhead, including allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense generated by general purpose equipment and software, and expenses incurred for other general corporate purposes.

General and administrative expenses increased by $5.8 million during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. This increase is primarily attributable to additional professional fees of $4.5 million, which includes costs related to recent litigation of $5.2 million, offset by reductions of $0.7 million in other professional fees. In addition, additional headcount resulted in increased employee salaries, benefits and related costs of $0.4 million, increased stock-based compensation of $0.3 million, increased sales meetings costs of $0.2 million, and increased rent and other facility related costs and depreciation expense allocations of $0.1 million. These costs were partially offset by $0.2 million of decreases in bad debt expense as the amount of bad debt write-offs decreased during the quarter. Included within general and administrative expenses for the three months ended June 30, 2011 was approximately $1.1 million related to the acquired businesses that were acquired subsequent to June 30, 2010.

General and administrative expenses increased by $9.9 million during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. This increase is primarily attributable to additional professional fees of $5.6 million, which includes costs related to recent litigation, and for other accounting, legal and general consulting services due to our expanding business. In addition, there was increased stock-based compensation expense of $2.0 million, and increased additional headcount resulted in increased employee salaries, benefits and related costs of $1.1 million, and increased rent and other facility related costs and depreciation expense allocations of $0.2 million. Included within general and administrative expenses for the six months ended June 30, 2011 was approximately $2.2 million related to the acquired businesses that were acquired subsequent to June 30, 2010. General and administrative expenses increased as a percentage of revenues during the three and six months ended June 30, 2011 as compared to the same periods in 2010 primarily due to the increased costs related to acquisitions and initiatives taken by the Company to help better position our business for long-term growth that are not immediately reflected in our current revenue as well as costs related to recent litigation.

Amortization Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2011	2010	$	%	2011	2010	$	%
				(In thousands)				
Total amortization expense	$ 2,434	$ 658	$ 1,776	269.9%	$ 4,428	$ 1,165	$ 3,263	280.1%
As a percentage of revenues	4.2%	1.6%			4.0%	1.5%		

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

Amortization expense increased $1.8 million and $3.3 million during the three and six months ended June 30, 2011, respectively, as compared to the three and six months ended June 30, 2010 due to amortization of intangible assets that were acquired after the second quarter of 2010 in connection with our acquisitions of Nexius and Nedstat and other immaterial acquisitions. In addition, we recorded additional amortization expense associated with a change in the useful life of the ARS trade name, which we will cease using as of December 31, 2011.

Interest and Other Income (expense), 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 minimum lease payment obligations are secured by a senior security interest in eligible equipment.

Interest expense, net for the three and six months ended June 30, 2011 was $0.1 million and $0.2 million, respectively, as compared to interest income, net of $0.1 million and $0.2 million for the three and six months ended June 30, 2010. The increase in interest expense is due to the increased borrowing under capital leases that were made during 2010. As of June 30, 2011, we had total minimum lease payment obligations of $13.9 million compared to $6.7 million as of June 30, 2010.

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 (loss) income.

We recorded a gain of $0.1 million and $0.2 million for the three and six months ended June 30, 2011, respectively, as compared to losses of $0.1 million during the three and six months ended June 30, 2010. Our foreign currency transactions are recorded as a result of fluctuations in the exchange rate primarily 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, 2011, we recorded an income tax provision of $2.0 million and an income tax benefit of $0.1 million, respectively, as compared to income tax provisions of $1.0 million and $2.1 million during the comparable periods of 2010, respectively. During the first quarter of 2011, we believed that we would be profitable for the full year 2011, and accordingly, we recorded an income tax benefit associated with the losses incurred in the first quarter of 2011 in the amount of $2.2 million. In the second quarter of 2011, we have forecasted a loss for the full year 2011, with the majority of those losses coming from jurisdictions in which we do not believe that we will be able to utilize these losses. As a result, we effectively reversed the majority of the income tax benefit recorded in the first quarter of 2011, such that we have recorded an income tax benefit of $0.1 million for the six months ended June 30, 2011. The tax provisions for the three and six months ended June 30, 2011 were attributable to current tax expense of $2.3 million and $1.4 million, respectively, and deferred tax benefits of $0.3 million and $1.5 million, respectively. These amounts include $0.0 million and $0.1 million of current and deferred tax expense for discrete items such as stock compensation, statutory rate changes and changes in uncertain tax positions recorded during the three and six months ended June 30, 2011, respectively. The tax provisions for the three and six months ended June 30, 2010 were attributable to current tax expenses of $0.7 million and $1.0 million, respectively, and deferred tax expenses of $0.3 million and $1.1 million, respectively. These amounts include $0.1 million and $0.6 million of current and deferred tax expense for discrete items such as stock-based compensation, statutory rate changes and changes in uncertain tax positions recorded during the three and six months ended June 30, 2010, respectively.

During the three and six months ended June 30, 2010, certain restricted stock awards vested which generated a tax deduction at a market price that was less than the price of the restricted stock on the dates the shares were granted. This shortfall of tax deductions would reduce additional paid-in capital to the extent windfall tax benefits had been realized in prior years. 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 months ended June 30, 2010 were impacted. The tax provision impact of the shortfall totaling $0.1 million and $0.3 million has been included in income tax expense for the three and six months ended June 30, 2010, respectively. There were no comparative amount for the three and six months ended June 30, 2011.

Recent Accounting 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,	
	2011	2010
	(In thousands)	
Net cash provided by operating activities	$ 19,692	$ 20,692
Net cash (used in) provided by investing activities	(5,056)	5,912
Net cash used in financing activities	(8,532)	(3,239)
Effect of exchange rate changes on cash	105	(322)
Net increase in cash and cash equivalents	$ 6,209	$ 23,043

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. As of June 30, 2011, our principal sources of liquidity consisted of cash, cash equivalents and short-term investments of $42.5 million, which represent cash generated from operating activities. As of June 30, 2011, we held $2.6 million in short-term investments consisting of four separate auction rate securities. These securities were sold for $2.6 million in July 2011.

On June 30, 2011, we entered into a secured credit and security agreement (the "Credit Agreement") with Bank of America, N.A. ("Bank of America") for a two-year, $50.0 million secured revolving credit facility (the "Revolving Credit Facility"). The agreement includes a maximum $7.0 million sublimit for a euro loan facility and a $10.0 million sublimit for the issuance of letters of credit. The maturity date of the Revolving Credit Facility is June 30, 2013. Borrowings under the Revolving Credit Facility shall be used towards working capital and other general corporate purposes as well as for the issuance of letters of credit. Loans made under the Revolving Credit Facility will bear interest at a fluctuating rate based on the London Interbank Offered Rate ("LIBOR") plus an applicable margin, which will range from 1.75% to 2.75%, based on our funded debt ratio.

On June 30, 2011, we and each of our material, wholly-owned subsidiaries entered into a Security Agreement in favor of Bank of America (the "Security Agreement"). Pursuant to the Security Agreement, the obligations under the Revolving Credit Facility are secured by a security interest in substantially all of our assets.

Under the terms of the Revolving Credit Facility, we are restricted from paying dividends and incurring certain indebtedness, among other restrictive covenants. We continue to be in full compliance with all covenants contained in the Revolving Credit Facility.

As of August 4, 2011, no amounts are outstanding under the terms of the Company's Revolving Credit Facility.

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 $19.7 million of net cash from operating activities during the six months ended June 30, 2011. Our cash flows from operations were driven by our net loss of $8.6 million, offset by $20.0 million in non-cash charges such as depreciation, amortization, provision for bad debts, stock-based compensation, and a non-cash deferred tax benefit. In addition, we experienced a $1.4 million decrease in accounts receivable due to continued strong collection activities during the first half of 2011 in light of the increase in revenues. In addition, our operating cash flows were positively impacted by a $7.2 million net increase in accounts payable and accrued expenses due to the timing of payments issued to our vendors and $0.5 million increase in deferred rent due to tenant allowances related to our leases. Cash flows from operations were negatively impacted by a $0.7 million increase in prepaid expenses and other current assets related to additional capitalized costs from certain long-term contracts and a $0.1 million decrease in amounts collected from customers in advance of when we recognize revenue largely related to foreign currency revaluation.

We generated approximately $20.7 million of net cash from operating activities during six months ended June 30, 2010. Our cash flows from operations were driven by our positive net income of $1.1 million, as adjusted for $12.1 million in non- cash charges such as depreciation, amortization, provision for bad debts, stock-based compensation and bond premium amortization, and a non-cash deferred tax expense. In addition, we experienced a $1.6 million decrease in accounts receivable due to improved collections activities during the first half of 2010. We also experienced 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. In addition, our operating cash flows were positively impacted due to a $2.2 million increase in accounts payable and accrued expenses due to the timing of payments issued to our vendors. Cash flows from operations were also positively impacted by a $0.4 million increase in deferred rent due to tenant allowances related to our leases.

Investing Activities

Our primary 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 expands, 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 and increase our international presence.

We used $5.1 million of net cash in investing activities during the six months ended June 30, 2011. Approximately $4.2 million was associated with the purchase of property and equipment to maintain and expand our technology infrastructure, approximately $0.4 million related to cash payments associated with the acquisition of Nexius, and approximately $0.5 million associated with the acquisition of certain intellectual property intangible assets.

We generated $5.9 million of net cash in investing activities during the six months ended June 30, 2010. $25.3 million was generated from maturities of our investments. This amount was offset by $16.8 million, net of cash acquired, which was used for the acquisition of ARSgroup. In addition, $2.6 million was used to purchase property and equipment to maintain and expand our technology and infrastructure. Of this amount, $0.4 million was funded through landlord allowances received in connection with our Canadian office lease. 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 $8.5 million of cash during the six months ended June 30, 2011 for financing activities. This included $6.1 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 $2.7 million to make payments on our capital lease obligations offset by $0.3 million in proceeds from the exercise of our common stock options.

We used $3.2 million of cash during the six months ended June 30, 2010 for financing activities. This included $3.6 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 $0.4 million to make payments on our capital lease obligations offset by $0.8 million in proceeds from the exercise of our common stock options. We do not have any special purpose entities.

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 and current years, we financed the purchase of some of our computer equipment under a capital lease arrangement over a period of either 36 or 42 months. Our purchase obligations relate to outstanding orders to purchase computer equipment and are typically small; they do not materially impact our overall liquidity.

In November 2010, we increased our lease financing arrangement with Banc of America Leasing & Capital, LLC to $15.0 million. This arrangement has been established to allow us to finance the purchase of new software, hardware and other computer equipment as we expand our technology infrastructure in support of our business growth. During the six months ended June 30, 2011 we incurred $2.8 million of additional borrowings under this financing arrangement. As of June 30, 2011, we have total borrowings under this arrangement of approximately $10.3 million. These leases bear an interest rate of approximately 5% per annum. The base terms for these leases range from three years to three and a half years and include a nominal charge in the event of prepayment. Lease payments are approximately $4.7 million per year. Assets acquired under the equipment lease secure the obligations.

During the three months ended June 30, 2011, one letter of credit was reduced by approximately $0.2 million. The reduction will be effective as of July 1, 2011. As of June 30, 2011, $3.1 million in letters of credit were outstanding, leaving $6.9 million available for additional letters of credit. These letters of credit may be reduced periodically provided the Company meets the conditional criteria of each related lease agreement.

As noted in the liquidity and capital resources section, in June 2011, we entered into a $50.0 million revolving credit agreement with Bank of America, N.A.

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 Disclosure 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, 2011, our cash reserves were maintained in bank deposit accounts and auction rate securities totaling $42.5 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 not be significant at this time. As such, we do not currently engage in any transactions that hedge foreign currency exchange rate risk. In addition, because we have operations outside of the U.S., the reported amounts of revenues, expenses, assets and liabilities may fluctuate due to movements in foreign currency exchange rates and the resulting foreign currency translation adjustments. As we grow our international operations, our exposure to foreign currency risk could become more significant.

Interest Rate Sensitivity

As of June 30, 2011, our principal sources of liquidity consisted of cash, cash equivalents and short-term investments of $42.5 million. These amounts were invested primarily in bank deposit account and auction rate securities. 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, 2011, our interest exposure would have been less than $0.1 million, assuming consistent investment levels.

Auction Rate Securities

As of June 30, 2011, our principal sources of liquidity consisted of cash, cash equivalents and short-term investments of $42.5 million which represent cash generated from operating activities and the remaining proceeds from our initial public offering in July 2007. As of June 30, 2011, we held $2.6 million in short-term investments consisting of four separate auction rate securities. On July 6, 2011, the Company sold these auction rate securities for $2.6 million.

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.

Litigation with The Nielsen Company (US) LLC and Netratings, LLC d/b/a Nielsen Online

On March 16, 2011, we received notice that The Nielsen Company (US) LLC (“Nielsen”) filed a lawsuit against us in the United States District Court for the Eastern District of Virginia alleging, among other things, infringement of certain patent rights of Nielsen by us. Nielsen’s complaint seeks unspecified damages and injunctive relief. Based on a review of these claims against us, we believe that they are without merit. We continue to investigate the claims against us by Nielsen, as well as any defenses and additional potential counterclaims, and we intend to vigorously defend ourselves.

On March 22, 2011, we filed a lawsuit against Nielsen and Netratings, LLC d/b/a Nielsen Online (“Netratings”) in the United States District Court for the Eastern District of Virginia alleging infringement of certain patent rights of ours by Nielsen and Netratings. Our complaint seeks unspecified damages and injunctive relief.

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

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 85% of our revenues during the six months ended June 30, 2011 and the full year 2010. 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 be assured 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 economic downturns.

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 eight 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, and any such action may be expensive and divert considerable attention of our management team from the normal operation of our business.

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, which could be expensive and divert considerable attention of our management team from the normal operation of our business. 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.

For example, on March 16, 2011, we received notice that The Nielsen Company (US) LLC, or Nielsen, filed a lawsuit against us in the United States District Court for the Eastern District of Virginia alleging, among other things, infringement of certain patent rights of Nielsen by us. Nielsen's complaint seeks unspecified damages and injunctive relief. Based on a review of these claims against us, we believe that they are without merit. We continue investigate the claims against us by Nielsen, as well as any defenses and additional potential counterclaims, and we intend to vigorously defend ourselves. Any intellectual property rights claim such as this, against us (whether for our practices, products and technology or for those of companies recently acquired by 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. Even if we prove successful in defending ourself against such claims, we may incur substantial expenses and the active defense of such claims may divert considerable attention of our management team from the normal operation of our business.

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, investments,other business development initiatives and litigation;
- the timing of contract renewals, delivery of products and duration of contracts and the corresponding timing of revenue recognition as well as the effects of revenue derived from recently-acquired companies;
- the uncertainties associated with the integration of acquired new lines of business, and operations in countries in which we may have little or no previous experience;
- 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 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, political, 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.

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.

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 make our data collection and analysis systems more susceptible to defects or errors. The companies that we recently acquired also rely on data collection and analysis software and systems to service enterprise clients. Any defect in our panelist data collection software, our census collection systems, our enterprise focused software and systems, network systems, statistical projections or other methodologies could lead to consequences that impact operating results, including:

- 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.

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.

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, the methodologies of acquired companies, 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. For example, in 2009, we adopted new methodology that would integrate server-based web beacon information with our existing panel-based data. In 2009, we also acquired and entered into a strategic alliance with web analytics companies in order to enhance the scope of our server-based web beacon information. As a result, some of our existing customers or customers of acquired entities may refuse to participate, or participate only in a limited fashion, and other may become dissatisfied as a result of changes in our methodology and decide not to continue purchasing their subscriptions or may decide to discontinue providing us with their web beacon or other server-side information. Such customers may elect to publicly air their dissatisfaction with the methodological changes made by us, thereby damaging our brand and harming our reputation. Additionally, we expect that we will need to further integrate new capabilities with our existing methodologies if we develop or acquire additional products or lines of business in the future. The resulting 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 additional customer dissatisfaction and result in loss of customers.

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, mobile and cross-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.

Difficulties entering into arrangements with website owners, wireless communications operators and other entities supporting server- and census-based methodologies may negatively affect our methodologies and harm our business.

We believe that our methodologies are enhanced by the ability to collect information using server-based web beacon information and other census-level approaches. There can be no assurance, however, that we will be able to maintain relationships with a sufficient number and scope of websites in order to provide the quality of marketing intelligence that our customers demand from our products. If we fail to continue to expand the scope of our server-based data collection approaches, customers might decline to purchase our products or renew their subscriptions, our reputation could be damaged and our business could be adversely affected.

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 recent years, we acquired M:Metrics,the Certifica group of companies located in Latin America, ARSgroup, Nexius, Inc. and Nedstat B.V. 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, or to expand our sales capabilities. 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, including without limitation, liabilities associated with products or technologies accused or found to infringe third party intellectual property;
- 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;
- enter new geographic markets that subject us to different laws and regulations that may have an adverse impact on our business;
- experience difficulties effectively utilizing acquired assets;
- encounter difficulties integrating the information and financial reporting systems of acquired foreign businesses, particularly those that operated under accounting principles other than those generally accepted in the United States prior to the acquisition by us; 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.

Following an acquisition of another business, we may also be required to defer the recognition of revenue that we receive from the sale of products that we acquired, or from the sale of bundles products that include products that we acquired. For instance, if we acquire a software company and are not able to establish vendor specific objective evidence, or VSOE, for any undelivered elements in the arrangement, we may be required to defer substantial portions of revenue. If we are unable to establish VSOE for transactions related to acquired products and services in future periods, we may be required to delay the recognition of current and future revenue sources. This may result in fluctuations in our operating results and may adversely affect both revenues and operating margins in a given period or periods.

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.

Concern over spyware and privacy, including any violations of privacy laws, perceived misuse of personal information, or failure to adhere to the privacy commitments that we make, could cause public relations problems, regulatory scrutiny, and potential class action lawsuits 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, and in turn, regulatory scrutiny, and potential class action lawsuits. Existing and future privacy laws and increasing sensitivity of consumers to the collection or use of personal information and online usage information and the possibility of an unauthorized disclosure of this information may create negative public reaction related to our business practices. U.S. and European lawmakers and regulators recently have expressed concern over the use of third party cookies or web beacons for the purpose of online behavioral advertising and efforts to address these uses may result in broader requirements that would apply to research activities, including understanding Internet usage. Likewise, the European Commission has issued a new directive requiring the regulation of cookies throughout the European Union; the individual country laws that are passed as a result of this directive will likely introduce requirements that differ from country to country. Such actions may have a chilling effect on businesses that collect or use online usage information generally or substantially increase the cost of maintaining a business that collects or uses online usage information, increase regulatory scrutiny and increase the potential of class action lawsuits. In response to marketplace concerns about the usage of third party cookies and web beacons to track user behaviors, the major browsers have enabled features that allow the user to limit the collection of certain data. We actively seek to prevent the inclusion of our cookies and beacons on the lists of companies whose activities are automatically blocked without prior individual review of those cookies and beacons by the end user. Additionally, public concern has grown 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, if they inaccurately believe our software is “spyware” or “adware.” This 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 general spyware and adware concerns in the marketplace, numerous programs are available, many of which are available for free, and that claim to identify, remove or block such software or activity. Some anti-spyware programs have in the past identified, and may in the future identify, our software as spyware or potential spyware applications. We actively seek to prevent the inclusion of our software on lists of spyware applications or potential spyware applications and apply best industry practices for obtaining appropriate consent from panelists, protect the privacy and confidentiality of our panelist data, and comply with existing privacy laws. However, to the extent that we are not successful, and anti-spyware programs classify our software as spyware, 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 client confidential information, or if a third party were to gain unauthorized access to the personally identifiable or client confidential 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.

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.

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.

In recent years, we acquired various businesses with substantial presence or clientele in multiple Latin American, European and Middle Eastern countries. Prior to these acquisitions, we otherwise have had 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 which we are engaged will not be successful. In addition, conducting international operations subjects us to 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;
- expanding the adoption of our server- or census-based web beacon data collection in international 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 hiring, disciplinary, and 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, that we will be able to recruit a representative sample for our audience measurement products, or that we will be able to enter into arrangements with a sufficient number of website owners to allow us to collect server-based information for inclusion in our digital marketing intelligence 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.

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 and a willingness to invest in such new approaches in light of a difficult economic environment. 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 six months ended June 30, 2011 and each of the years ended December 31, 2010, and 2009, we derived approximately 29% of our total revenues from our top 10 customers. Uncertain economic conditions or other factors, such as the failure or consolidation of large client companies, or internal reorganization or changes in focus, may cause certain large customers to terminate or reduce their subscriptions. Moreover, certain recently acquired companies, have revenues highly concentrated in a few large customers. 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. For the six months ended June 30, 2011 and the years ended December 31, 2010, and 2009, we derived approximately 11%, 11% and 12%, respectively, 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.

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, and acquire companies with established business in international regions, our exposure to foreign currency risk could become more significant.

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 experience prolonged uncertainty, customers may delay or reduce their purchases of digital marketing intelligence products and services. In recent years, economic conditions in the countries in which we operate and sell products have been negative, and global financial markets have experienced significant volatility stemming from a multitude of factors, including adverse credit conditions impacted by concerns about the credit worthiness of U.S. treasury securities, the subprime-mortgage crisis, slower economic activity, inflation and deflation, decreased consumer confidence, increased unemployment, reduced corporate profits and capital spending, adverse business conditions, liquidity and other factors. Notwithstanding certain signs of economic recovery during 2010, economic growth may stagnate during 2011 in the U.S. and internationally, particularly in view of recent economic turmoil in Europe as well as political unrest in the Middle East. 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.

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, military actions, political unrest 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.

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 across the universe of digital media — including television, Internet and mobile usage. 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 Effective Measures, Gemius, Compete Inc. (owned by WPP), Google, Inc., Hitwise (owned by Experian), Quantcast, Visible Measures and Nielsen;
- online advertising companies that provide measurement of online ad effectiveness, including DoubleClick (owned by Google), Kantar (owned by WPP), ValueClick and WPP;
- 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, Nielsen and Taylor Nelson Sofres (owned by WPP);
- analytical services companies that provide customers with detailed information of behavior on their own Web sites, including Omniture (owned by Adobe), Coremetrics (owned by IBM), and WebTrends;
- full-service market research firms and survey providers that may measure online behavior and attitudes, including Harris Interactive, Ipsos, Synnovate, GFK, Kantar (owned by WPP) and Nielsen;
- companies that provide behavioral, attitudinal and qualitative advertising effectiveness, including Toluna/Nurago, Click Forensics, Datran's Aperture, Ipsos OTX, Dynamic Logic, Insight Express and Marketing Evolution; and

- specialty information providers for certain industries that we serve, including IMS Health (healthcare) and Techtronix (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 over the past several years in the U.S. and internationally. We have substantially expanded our overall business, customer base, headcount, data collection and processing infrastructure and operating procedures as our business has grown through both organic growth and acquisitions. We increased our total number of full time employees to approximately 992 employees as of June 30, 2011 from 176 employees as of December 31, 2003. As a result of downward adjustments to compensation and reductions in our workforce made in recent periods, however, we may encounter decreased employee morale and increased employee turnover. Moreover, as a result of acquisition integration initiatives, we may reduce the workforce of an acquired company or reassign personnel. 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, or claims maintained internationally in jurisdictions whose laws and procedures differ from those in the United States. 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 and to successfully integrate acquired businesses. If we continue to grow, either organically or through acquired businesses, 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, and our ability to cross train our existing sales force with the sales forces of acquired businesses so that the sales personnel have the necessary information and ability to sell or develop sales prospects for both our products and the products of recently-acquired companies. 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 will also need to carefully manage the brands used by recently-acquired businesses as we integrate such businesses into our own. 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, Europe and Latin America; 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 have generated profits in prior periods, we incurred a net loss of $1.6 million for the year ended December 31, 2010. As such we cannot assure you that we will be able to achieve, sustain or increase profitability in the future, particularly if we engage in additional acquisition activity as we did in 2010. For the six months ended June 30, 2011, we incurred a net loss of $8.2 million. As of June 30, 2011, we had an accumulated deficit of $61.8 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 that our existing and potential customers will find acceptable for our products, the products of companies that we recently acquired, and any potential products that are developed as a result of the integration of our company with acquired companies. 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, including existing customers of acquired businesses, 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, or we may have difficulty retaining existing 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 digital activities such as television viewing and mobile usage, as well as for information about 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 cross-media products, products that use server- or census-based information as part of the research methodology, and products that link online and offline activity. 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 April 2013, if not renewed, and our agreement for our data center facility located in Illinois expires in July 2011, 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.

We currently leverage a large content delivery network, or CDN, to provide services that allow us to offer a more efficient tagging solution for our Media Metrix 360 product offerings. If that service faced unplanned outage or the service became immediately unavailable, an alternate CDN provider or additional capacity in our data centers would need to be established to support the large volume of tag requests that we currently manage which would either require additional investments in equipment and facilities or a transition plan. This could unexpectedly raise the costs and could contribute to delays or losses in tag data that could affect the quality and reputation of our Media Metrix 360 data products.

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.

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 and more recently, restricting the use of cookies without opt-in consent by the user. Recently, the U.S. Congress and regulators have expressed concern over the collection of Internet usage information as part of a larger initiative to regulate online behavioral advertising. A similar concern has been raised by regulatory agencies in the United Kingdom. In addition, U.S. and European lawmakers and regulators have expressed concern over the use of third party cookies or web beacons to understand Internet usage. 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 Rating Council have independently initiated efforts to either review online market research methodologies or to develop minimum standards for online market research. In September 2007, we began a full audit to obtain accreditation by the Media Rating Council. Any standards adopted by U.S or internationally based industry associations 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, 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 may need additional personnel to grow our business; 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. 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.

Changes in, or interpretations of, accounting rules and regulations, 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.

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 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. Remedying 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.

In future periods, we may upgrade our financial reporting systems and to implement new information technology systems to better manage our business, streamline our financial reporting and enhance our existing internal controls. We may experience difficulties if we transition to new or upgraded systems, including loss of data and decreases in productivity as our personnel become familiar with new systems. In addition, we expect that our existing management information systems may require modification and refinement as we grow and our business needs change. Any modifications could prolong difficulties we experience with systems transitions, and we may not always employ the most efficient or effective systems for our purposes. If upgrades cost more or take longer than we anticipate, our operating results could be adversely affected. Moreover, if we experience difficulties in implementing new or upgraded information systems or experience system failures, or if we are unable to successfully modify our management information systems to respond to changes in our business needs, our ability to timely and effectively process analyze and prepare financial statements 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 previously experienced “changes in control” that have triggered the limitations of Section 382 of the Internal Revenue Code on a portion of our net operating loss carryforwards. As a result, we may be limited in the amount 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, 2011, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately $35.5 million and $26.3 million, respectively. These net operating loss carryforwards will begin to expire in 2022 for federal income tax reporting purposes and in 2016 for state income tax reporting purposes.

In addition, at June 30, 2011 we estimate our aggregate net operating loss carryforwards for tax purposes related to our foreign subsidiaries are $32.6 million, which will begin to expire in 2011.

We apply a valuation allowance to certain deferred tax assets when management does not believe that it is more-likely-than-not that they will be realized. In assessing the need for any valuation allowances, we consider the reversal of existing temporary differences associated with deferred tax assets and liabilities, future taxable income, tax planning strategies and historical and future pre-tax book income (as adjusted for permanent differences between financial and tax accounting items) in order to determine if it is more likely than not that the deferred tax asset will be realized.

As of June 30, 2011, we had a valuation allowance related to the deferred tax asset for the value of the auction rate securities and the deferred tax assets of the foreign subsidiaries (primarily net operating loss carryforwards) that are in their start-up phases, including Spain, Australia and the Netherlands. Management will continue to evaluate the deferred tax position of our U.S. and foreign companies throughout 2011 to determine the appropriate level of valuation allowance required against our 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.

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

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 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.

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.

We cannot assure you that a public trading market for our common stock will continue to develop or be sustained. If a market 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.

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 or new issuances of securities by us could cause our stock price to decline.

If we or our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock or other securities in the public market, the trading price of our common stock could decline. Sales of substantial amounts of shares of our common stock or other securities by us or our existing stockholders could lower the market price of our common stock and impair our ability to raise capital through the sale of new securities in the future at a time and price that we deem appropriate.

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 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, 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, 2011***

None.

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

None.

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

During the three months ended June 30, 2011, 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:

	Total Number of Shares (or Units) Purchased(1)	Average Price Per Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 — April 30, 2011	30,811	$ 12.19	—	—
May 1 — May 31, 2011	22,468	$ 10.40	—	—
June 1 — June 30, 2011	18,931	$ 5.27	—	—
Total	72,210		—	—

(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, 2011, the shares repurchased in connection with our exercise of the repurchase right afforded to us upon the cessation of employment consisted of the following:

	Total Number of Shares Purchased	Average Price Per Share
April 1 — April 30, 2011	18,002	$ 0.00
May 1 — May 31, 2011	14,073	$ 0.00
June 1 — June 30, 2011	14,940	$ 0.00
Total	47,015	

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, 2011, these shares consisted of the following:

	Total Number of Shares Purchased	Average Price Per Share
April 1 — April 30, 2011	12,809	$ 29.32
May 1 — May 31, 2011	8,395	$ 27.84
June 1 — June 30, 2011	3,991	$ 25.00
Total	25,195	

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Removed and Reserved***

Not Applicable.

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 9, 2011

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)	Summary of Amended and Restated 2011 Executive Compensation Bonus Policy (Exhibit 10.1)
10.2	Credit and Security Agreement by and between comScore, Inc. and Bank of America, N.A. dated June 30, 2011
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
101(3)	Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010, (ii) Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010, (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010 and (iv) Notes to Consolidated Financial Statements.

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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 parentheses indicates the corresponding exhibit number in such Form S-1.

(2) Incorporated by reference to the exhibits to the Registrant's Current Report on Form 8-K, filed May 2, 2011 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(3) In accordance with Rule 406T of Regulation S-T, the information in this exhibit is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT (this "Agreement") is made as of June 30th, 2011 by and between COMSCORE, INC., a Delaware corporation (the "Borrower"), and BANK OF AMERICA, N.A., a national banking association (the "Lender").

RECITALS

The Borrower has requested that the Lender make available to the Borrower a revolving credit facility pursuant to which the Lender will make advances to the Borrower from time to time in an aggregate principal amount not to exceed Fifty Million Dollars ($50,000,000) at any one time outstanding. The Lender has agreed to make the credit facility available to the Borrower, subject to and upon the terms and conditions hereinafter set forth.

AGREEMENTS

SECTION 1. The Credit Facility.

1.1. Definitions. All capitalized terms used herein and not otherwise defined shall have the following meanings:

"Account Debtor" means any Person who may become obligated to the Borrower under, with respect to, or on account of, an Account.

"Accounts" has the meaning given to such term in the Uniform Commercial Code.

"Additional Financing Documents" has the meaning set forth in Section 1.3(e)(4) hereof.

"Advances" means advances made by the Lender to the Borrower under the Revolving Credit Facility.

"Applicable Margin" shall mean the margin added to the BBA Libor Daily Floating Rate to obtain the interest rate for the outstanding Advances under the Revolving Credit Facility set forth in the table attached hereto as Attachment I. The Applicable Margin during any calendar quarter shall be set based upon the Borrower's ratio of Funded Debt to EBITDA as of the last day of the immediately prior calendar quarter, and the Applicable Margin shall be determined and adjusted quarterly on the first day of the first month after the date by which the annual and quarterly compliance certificates and related financial statements and information are required in accordance with the provisions of this Agreement.

"BBA Libor Daily Floating Rate" means, at any time, a fluctuating rate of interest equal to the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Lender from time to time) as determined for each Interest Rate Change Date at approximately 11:00 a.m. London time two (2) Business Days prior to the Interest Rate

Change Date, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term, as adjusted from time to time in the Lender's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Lender.

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrower" has the meaning given to such term in the preamble hereto.

"Breakage Fees" means an amount equal to any net loss or out-of-pocket expenses which the Lender may sustain or incur (including, without limitation, any net loss or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by the Lender to fund or maintain the Advances, or any swap breakage incurred in connection with any Hedge Agreement), as reasonably determined by the Lender, as a result of any prepayment of any of the Advances.

"Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in the State of New York are authorized to close.

"Capital Lease" means any lease that has been or should be capitalized on the books of the Borrower in accordance with GAAP.

"Capital Stock" means corporate stock and any and all securities, shares, partnership interests, limited partnership interests, corporation interests, membership interests, equity interests, participations, rights or other equivalents (however designated) of corporate stock or any of the foregoing issued by any entity (whether a corporation, a partnership, a corporation or another entity) and includes, without limitation, securities convertible into Capital Stock and rights or options to acquire Capital Stock.

"Cash Flow" shall mean the sum of EBITDA plus lease and/or rent expense, minus dividends, withdrawals and other distributions, minus any non-financed capital expenditures, calculated on a trailing twelve month basis with respect to Borrower and its Subsidiaries on a consolidated basis.

"Cash Management Agreement" means any agreement between the Borrower and the Lender or any affiliate of the Lender now existing or hereafter entered into, to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

"Change in Control" means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of 35% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or

(c) the passage of thirty days from the date upon which any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower, or control over the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such Person or group has the right to acquire pursuant to any option right) representing 35% or more of the combined voting power of such securities.

“Chattel Paper” has the meaning given to such term in the Uniform Commercial Code.

“Claim” has the meaning given to such term in Section 7.9(a).

“Closing Date” means the date on which all conditions to closing as set forth in Section 2.1 of this Agreement are satisfied.

“Collateral” means all of the Borrower’s personal property, both now owned and hereafter acquired, including Borrower’s interest in, insofar as any of the following are applicable, but not limited to:

(a) Accounts, including, without limitation, all collateral security of any kind given to any Account Debtor or other Person with respect to any Account;

(b) As-extracted collateral;

(c) Chattel Paper;

(d) Commodity Accounts;

(e) Commodity Contracts;

(f) Deposit Accounts;

(g) Documents;

(h) Equipment;

(i) Farm Products;

(j) Fixtures;

(k) General Intangibles, including, but not limited to, (i) all patents, and all unpatented or unpatentable inventions; (ii) all trademarks, service marks, and trade names; (iii) all copyrights and literary rights; (iv) all computer software programs; (v) all mask works of semiconductor chip products; (vi) all trade secrets, proprietary information, customer lists, manufacturing, engineering and production plans, drawings, specifications, processes and systems;

(l) Goods, and all accessions thereto and goods with which the Goods are commingled;

(m) Health Care Insurance Receivables;

(n) Instruments;

(o) Inventory;

(p) Investment Property;

(q) Letter-of-Credit Rights;

(r) Payment Intangibles;

(s) Promissory Notes;

(t) Software;

(u) The commercial tort claims specifically described on Schedule 1.1, if any.

(v) Letters patent, applications for letters patent, trademarks, applications for trademarks, service marks, trade names, and copyrights, whether registered or unregistered, together with all royalties, fees, and other payments made or to be made with respect to any of the foregoing, and all rights, interests, claims, and demands that the Borrower has or may have and existing and future profits and damages for past or future infringement thereof; and

(w) all proceeds and products of any of the foregoing.

"Collateral Account" has the meaning set forth in Section 7.5 of this Agreement.

"Collection Account" means the collection account established pursuant to this Agreement.

"Commodity Accounts" has the meaning given to such term in the Uniform Commercial Code.

"Commodity Contracts" has the meaning given to such term in the Uniform Commercial Code.

"Default" has the meaning set forth in Section 6 of this Agreement.

"Default Rate" means a floating and fluctuating per annum rate of interest calculated by adding the sum of two percent (2.0%) to the rate of interest otherwise then in effect.

"Deposit Accounts" has the meaning given to such term in the Uniform Commercial Code.

"Designated Euro Facility Borrower" shall mean CS Worldnet Holding BV, a limited liability company organized and existing under the laws of Netherlands.

"Documents" has the meaning given to such term in the Uniform Commercial Code.

"Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in Euros, the equivalent amount thereof in Dollars as determined by the Lender, as the case may be, at such time on the basis of the Spot Rate for the purchase of Dollars with Euros.

"Domestic Subsidiary Pledge Agreement" shall mean the Pledge and Security Agreement from the Borrower to the Lender pursuant to which the Borrower has pledged to the Lender all of the issued and outstanding Capital Stock of each of the Guarantors owned by the Borrower, as amended from time to time.

"EBITDA" shall mean for any period: (a) consolidated net income, (b) less income or plus loss from discontinued operations and extraordinary items, (c) plus income taxes, (d) plus interest expense, (e) plus depreciation, (f) plus amortization, (g) plus non-cash compensation charges for such period associated with stock options, restricted stock or other equity instruments, (h) plus certain non-recurring transaction costs for acquisitions during the twelve months ending March 31, 2011 equal to $1,176,000 for 2Q2010, $2,467,000 for 3Q2010, $979,000 for 4Q2010, and $137,000 for 1Q2011, (i) plus non-recurring transaction costs for acquisitions occurring after fiscal year 2010 (subject to the Lender's consent in the event the aggregate of such costs is greater than (1) $6,000,000 for any rolling four-quarter measurement period through the measurement period ending September 30, 2011 and (2) $4,000,000 for any rolling four-quarter measurement period thereafter), (j) less non-cash gain or plus non-cash loss from disposal of fixed assets, (k) plus income from or minus loss from non-cash foreign currency translation, (l) less income tax benefits, all calculated on a trailing twelve-month basis with respect to Borrower and its Subsidiaries, on a consolidated basis.

"Enforcement Costs" means all reasonable expenses, charges, recordation or other taxes, costs and fees (including reasonable attorneys' fees and expenses) of any nature whatsoever advanced, paid or incurred by or on behalf of the Lender in connection with (a) the collection or enforcement of this Agreement or any of the other Financing Documents, (b) the creation, perfection, maintenance, preservation, defense, protection, realization upon, disposition, collection, sale or enforcement of all or any part of the Collateral to the extent permitted under this Agreement, and (c) the exercise by the Lender of any rights or remedies available to it under the provisions of this Agreement, or any of the other Financing Documents.

"Environmental Laws" means all laws, statutes, rules, regulations or ordinances which relate to Hazardous Materials and/or the protection of the environment or human health.

"Equipment" means all of the Borrower's equipment, as such term is defined by the Uniform Commercial Code, together with all additions, parts, fittings, accessories, special tools, attachments, and accessions now and hereafter affixed thereto and/or used in connection therewith, and all replacements thereof and substitutions therefor.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Euro" and "€" mean the single currency of the Participating Member States.

"Euro Loan Advance" means any advance requested under the Euro Loan Facility.

"Euro Loan Maximum Amount" means the lesser of (i) the Dollar Equivalent of Seven Million Dollars (USD$7,000,000) or (ii) the difference between the Revolving Credit Exposure and Fifty Million Dollars (USD$50,000,000).

"Euro Loan Exposure" means at any time the Dollar Equivalent of all outstanding Euro Loan Advances under the Euro Loan Facility guaranteed pursuant to the Euro Loan Guaranty.

"Euro Loan Facility" means that certain revolving loan issued by the Lender in favor of the Designated Euro Facility Borrower in the Euro Loan Maximum Amount and guaranteed by the Borrower pursuant to the Euro Loan Guaranty.

"Euro Loan Guaranty" means the Unconditional Guaranty Agreement executed by the Borrower in favor of the Lender in respect to the obligations of the Designated Euro Facility Borrower in connection with the Euro Loan Facility, as the same may from time to time be amended, restated, supplemented or otherwise modified.

"Event of Default" has the meaning set forth in Section 6 of this Agreement.

"Farm Products" has the meaning given to such term in the Uniform Commercial Code.

"Financing Documents" means, collectively, this Agreement, the Note, the Negative Pledge Agreement, the Guaranty Agreement, the Euro Loan Guaranty, the Pledge Agreements, the Security Agreement, any Hedge Agreement, any Cash Management Agreement, any Letter of Credit Agreement, any Additional Financing Documents, and any other instrument, document or agreement now or hereafter executed, delivered or furnished by the Borrower or any other person evidencing, guaranteeing, securing or in connection with this Agreement or all or any part of the Revolving Credit Facility.

"Fixed Charge Coverage Ratio" means the ratio of (a) Cash Flow to (b) Fixed Charges.

"Fixed Charges" means for any period, without duplication, the sum of interest expense, plus lease and/or rent expense, plus the current portion of long term debt and capitalized lease obligations paid in such period, calculated on a trailing twelve month basis with respect to Borrower and its Subsidiaries on a consolidated basis.

"Fixtures" has the meaning given to such term in the Uniform Commercial Code.

"Foreign Subsidiary Pledge Agreement" shall mean the Pledge and Security Agreement (66% Capital Stock of Guarantee-exempt Subsidiaries owned by the Borrower) from the Borrower to the Lender, as amended from time to time.

"Funded Debt" means all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long-term debt and outstanding letters of credit.

"GAAP" means generally accepted accounting principles in the United States of America.

"General Intangibles" means all of the Borrower's general intangibles, as such meaning is defined by the Uniform Commercial Code, together with all of the Borrower's letters patent, applications for letters patent, trademarks, applications for trademarks, service marks, trade names and copyrights, whether registered or unregistered, together with all goodwill of the business of the Borrower relating thereto, any and all reissues, extensions, divisions or continuations thereof, all royalties, fees and other payments made or to be made to the Borrower with respect thereto, and all rights, interests, claims and demands that the Borrower has or may have in existing and future profits and damages for past and future infringements thereof.

"Goods" has the meaning given to such term in the Uniform Commercial Code.

"Guarantee-exempt Subsidiary" shall have the meaning set forth in Section 5.18.

"Guarantors" means collectively (i) Carmenere Holding Company, a Delaware corporation, (ii) comScore Brand Awareness, L.L.C., a Delaware limited liability company, (iii) comScore Europe, LLC, a Delaware limited liability company, (iv) Creative Knowledge, Inc., a Delaware corporation, (v) Full Circle Studies, Inc., a Delaware corporation, (vi) Marketscore, Inc., a Delaware corporation, (vii) TMRG, Inc. a Delaware corporation, (viii) VoiceFive, Inc., a

Delaware corporation, (ix) RSC The Quality Measurement Company, an Indiana corporation, (x) CSWS, Inc., a Virginia corporation and (xi) CS Worldnet US Holdco LLC, a Delaware limited liability company.

"Guaranty" shall mean the Continuing and Unconditional Guaranty of even date herewith from the Guarantors in favor of the Lender, as amended from time to time.

"Hazardous Materials" shall mean hazardous wastes, hazardous substances, toxic chemicals and substances, oil and petroleum products and their by-products, radon, asbestos, pollutants or contaminants.

"Health Care Insurance Receivables" shall have the meaning given to such term in the Uniform Commercial Code.

"Hedge Agreement" means any agreement between the Borrower and the Lender or any affiliate of the Lender now existing or hereafter entered into, which provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option, or any similar transaction or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging the Borrower's exposure to fluctuations in interest or exchange rates, loan, credit, exchange, security or currency valuations or commodity prices in connection herewith.

"Instruments" has the meaning given to such term in the Uniform Commercial Code.

"Interest Payment Date" has the meaning set forth in Section 1.2(d) of this Agreement.

"Interest Rate Change Date" shall mean the first day of each one-month period; provided, however, that if any such day is not a Business Day, at Lender's option, the Interest Rate Change Date shall be the next succeeding Business Day.

"Inventory" means all of the Borrower's now owned and hereafter acquired inventory as such term is defined by the Uniform Commercial Code, wherever located and however constituted, including, without limitation, raw materials, work and goods in process, finished goods, goods or inventory returned or repossessed or stopped in transit, supplies, packaging, shipping and other materials, all other goods, merchandise and personal property used or consumed in the business of the Borrower, and all documents and documents of title relating to any of the foregoing.

"Investment Property" has the meaning given to such term in the Uniform Commercial Code.

"Lender" has the meaning given to such term in the preamble hereto.

"Letter of Credit" means any letter of credit issued by the Lender for the account of the Borrower under the Revolving Credit Facility.

"Letter of Credit Account" has the meaning set forth in Section 1.2(l) of this Agreement.

"Letter of Credit Agreement" means an Application and Agreement for Letter of Credit on the Lender's standard form, as such form may be revised by the Lender in its discretion at any time and from time to time hereafter.

"Letter of Credit Exposure" means at any time the sum of (x) the undrawn amount of all Letters of Credit outstanding at such time, and (y) all Letter of Credit Obligations outstanding at such time.

"Letter of Credit Fee" has the meaning set forth in Section 1.2(k) of this Agreement.

"Letter of Credit Obligations" means, collectively, (i) the amount of each draft drawn under or purporting to be drawn under a Letter of Credit, (ii) the amount of any and all charges, reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) which the Lender may charge, pay or incur for drawings under a Letter of Credit, transfers of a Letter of Credit, amendments to and extensions of a Letter of Credit and for the prosecution or defense of any action arising out of or in connection with any Letter of Credit, including, without limitation, any action to enjoin full or partial payment of any draft drawn under or purporting to be drawn under any Letter of Credit, including, but not limited to, Letter of Credit Fees, (iii) interest on all amounts payable under (i) and (ii) above from the date due until paid in full at a per annum rate of interest equal at all times to the Default Rate.

"Letter of Credit Rights" has the meaning given to such term in the Uniform Commercial Code.

"LIBOR-Based Rate" means a per annum rate of interest equal at all times to the sum of the BBA Libor Daily Floating Rate plus the Applicable Margin. The LIBOR-Based Rate shall change immediately and contemporaneously with each change in the BBA Libor Daily Floating Rate.

"London Banking Day" means a day on which banks in London are open for business and dealing in offshore dollars.

"Material Adverse Effect" means (A) a material adverse change in, or a material adverse effect on, the operations, business, assets, properties, liabilities (actual or contingent), condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole; (B) a material impairment of the rights an remedies of the Lender under any of the Financing Documents, or of the ability of the Borrower or any Guarantor to perform its obligations under any Financing Document to which it is a party; or (C) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or any Guarantor of any Financing Document to which it is a party.

"Minimum Liquidity" means the amount of unrestricted cash plus short term marketable securities plus net availability under the Revolving Credit Facility.

"Negative Pledge Agreement" means the Covenant Not to Convey and Negative Pledge Agreement executed by comScore Asia Limited, a Hong Kong corporation, CS Worldnet Holding BV, a Netherlands limited liability company, comScore Canada, Inc., a Canadian corporation, comScore Japan, K.K., a Japanese KK, comScore, S.L., a Spanish SL, and comScore Europe Ltd., a UK company, as amended from time to time.

"Note" means the Revolving Loan Note of even date herewith in the maximum principal amount of Fifty Million Dollars ($50,000,000) executed by the Borrower and payable to the order of the Lender, as amended from time to time.

"Obligations" shall mean all present and future indebtedness, liabilities and obligations of any kind and nature whatsoever of the Borrower to the Lender both now existing and hereafter arising under, as a result of, on account of, or in connection with, this Agreement and any and all amendments, restatements, supplements and modifications hereof made at any time and from time to time hereafter, the Note, any and all extensions, renewals or replacements thereof, amendments thereto and restatements or modifications thereof made at any time or from time to time hereafter, the Letter of Credit Agreements, any Cash Management Agreement, or the other Financing Documents, including, without limitation, future advances, principal, interest, indemnities, fees, late charges, Letter of Credit Exposure, Enforcement Costs and other costs and expenses whether direct, contingent, joint, several, matured or unmatured, and the indebtedness owed under any Hedge Agreement.

"Outstanding Amount" has the meaning as set forth in Section 1.2(n) of this Agreement.

"Participating Member State" means any member state of the European Union that adopts or has adopted the Euro as its lawful currency.

"Payment Intangibles" has the meaning given to such term in the Uniform Commercial Code.

"PBGC" means the Pension Benefit Guaranty Corporation or its successor entity.

"Permitted Liens" means liens permitted pursuant to Section 5.5 of this Agreement.

"Person" means any natural person, individual, company, corporation, partnership, joint venture, unincorporated association, government or political subdivision or agency thereof, or any other entity of whatever nature.

"Plan" means any pension, employee benefit, multi-employer, profit sharing, savings, stock bonus or other deferred compensation plan.

"Pledge Agreements" shall mean collectively the Domestic Subsidiary Pledge Agreement and the Foreign Subsidiary Pledge Agreement.

"Prime-Based Rate" means a floating and fluctuating per annum rate of interest equal at all times to the sum of the Prime Rate plus one percent (1%).

"Prime Rate" shall mean the floating and fluctuating per annum rate of interest of the Lender at any time and from time to time established and declared by the Lender in its sole and absolute discretion as its prime rate, and does not necessarily represent the lowest rate of interest charged by the Lender to borrowers.

"Promissory Notes" has the meaning given to such term in the Uniform Commercial Code.

"Reserve Requirements" means the maximum rate (expressed as a decimal) at which reserves (including any marginal, supplemental, emergency or other reserves) are required to be maintained under Regulation D of the Federal Reserve Board or otherwise by any statute or regulation applicable to the class of commercial banks which includes the Lender.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of the Borrower.

"Revolving Credit Account" means the loan account maintained by the Lender with respect to advances, repayments and prepayments of Advances, the accrual and payment of interest on Advances and all other amounts and charges owing to the Lender in connection with Advances.

"Revolving Credit Amount" means the amount of Fifty Million Dollars ($50,000,000) less the then existing Dollar Equivalent of Euro Loan Exposure.

"Revolving Credit Expiration Date" means June 30, 2013, or such later date as to which the Lender shall, in its discretion, agree to extend the Revolving Credit Expiration Date.

"Revolving Credit Exposure" means, at any time, the sum of the aggregate principal amount of outstanding Advances plus the Letter of Credit Exposure.

"Revolving Credit Facility" shall mean the revolving credit facility established pursuant to Section 1.2 hereof, in a maximum principal amount at any one time outstanding equal to the Revolving Credit Amount, made available to the Borrower pursuant to this Agreement.

"SEC" means the U.S. Securities and Exchange Commission or any successor agency.

"Security Agreement" shall mean the Security Agreement from the Guarantors in favor of the Lender, as amended from time to time

"Software" has the meaning given to such term in the Uniform Commercial Code.

"Spot Rate" for a currency means the rate determined by the Lender, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date as of which the foreign exchange computation is made; and provided further that the Lender may obtain such spot rate from another financial institution if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

"Subsidiary" means an entity of which the Borrower directly or indirectly owns or controls securities or other ownership interests representing more than 50% of the ordinary voting power thereof.

"Unused Commitment Fee" shall mean the fee paid by the Borrower to the Lender pursuant to Section 1.2(e).

"Unused Commitment Fee Percentage" shall mean the percentage upon which the Unused Commitment Fee shall be calculated, as determined in accordance with Attachment I hereto. The Unused Commitment Fee Percentage earned during any calendar quarter shall be determined based upon the Borrower's ratio of Funded Debt to EBITDA as of the last day of the immediately prior calendar quarter. The Unused Commitment Fee Percentage shall be determined and adjusted quarterly on the first day of the first month after the date by which the annual and quarterly compliance certificates and related financial statements and information are required in accordance with the provisions of this Agreement.

1.2. Revolving Credit Facility.

(a) Advances and Letters of Credit. Subject to and upon the provisions of this Agreement and relying upon the representations and warranties herein set forth, the Lender agrees at any time and from time to time to make Advances to the Borrower and issue Letters of Credit for the account of the Borrower from the date hereof until the earlier of the Revolving Credit Expiration Date or the date on which this Revolving Credit Facility is terminated pursuant to Section 7 hereof, in an aggregate principal amount at any time outstanding not to exceed the Revolving Credit Amount; provided that the Letter of Credit Exposure shall not at any time exceed $10,000,000. Advances must be requested by the Borrower by facsimile or by electronic mail (with signed PDF attachment) pursuant to the form of Advance Request attached hereto as Attachment 2 and incorporated by reference herein.

In no event shall the Lender be obligated to make an Advance or issue a Letter of Credit hereunder if a Default shall have occurred and be continuing. Unless sooner terminated pursuant to other provisions of this Agreement, this Revolving Credit Facility and the obligation of the Lender to make Advances and issue Letters of Credit hereunder shall automatically terminate on the Revolving Credit Expiration Date without further action by, or notice of any kind from, the Lender. Within the limitations set forth herein and subject to the provisions of this Agreement, the Borrower may borrow, repay and re-borrow under this Revolving Credit Facility. The fact that there may be no Advances or Letters of Credit outstanding at any particular time shall not affect the continuing validity of this Agreement.

(b) Use of Proceeds of Advances. Each Advance shall be requested in a principal amount of USD$500,000 or a whole multiple of USD$500,000, and shall be advanced by the Lender not later than the Business Day following the day (which shall be a Business Day) of the Borrower's request therefor. The proceeds of each Advance may be deposited by the

Lender in the Borrower's demand deposit account with the Lender. The proceeds of the Advances shall be used solely for working capital, for the issuance of Letters of Credit, and for other general corporate purposes.

(c) Liability of Lender. Lender shall in no event be responsible or liable to any person other than the Borrower for the disbursement of or failure to disburse Advances or any part thereof, and no other party shall have any right or claim against Lender under this Agreement or the other Financing Documents.

(d) Interest on Advances; Repayment of Advances. Except for any period during which an Event of Default shall have occurred and be continuing, the Borrower shall pay interest (calculated on a daily basis) on the unpaid principal balance of the Advances until maturity (whether by acceleration, extension or otherwise) at a per annum rate of interest equal at all times to the LIBOR-Based Rate in effect from time to time.

After maturity, or during any period in which an Event of Default exists and remains continuing, the unpaid principal balance of the Advances shall bear interest at a rate equal to the Default Rate.

Notwithstanding any other provision of this Agreement, if the Lender determines (which determination shall be conclusive absent demonstrable error) (i) that any applicable law, rule, or regulation, or any change in the interpretation of any such law, rule, or regulation shall make it unlawful or impossible for the Lender to charge or collect interest at the LIBOR-Based Rate, (ii) that adequate and reasonable means do not exist for ascertaining the BBA Libor Daily Floating Rate; (iii) that deposits in dollars (in the applicable amounts) are not being offered to the Lender in the relevant market; or (iv) that the BBA Libor Daily Floating Rate will not adequately and fairly reflect the cost to the Lender of making or maintaining the Advances, then upon notice from the Lender to the Borrower, the entire outstanding principal balance of the Revolving Credit Facility shall bear interest at the Prime-Based Rate.

Until the maturity of the Revolving Credit Facility, all accrued and unpaid interest on all Advances shall be paid monthly on the first (1^{st}) day of each month (each, an "Interest Payment Date").

If not sooner paid, the entire outstanding principal balance of the Advances, together with all accrued and unpaid interest thereon, shall be due and payable on the Revolving Credit Expiration Date.

(e) Unused Commitment Fee. During the period from the date hereof until the earlier of the Revolving Credit Expiration Date or the date on which the Revolving Credit Facility is terminated pursuant to the provisions hereof, the Borrower shall pay to the Lender an availability fee in a per annum amount equal to the Unused Commitment Fee Percentage times the average daily Revolving Credit Amount less the average daily Outstanding Amount. Such availability fee shall commence to accrue on the date hereof and shall be due and payable by the Borrower quarterly, in arrears, commencing on September 30, 2011, and, on the last Business

Day of each third month thereafter, and on the earlier of the Revolving Credit Expiration Date or on the date on which the Revolving Credit Facility is terminated pursuant to Section 7 hereof.

(f) Revolving Loan Note; Revolving Credit Account. The Borrower's obligation to pay the Advances with interest shall be evidenced by the Note. The Lender will maintain the Revolving Credit Account with respect to advances, repayments and prepayments of Advances, the accrual and payment of interest on Advances and all other amounts and charges owing to the Lender in connection with Advances. Except for demonstrable error, the Revolving Credit Account shall be conclusive as to all amounts owing by the Borrower to the Lender in connection with and on account of Advances.

(g) [intentionally omitted].

(h) Voluntary Prepayments; Voluntary Termination. Within the limitations set forth herein and subject to the provisions of this Agreement, the Borrower may prepay any Advance in whole or in part, from time to time without premium or penalty, except that the Borrower shall pay applicable Breakage Fees, if any. Any permitted prepayment need not be accompanied by payment of interest on the amount prepaid except that any prepayment of Advances which constitutes a final payment of all Advances shall be accompanied by payment of all interest thereon accrued through the date of prepayment. Any voluntary prepayments shall be applied as directed by the Borrower.

(i) Terms of Letters of Credit. Each Letter of Credit shall (i) be a commercial Letter of Credit or a standby Letter of Credit, (ii) be opened pursuant to a Letter of Credit Agreement duly executed and delivered to the Lender by the Borrower prior to the issuance of such Letter of Credit, (iii) either expire on the Revolving Credit Expiration Date or not extend more than three hundred sixty four (364) days beyond the Revolving Credit Expiration Date provided that the Borrower Cash Collateralizes such Letters of Credit that do so extend beyond the Revolving Credit Expiration Date as contemplated below, (iv) be in an amount not less than $2,500, (v) be issued in the ordinary course of the Borrower's business, and (vi) be issued in accordance with the Lender's then current practices relating to the issuance of letters of credit. All powers, right, remedies and provisions set forth in any Letter of Credit Agreement shall be in addition to those set forth herein. In the event of any conflict between the provisions of this Agreement and the provisions of any Letter of Credit Agreement, the provisions of this Agreement shall prevail and control unless expressly provided otherwise herein or in the Letter of Credit Agreement. If, as of the Revolving Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then outstanding amount of all such obligations, in an amount equal thereto determined as of the Revolving Credit Expiration Date, as the case may be. For purposes hereof, "Cash Collateralize" means to pledge and deposit with or deliver to the Lender, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Lender.

(j) Procedures for Letters of Credit. The Borrower shall give the Lender written notice of its request for a Letter of Credit at least three (3) Business Days prior to the date on which the Letter of Credit is to be opened by delivering to the Lender a duly executed Letter of Credit Agreement in form and content acceptable to the Lender setting forth (i) the face amount of the Letter of Credit, (ii) the name and address of the beneficiary of the Letter of Credit, (iii) whether the Letter of Credit is irrevocable or revocable, (iv) whether the Letter of Credit requested is a standby or commercial Letter of Credit, (v) the date the Letter of Credit is to be opened and the date the Letter of Credit is to expire, (vi) the purpose of the Letter of Credit, (vii) the terms and conditions for any draws under the Letter of Credit, and (viii) such other information as the Lender may reasonably deem to be necessary or desirable.

(k) Letter of Credit Fees. With respect to each Letter of Credit issued hereunder, the Borrower shall pay to the Lender a letter of credit fee (the "Letter of Credit Fee") in an amount per annum set forth in the table attached hereto as Attachment I times the the daily amount available to be drawn under such Letter of Credit, payable quarterly in arrears plus the Lender's then standard fee for the issuance, negotiation, processing and administration of letters of credit of the same type as the Letter of Credit. The amount of the Letter of Credit Fee payable per annum with respect to any Letter of Credit shall be a percentage of the face amount of such Letter of Credit, calculated on the basis of the table included as Attachment I hereto, based upon the Borrower's ratio of Funded Debt to EBITDA as of the end of the calendar quarter immediately preceding the date of calculation. Letter of Credit Fees shall be (i) due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand and (ii) computed on a quarterly basis in arrears. If there is any change in the Applicable Rate during any quarter, the daily amount available to be drawn under each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(l) Agreement to Pay Letter of Credit Obligations. The Borrower shall pay to the Lender the Letter of Credit Obligations when due; provided, however, that so long as the Borrower has availability under the Revolving Credit Facility, the Lender may, and is hereby authorized to, make Advances to itself to pay when due any or all Letter of Credit Obligations incurred in connection with Letters of Credit. The Lender may maintain on its books a letter of credit account (the "Letter of Credit Account") with respect to the Letter of Credit Obligations paid and payable from time to time hereunder. Except for demonstrable error, the Letter of Credit Account shall be conclusive as to all amounts owing by the Borrower to the Lender in connection with and on account of the Letter of Credit Obligations. From the date due until paid in full, all Letter of Credit Obligations shall bear interest at the Default Rate.

(m) Agreement to Pay Absolute. The obligation of the Borrower to pay Letter of Credit Obligations set forth above shall be absolute and unconditional and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, (ii) the existence of any claim, setoff, defense or other right which the Borrower may at any time have against the beneficiary under any Letter of Credit or the Lender, (iii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue provided that payment by the Lender under such Letter of Credit against presentation of such draft shall not have constituted gross negligence or willful misconduct, and (v) any other events or circumstances whatsoever, whether or not similar to any of the foregoing provided that the payment by the Lender under the Letter of Credit shall not have constituted gross negligence or willful misconduct of the Lender.

(n) Currency Fluctuations. If the Lender notifies the Borrower at any time that the sum of the Euro Loan Exposure and the Revolving Credit Exposure (the "Outstanding Amount") at such time exceeds a Dollar Equivalent of Fifty Million Dollars ($50,000,000), then, within two (2) Business Days after receipt of such notice, the Borrower shall pay to the Lender an amount sufficient to reduce such Outstanding Amount as of such date of payment to not more than Fifty Million Dollars ($50,000,000).

1.3. Additional Provisions.

(a) Interest Calculation. All interest and fees payable under the provisions of this Agreement or the Note shall be computed on the basis of actual number of days elapsed over a year of 360 days.

(b) Late Charges. If the Borrower fails to make any payment of principal, interest, prepayments, fees or any other amount becoming due pursuant to the provisions of this Agreement, the Note or any other Financing Document within fifteen (15) days after the date due and payable, upon written notice by the Lender the Borrower shall pay to the Lender a late charge equal to five percent (5%) of the amount of such payment. Such 15-day period shall not be construed in any way to extend the due date of any such payment. Late charges are imposed for the purpose of defraying the Lender's expenses incident to the handling of delinquent payments, and are in addition to, and not in lieu of, the exercise by the Lender of any rights and remedies hereunder or under applicable laws and any fees and expenses of any agents or attorneys which the Lender may employ upon the occurrence of an Event of Default.

(c) Payments. Whenever any payment to be made by the Borrower under the provisions of this Agreement, the Note, the Letter of Credit Agreements or any other Financing Document is due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, in the case of any payment which bears interest, such extension of time shall be included in computing interest on such payment. All payments of principal, interest, fees or other amounts to be made by the Borrower under the provisions of this Agreement or the Note shall be paid without set-off or counterclaim to the Lender at the Lender's office at 1101 Wootton Parkway, 4th Floor, Rockville, MD 20852, or to such other place as the Lender shall direct in writing, in lawful money of the United States of America in immediately available funds.

(d) Interest On Overdue Amounts. If the principal of or interest on, the Note or any other amount required to be paid to the Lender hereunder or under the Note or any of the other Financing Documents is not paid within fifteen (15) days after the date when the same becomes due and payable, whether by acceleration or otherwise, the Borrower shall on demand from time to time pay to the Lender interest on such principal, interest or other amount from the date due until the date of payment (after as well as before any judgment) at a rate per annum equal to the Default Rate.

(e) Collateral and Subsidiary Obligations. (1) In order to secure the full and punctual payment of the Obligations in accordance with the terms thereof, and to secure the performance of this Agreement and the other Financing Documents, the Borrower shall concurrently herewith pledge and assign to the Lender, and grant to the Lender a continuing lien and security interest in and to (A) 66% of the issued and outstanding Capital Stock of the Guarantee-exempt Subsidiaries owned by the Borrower (or, if the Borrower's ownership interest in such Subsidiary is less than 66%, all Capital Stock of such foreign Subsidiary owned by the Borrower) and (B) 100% of the issued and outstanding Capital Stock of each of the Guarantors owned by the Borrower.

(2) Promptly, following the acquisition or creation thereof and in any event within thirty (30) days after a written request with respect thereto, the Borrower shall pledge and assign to the Lender, and grant to the Lender a continuing lien and security interest in and to (A) 66% of the issued and outstanding Capital Stock of any future Guarantee-exempt Subsidiaries owned by the Borrower (or, if the Borrower's ownership interest in such Subsidiary is less than 66%, all Capital Stock of such foreign Subsidiary owned by the Borrower) and (B) 100% of the issued and outstanding Capital Stock of any future domestic Subsidiary owned by the Borrower.

(3) Promptly, following the acquisition or creation thereof and in any event within thirty (30) days after a written request with respect thereto, the Borrower shall cause any future Guarantee-exempt Subsidiary the Capital Stock of which is directly owned by the Borrower to execute, acknowledge and deliver, a Covenant not to Convey and Negative Pledge Agreement substantially in the form of the Negative Pledge Agreement or, alternatively, to execute and deliver a joinder agreement in connection with the Negative Pledge Agreement.

(4) The security interests required to be granted pursuant to this Section shall be granted pursuant to such additional security documentation as is reasonably satisfactory in form and substance to Lender (the "Additional Financing Documents") and shall constitute valid and enforceable perfected security interests prior to the rights of all third Persons (other than those holding Permitted Liens) and subject to no other Liens except Permitted Liens. The Additional Financing Documents and other instruments related thereto shall be duly recorded or filed in such manner and in such places and at such times as are required by law to establish, perfect, preserve and protect the Liens, in favor of the Lender, granted pursuant to the Additional Financing Documents and, all taxes, fees and other charges payable in connection therewith shall be paid in full by the Borrower. At the time of the execution and delivery of Additional Financing Documents, the Borrower shall cause to be delivered to Lender such agreements, opinions of counsel, and other related documents as may be reasonably requested by the Lender to assure it that this Section has been complied with.

(5) Automatic Debit. To ensure timely payment of all interest and other sums due hereunder, the Borrower hereby authorizes and instruct the Lender to either (i) debit, on the due date thereof, a demand deposit account established and maintained at the Lender for the amount

then due, or (ii) at the Lender's option, cause an Advance to be made sufficient to pay the amount then due. This authorization shall not affect the obligation of the Borrower to pay such sums when due, without notice, if there are insufficient funds available to make any payment in full on the due date thereof, or if the automatic debit feature is at any time terminated by the Lender in its discretion.

(f) Calculation of Applicable Margin. If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Borrower or the Lender determine that (i) the ratio of Funded Debt to EBITDA as calculated by Borrower as of any applicable date was inaccurate and (ii) a proper calculation of such financial covenant would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Lender, promptly on demand by Lender (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the United States Bankruptcy Code, automatically and without further action by the Lender), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. The Borrower's obligations under this paragraph shall survive the repayment of all other Obligations hereunder.

(g) The Borrower's Representative. For administrative convenience, the Borrower acknowledges that it has been hereby irrevocably appointed by the Designated Euro Facility Borrower as the exclusive agent for the Designated Euro Facility Borrower for the purpose of requesting Euro Loan Advances under the Euro Loan Facility from the Lender. In its capacity as such agent, the Borrower shall have the power and authority through its authorized officer or officers to (i) endorse any check for the proceeds of any Euro Loan Advance for and on behalf of the Designated Euro Facility Borrower and in the name of the Designated Euro Facility Borrower, and (ii) instruct the Lender to credit the proceeds of any Euro Loan Advance directly to a banking account of the Designated Euro Facility Borrower. The Lender has been hereby irrevocably authorized by the Designated Euro Facility Borrower to make Euro Loan Advances to the Designated Euro Facility Borrower upon the request of any one of the persons who is authorized to do so under the provisions of any applicable corporate resolutions of the Borrower. The Lender assumes no responsibility or liability for any errors, mistakes and/or discrepancies in any oral, telephonic, written or other transmissions of any instructions, orders, requests and confirmations between the Lender and the Borrower in connection with any Euro Loan Advance, except for acts of gross negligence and/or willful misconduct. Under no circumstances may the Borrower request Euro Loan Advances in excess of the Euro Loan Maximum Amount. Euro Loan Advances must be requested by the Borrower by facsimile or e-mail (by PDF attachment) pursuant to the form of Advance Request attached hereto as Attachment 2 and incorporated by reference herein.

SECTION 2. Conditions Precedent.

2.1. Initial Advance or Letter of Credit. The Lender shall not be required to make the initial Advance, or issue the initial Letter of Credit hereunder, whichever occurs first, unless the following conditions precedent have been satisfied in a manner reasonably acceptable to the Lender and its counsel:

(a) Borrower's Organizational Documents. The Lender shall have received with respect to the Borrower: (i) a copy, certified as of a recent date by the Secretary of State of the Borrower's state of organization, the Borrower's Certificate of Incorporation as well as a copy of the Borrower's bylaws and all amendments thereto, (ii) a Certificate of Good Standing for the Borrower as issued by the Borrower's state of organization, and (iii) a copy, certified to the Lender as true and correct as of the date hereof by the Borrower, of the resolutions of the Borrower's board of directors, authorizing the execution and delivery of this Agreement and the other Financing Documents to which the Borrower is a party and designating by name and title the officer(s) of the Borrower who are authorized to sign this Agreement and such other Financing Documents for and on behalf of the Borrower and to make the borrowings hereunder.

(b) Guarantors' Organizational Documents. The Lender shall have received with respect to each of the Guarantors: (i) a copy, certified as of a recent date by the Secretary of State (or other similar State agency) of such Guarantor's state of organization, of such Guarantor's Articles or Certificate of Incorporation or Organization as well as a copy of such Guarantor's operating agreement, bylaws and all amendments thereto, as applicable, (ii) a Certificate of Good Standing for such Guarantor as issued by such Guarantor's state of organization, and (iii) a copy, certified to the Lender as true and correct as of the date hereof by such Guarantor, of the resolutions of such Guarantor's board of directors or consents of managing members, as applicable, authorizing the execution and delivery the Financing Documents to which such Guarantor is a party and designating by name and title the officer(s) of such Guarantor who are authorized to sign the Financing Documents for and on behalf of such Guarantor.

(c) Lists of Locations, Etc. The Borrower shall have delivered to the Lender a list showing the street address, city or county and state of the Borrower's chief executive office and of any other location where the Borrower conducts or has a place of business or where any material portion of the Collateral is or may be located.

(d) Insurance. The Borrower shall have delivered to the Lender an insurance certificate or other evidence of a property and casualty insurance policy from a well-rated and responsible insurance company insuring the Collateral in amounts satisfactory to the Lender against loss or damage resulting from fire and other risks insured against by extended coverage, together with a standard non-contributing and non-reporting loss payee endorsement in favor of the Lender in form satisfactory to the Lender, and such other insurance policies as the Lender shall reasonably require.

(e) Searches. The Lender shall have received the results of a search by an attorney or company reasonably satisfactory to the Lender of the Uniform Commercial Code filings with respect to the Borrower and the Guarantors in their jurisdictions of organization, accompanied by copies of such filings, if any, and evidence satisfactory to the Lender that any security interest or other lien indicated in any such filing has or will be released or is permitted by the Lender so that the Lender's security interest in the Collateral will be a perfected first security interest and lien on the Collateral subject only to Permitted Liens and such other matters as the Lender may approve.

(f) Opinions. The Lender shall have received the written opinion of counsel of the Borrower and the Guarantors dated on or around the date of this Agreement, reasonably satisfactory in form and content to the Lender, opining, among other things, that the Borrower and the Guarantors are duly organized, validly existing, and in good standing, that the Financing Documents executed and delivered by the Borrower and/or the Guarantors have been duly authorized by all requisite corporate action, and that the Financing Documents executed and delivered by the Borrower and/or the Guarantors constitute the legal, valid, binding, and enforceable obligations of the Borrower and/or the Guarantors, as applicable, enforceable against the Borrower and/or the Guarantors, as applicable, in accordance with the terms thereof, subject to customary exceptions and limitations reasonably acceptable to the Lender.

(g) Financing Documents. The Lender shall have received each of the Financing Documents required by the Lender to be executed and delivered prior to the making of the initial Advance.

(h) Due Diligence. The Lender shall have received and reviewed such financial information and other due diligence reports as the Lender shall reasonably require including, without limitation, the following information in form and substance satisfactory to the Lender in the Lender's sole reasonable discretion:

(i) the Borrower's annual financial statements for the fiscal years ended 2008, 2009, and 2010; and

(ii) the Borrower's year-to-date financial statements as of March 31, 2011.

(i) Operating Account; Etc. The Borrower shall have established an operating account into which Advances shall be paid, and the Borrower shall maintain its primary accounts with the Lender.

(j) Pre-filing Authorization. The Lender shall have received a writing authorizing the Lender to pre-file UCC-1s to perfect its lien upon the Collateral.

(k) Payoff Letters from Prior Lenders. The Lender shall have received payoff letters in form and content satisfactory to the Lender in connection with the Borrower's relationship with any financial institution that is being refinanced by the transactions evidenced by this Agreement.

(l) No Material Adverse Effect. There shall have not occurred since March 31, 2011 any event or occurrence that has had or could be reasonably expected, either individually or in the aggregate, to have a Material Adverse Effect.

(m) No Suits, Etc. There shall no action, suit, investigation or proceeding pending or, to the knowledge of the Borrower, threatened in any court or before any arbitrator or governmental authority that could reasonably be expected to have a Material Adverse Effect.

(n) Fees and Expenses. The Borrower shall have paid the Lender for all of the costs and expenses incurred by the Lender in connection with making the Revolving Credit Facility available to the Borrower. Such costs and expenses include, but are not limited to, reasonable attorneys' fees, recording charges, appraisal fees, fees for environmental services, and any other reasonable fees and costs for services, regardless of whether such services are furnished by the Lender's employees or by independent contractors.

(o) Additional Documents. The Borrower shall have furnished in form and content reasonably acceptable to the Lender any additional documents, agreements, certifications, record searches, insurance policies or opinions which the Lender may reasonably deem necessary or desirable.

2.2. All Advances and Letters of Credit. The Lender shall not be required to make any Advances, including the initial Advance, or issue any Letter of Credit, until compliance to the satisfaction of the Lender with all of the following conditions at the time of and with respect to each Advance or Letter of Credit:

(a) Representations and Warranties. No representation or warranty made in or in connection with this Agreement and the other Financing Documents shall be untrue, incorrect or incomplete in any material respect on and as of the date of any Advance or Letter of Credit as if made on such date, except for representations and warranties made only as of a particular date and changes in facts or circumstances arising in the ordinary course of business and which do not constitute a breach of any covenant set forth herein; and

(b) Event of Default or Default. No Event of Default or Default shall have occurred and be continuing.

SECTION 3. Representations and Warranties. The Borrower represents and warrants to the Lender that, except as specifically set forth on Schedule 3 attached hereto, the following statements are true, correct and complete in all material respects as of the date hereof and as of each date any Advance is to be made or any Letter of Credit is to be issued hereunder, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true, correct and complete as of such earlier date, and except for changes in facts or circumstances arising in the ordinary course of business and which do not constitute a breach of any covenant set forth herein:

3.1. Authority, Etc. The Borrower is duly organized and in good standing under the laws of Delaware under organizational identification number 3075628. The Guarantors are duly formed or organized and in good standing under the laws of their jurisdiction of formation as summarized on Schedule 3.1 attached hereto.

The Borrower and each Guarantor is qualified to do business in all states where the Borrower and/or such Guarantor does business, except where the failure to be so qualified would not materially adversely affect the business, operations or financial condition of the Borrower or such Guarantor. The Borrower and each Guarantor has the full power and authority to execute, deliver and perform this Agreement and the other Financing Documents to which it is a party. Neither such execution, delivery and performance, nor compliance by the Borrower or the Guarantor with the provisions of this Agreement and of the other Financing Documents to which it is a party will conflict with or result in a breach or violation of the Borrower's and/or such Guarantor articles of incorporation or organization or bylaws or operating agreement, as applicable, or any judgment, order, regulation, ruling or law to which the Borrower or such Guarantor is subject or any material contract or agreement to which the Borrower or such Guarantor is a party or to which the Borrower's or such Guarantor's assets and properties is subject, or constitute a default thereunder. The execution, delivery and performance of this Agreement and all other Financing Documents to which the Borrower and/or any Guarantor is a party have been duly authorized and approved by all necessary action by the Borrower and each such Guarantor, as applicable, and constitute the legal, valid and binding obligations of the Borrower and each such Guarantor, as applicable, enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

3.2. Litigation. Except as disclosed in the Borrower's prior SEC filings, there is no litigation or proceeding pending or, to the knowledge of any representative of the Borrower signing this Agreement on behalf of the Borrower, threatened against or affecting the Borrower or any Guarantor which might materially adversely affect the business, financial condition or operations of the Borrower or such Guarantor or the ability of the Borrower or such Guarantor to perform and comply with this Agreement or the other Financing Documents to which the Borrower or such Guarantor is a party.

3.3. Subsidiaries. Except as set forth on Schedule 3 attached hereto, on the Closing Date the Borrower does not currently have any Subsidiaries.

3.4. Financial Condition. The Borrower has heretofore furnished to the Lender certain financial statements. Such financial statements and all other financial statements and information furnished or to be furnished to the Lender hereunder have been and will be prepared in accordance with generally accepted accounting principles (to the extent that such financial statements and information are required to be prepared in accordance with generally accepted accounting principles) (subject to year-end adjustments and the omission of footnote information) and fairly present in all material respects the financial condition of the Borrower as of the dates thereof and the results of the operations of the Borrower for the periods covered thereby. No material adverse change in the business, financial condition, or operations of the Borrower has occurred since the date of such financial statements. The Borrower does not have any indebtedness or liabilities that are required to be accrued on financial statements prepared in accordance with GAAP other than that reflected on such financial statements or expressly permitted by the provisions of this Agreement, and accounts payable incurred in the ordinary course of business since the date of such financial statements. The Borrower is not in default under any obligation for borrowed money.

3.5. Taxes. The Borrower has filed all federal, state and local income, excise, property and other tax returns which are required to be filed and has paid all taxes as shown on such returns or assessments received (including, without limitation, all F.I.C.A. payments and withholding taxes, if appropriate), except for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. No tax liens have been filed and no claims are being asserted with respect to such taxes or assessments.

3.6. Title to Properties and Collateral. The Borrower has good and marketable title to all of the Borrower's assets and properties, including, without limitation, the Collateral, and such assets and properties are subject to no liens, security interests or other encumbrances except for those of the Lender or other Permitted Liens.

3.7. Borrower's Name, Business Locations, etc. The correct legal name of the Borrower is specified on Schedule 3.7. Except as provided on Schedule 3.7, the Borrower has conducted business under its legal name since its formation. The Borrower does not do business under any trade or fictitious names. As of the Closing Date, the chief executive office of the Borrower and the place where records concerning Accounts and other Collateral are kept are as set forth on Schedule 3.7 hereto, and each other location at which the Borrower conducts business or keeps any material portion of the Collateral is listed on Schedule 3.7 attached hereto.

3.8. Compliance with Laws. (a) To the knowledge of the Borrower, the Borrower is not in violation of any applicable federal, state or local law, statute, rule, regulation or ordinance and has not received any notice of, and is not the subject of, any pending investigation or complaint alleging that the Borrower or the Collateral (or any part thereof) or any other property owned, leased, operated or used by the Borrower are in violation of any such law, statute, rule, regulation or ordinance, including, without limitation, Environmental Laws other than violations that will not have a material adverse effect on the business, operations or financial condition of the Borrower.

(b) To the knowledge of the Borrower, no Hazardous Materials have been used, located, installed, spilled, treated, released or stored on, under or from any property in or on which the Borrower conducts its operations except for those which have been handled in a manner not prohibited by applicable Environmental Laws or which will not have a material adverse effect on the business, operations or financial condition of the Borrower.

3.9. Federal Reserve Board Regulations. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U of the Board and no part of the proceeds of the Advances will be used for any purpose which entails a violation of Regulations U or X of the Board.

3.10. ERISA. No Plan maintained by the Borrower or any trade or business group with which the Borrower is affiliated subject to the requirements of ERISA has been terminated, no lien exists against the Borrower in favor of the PBGC, and no "reportable event" (as such term is defined in ERISA) has occurred with respect to any such Plan. The Borrower has not incurred any "accumulated funding deficiency" within the meaning of ERISA or any liability to the PBGC in connection with any Plan. The Borrower does not have any withdrawal or other liability (absolute, contingent or otherwise) with respect to any multi-employer plan as defined by Section 3(37) of ERISA. The Borrower has complied with in all material respects all provisions of ERISA and with all provisions of any Plan sponsored, maintained by, or contributed to, by the Borrower.

3.11. Licenses, etc. The Borrower has obtained and now holds all licenses, permits, franchises, patents, trademarks, copyrights and trade names which are necessary to the conduct of the business of the Borrower as now conducted free, to the knowledge of the Borrower, of any conflict with the rights of any other person.

3.12. Labor Matters. Except as disclosed in writing to the Lender, the Borrower is not subject to any collective bargaining agreements or any agreements, contracts, decrees or orders requiring the Borrower to recognize, deal with or employ any persons organized as a collective bargaining unit or other form of organized labor. There are no strikes or other material labor disputes pending or, to the knowledge of the Borrower, threatened against the Borrower. The Borrower has complied in all material respects with the Fair Labor Standards Act.

3.13. Accuracy of Information. To the knowledge of the Borrower, no information, exhibit, report, statement, certificate or document furnished by the Borrower or any Guarantor to the Lender in connection with this Agreement or the other Financing Documents or the negotiation thereof contains any material misstatement of fact or together with all such documents omitted to state a material fact or any fact necessary to make the statements contained herein or therein not misleading.

3.14 Intellectual Property. Schedule 3.14 to this Agreement is a complete list of all patents, trademark and service mark registrations (other than those from customers, vendors or partners), copyright registrations, mask work registrations, and all applications therefor, in which the Borrower or a Guarantor has any right, title, or interest, throughout the United States as of the Closing Date (excluding off-the-shelf software), excluding those that have been abandoned. The Borrower will promptly notify the Lender of any acquisition (by purchase, but excluding licenses of off-the-shelf software) of any patent, trademark or service mark registration, copyright registration, mask work registration, and applications therefor, and unregistered trademarks and service marks and copyrights, throughout the United States, which are granted or filed or acquired after the date hereof or which are not listed on Schedule 3.14.

3.15. Government Regulation. The Borrower is not an "investment company" or an "affiliated person" of or "provider" or "principal underwriter" for an "investment company" as all such terms are defined in the Investment Company Act of 1940, as amended.

SECTION 4. Affirmative Covenants. The Borrower covenants and agrees with the Lender that so long as any of the Obligations (or commitments therefor) shall be outstanding:

4.1. Payment of Obligations. The Borrower shall punctually pay the principal of and interest on the Revolving Credit Facility and the other Obligations, at the times and places, in the manner and in accordance with the terms of this Agreement, the Note, and the other Financing Documents.

4.2. Financial Statements and Other Reports. The Borrower shall maintain at all times a system of accounting established and administered in accordance with sound business practices, and will deliver, or cause to be delivered, to the Lender, in form and substance satisfactory to the Lender in all respects:

(a) Annual Financial Statements. As soon as available, but in no event later than the earlier of (i) one hundred twenty (120) days after the end of each fiscal year of the Borrower or (ii) upon the filing of Form 10-K with the SEC, the annual consolidated and consolidating financial statements of the Borrower and its Subsidiaries, (including statements of financial condition, income, profits and loss, cash flows and changes in shareholder's equity) audited by Ernst & Young or any other independent certified public accountants satisfactory to the Lender;

(b) Quarterly Financial Statements. With respect to the first three fiscal quarters of each fiscal year of the Borrower, as soon as available, but in no event later than the earlier of (i) forty-five (45) days after the end of each such fiscal quarter or (ii) upon the filing of each Form 10-Q with the SEC, the consolidated and consolidating balance sheets and income statements of the Borrower and its Subsidiaries prepared by the Borrower and showing the financial condition of the Borrower and its Subsidiaries as of the end of such quarter and the results of operations of the Borrower and its Subsidiaries from the beginning of the current fiscal year of the Borrower to the end of such quarter;

(c) Projected Financial Statements. As soon as available, and in any event no later than forty-five (45) days after the end of each fiscal year of the Borrower, projected consolidated financial statements for the Borrower and its Subsidiaries for the next calendar year, to include income statement, balance sheet, and cash flow projections prepared on a quarterly basis;

(d) Compliance Certificates. Concurrent with the delivery of the financial statements described in Sections (a) and (b) above, a written certification, signed by an authorized financial officer of the Borrower, to the effect that such officer has no knowledge of the existence of any Events of Default under the Financing Documents or if such officer has knowledge of the existence of an Event of Default, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto. Such written certification shall include the calculations made by the Borrower to determine compliance by the Borrower with each of the financial covenants set forth herein as of the date of the financial statements delivered therewith; and

(e) Other Information. Promptly upon request of the Lender such other information, reports (including, without limitation, any report filed in respect of any Plan subject to ERISA) or documents respecting the business, properties, operation or financial condition of the Borrower as the Lender may at any time and from time to time reasonably request.

If the financial statements described in Sections (a) or (b) above are made available on EDGAR or any successor system of the SEC that is publicly accessible, such financial statements shall deemed to be delivered on the day it is available on EDGAR or such successor system.

4.3. Conduct of Business and Maintenance of Existence. The Borrower shall continue to engage in business of the same general type as now being conducted by the Borrower and do and cause to be done all things necessary to maintain and keep in full force and effect its corporate existence in good standing in each jurisdiction in which it conducts business.

4.4. Compliance with Laws.

(a) The Borrower shall comply in all material respects with all laws, statutes, ordinances, orders, rules or regulations applicable to the Borrower or the Collateral (or any part thereof) or to any other property owned, leased, operated or used by the Borrower, including, without limitation, Environmental Laws.

(b) The Borrower will not use, locate, install, spill, treat, release or store Hazardous Materials on, under or from any property owned, leased, operated or used by the Borrower unless such Hazardous Materials are handled in a manner not prohibited by applicable Environmental Laws and are handled in a manner and in such quantities that would not constitute a hazard to the environment or human health and safety or subject the Borrower to any prosecution or material liability in connection therewith. The Borrower will dispose of all Hazardous Materials only at facilities and/or with carriers that maintain governmental permits under applicable Environmental Laws. The Borrower shall promptly, at the cost and expense of the Borrower, take all action necessary or required by Environmental Laws to remedy or correct any violation of Environmental Laws by the Borrower, the Collateral (or any part thereof) or by any other property owned, leased, used or operated by the Borrower.

(c) If the Lender shall have, in the exercise of good faith, reason to believe at any time or from time to time there are or may be Hazardous Materials affecting any property owned, leased, operated or used by the Borrower in violation of applicable Environmental Laws, the Borrower, upon the request of the Lender and at the cost and expense of the Borrower, shall furnish to the Lender an environmental assessment of such property in such detail and content and by an environmental consultant or engineer acceptable to the Lender. The Borrower shall provide evidence to the Lender within ten (10) business days of the Lender's request, that such an assessment will be promptly undertaken and completed.

(d) The Borrower hereby agrees to indemnify and hold the Lender and its employees and agents harmless from and against any and all liability, loss, damage, costs and expenses suffered or incurred by the Lender during or after the term of this Agreement arising out of or resulting from a violation of any Environmental Laws by the Borrower, the Collateral (or any part thereof) and any other property owned, leased, used or operated by the Borrower provided, however, that the Borrower shall not be required to indemnify any party for liability, loss, damage, costs, or expenses arising from such party's own gross negligence or willful misconduct. The obligations and liabilities of the Borrower under the foregoing indemnity, together with interest thereon commencing ten (10) days after the date written demand is received by the Borrower until paid in full at the Default Rate, shall be paid by the Borrower to the Lender upon written demand and shall be a part of the Obligations hereunder. The foregoing indemnity shall survive the payment of all other Obligations and the release of the Collateral.

4.5. Payment of Liabilities and Taxes. The Borrower shall pay, when due, all of its indebtedness and liabilities, and pay and discharge promptly all taxes, assessments and governmental charges and levies (including, without limitation, F.I.C.A. payments and withholding taxes) upon the Borrower or upon the Borrower's income, profits or property (including, without limitation, the Collateral), except to the extent the amount or validity thereof is contested in good faith by appropriate proceedings so long as adequate reserves have been set aside therefore.

4.6. Contractual Obligations. The Borrower shall comply with any agreement or undertaking to which the Borrower is a party and maintain in full force and effect all contracts and leases to which the Borrower is or becomes a party, in each case unless the failure to do so would not have a material adverse effect on the business, operation, properties or financial condition of the Borrower.

4.7. Maintenance of Properties; Collateral. The Borrower shall do all things necessary to maintain, preserve, protect and keep its properties, including the Collateral, in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that the Borrower's businesses may be properly conducted at all times, in each case unless the failure to do so would not have a material adverse effect on the business, operation or financial condition of the Borrower. The Borrower shall promptly notify the Lender of any event causing deterioration, loss or depreciation in value of any substantial portion of the Collateral and the amount of such loss or depreciation. The Borrower shall perform, observe, and comply with all of the terms and provisions to be performed, observed or complied with by them under each contract, agreement or obligation relating to the Collateral. The Lender shall have no duty to, and the Borrower hereby releases the Lender from all claims for loss or damage caused by the failure of the Lender to, collect, protect, preserve or enforce any of the Collateral or preserve rights against account debtors and prior parties to the Collateral.

4.8. Insurance. The Borrower shall maintain, with financially sound, well rated and reputable insurance companies insurance in such amounts and covering such risks as is consistent with sound business practice, and in any event as is ordinarily and customarily carried by (and, as implied, economically available to) companies similarly situated and in the same or similar businesses as the Borrower. The Borrower will pay, when due, all premiums on such insurance and will furnish to the Lender, upon request, evidence of payment of such premiums and other information as to the insurance carried by the Borrower. Such insurance shall include, as applicable and without limitation, (a) comprehensive fire and extended coverage insurance on the physical assets and properties of the Borrower against such risks, with such loss deductible amounts and in such amounts conforming to prudent business practices and in such minimum amounts that the Borrower will not be deemed a co-insurer under applicable insurance laws, regulations, policies and practices, and (b) public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Borrower, and (c) worker's compensation insurance (as applicable).

4.9. Inspection. The Borrower shall permit the Lender, by its representatives and agents, to inspect any of the properties, books and financial records of the Borrower, to examine and make copies of the books of accounts and other financial records of the Borrower, and to discuss the affairs, finances and accounts of the Borrower with, and to be advised as to the same by, the Borrower (or its representatives) following reasonable prior notice at such reasonable times and intervals as the Lender may designate. In connection with the foregoing, the Lender and its representatives and agents shall have the right, upon reasonable prior notice and during regular working hours, to (a) enter any business premises of the Borrower or any other premises where the Collateral and the records relating thereto may be located and to audit, appraise, examine and inspect the Collateral and all records related thereto and to make extracts therefrom and copies thereof, and (b) verify under reasonable procedures the validity, amount, quality, quantity, value and condition of, and any other matter relating to, the Collateral, including contacting account debtors or any person possessing any of the Collateral; provided, that, when an Event of Default exists the Lender (or any of its representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during regular working hours and without advance notice. To the extent that the Lender receives any confidential information from or with respect to the Borrower, as a result of any exam, audit or inspection conducted by the Lender (or any of its representatives or independent contractors) or otherwise, (a) the Lender will not reproduce or distribute any such information, or any notes, interpretations or other documents based in whole or in part upon such information, to non-affiliated parties, other than financial or legal advisors also bound by an obligation of confidentiality, and (b) the Lender will keep permanently confidential all such information, except to the extent that (i) such information ceases to be confidential by reason of its being in the public domain, other than as a result of a disclosure by the Lender or its representatives, or (ii) such information was within the Lender's possession or becomes available to the Lender on a non-confidential basis from a source other than the Borrower, or any representative of the Borrower, or (iii) the Lender is legally required to disclose such information to any tribunal or governmental authority.

4.10. Collection of Accounts. The Borrower shall, subject to the provisions of Section 4.13 hereof, collect its Accounts only in the ordinary course of business, and shall not except in the ordinary course of its business, without the Lender's prior written consent, compromise or adjust the amount of any Account or extend the time for payment of any Account.

4.11. Further Assurances. The Borrower shall defend the security interest and lien of the Lender on the Collateral against all persons and against all security interests and liens on the Collateral adverse to those of the Lender, other than Permitted Liens. The Borrower will, from time to time, at the expense of the Borrower, execute, deliver, acknowledge and cause to be duly filed, recorded or registered any statement, assignment, instrument, paper, agreement or other document and take any other action that from time to time may be necessary or desirable, or that the Lender may reasonably request, in order to create, preserve, continue, perfect, confirm or validate the security interest and lien of the Lender on the Collateral or to enable the Lender to obtain the full benefits of this Agreement or to exercise and enforce any of its rights, powers and remedies hereunder or under applicable laws. The Borrower shall pay all costs of, and incidental to, the filing, recording or registration of any such document as well as any recordation, transfer or other tax required to be paid in connection with any such filing, recordation or registration. The Borrower hereby covenants to save harmless and indemnify the Lender from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes and recording costs incurred by the Lender in connection with this Agreement or the Collateral which covenant shall survive the termination of this Agreement and the payment of all other Obligations. If, in the reasonable opinion of the Lender, any Equipment is or may become a part of any real estate owned or leased by the Borrower, the Borrower will, upon the request of the Lender, furnish to the Lender in form and content satisfactory to the Lender, a landlord's waiver by the record owner of such real estate and a mortgagee's waiver by any person who has a security interest or lien on such real estate which is or may be superior to the security interest and lien of the Lender on such Equipment.

4.12. Notice. The Borrower shall promptly give written notice to the Lender of (a) the occurrence of any Default or Event of Default or any event, development or circumstance specific to the Borrower which is reasonably expected to materially adversely effect the business, operations, properties or financial condition of the Borrower or any Guarantor, (b) any litigation instituted or threatened in writing against the Borrower or any Guarantor or any judgment against the Borrower or any Guarantor where claims against the Borrower or such Guarantor exceed $500,000 and are not covered in full by insurance (subject to any deductible), (c) any notice of a claim against, or investigation of, the Borrower or any Guarantor, the Collateral or any other property owned, leased, operated or used by the Borrower or any Guarantor alleging a violation of Environmental Laws or the discovery, use, location, installation, spill, treatment, release or storage of any Hazardous Materials by the Borrower or any Guarantor or on, under or from the Collateral (or any part thereof) or any other property owned, leased, used or operated by the Borrower or any Guarantor which could result in a breach of the provisions of Section 4.4 hereof, and (d) the occurrence of any "reportable event" within the meaning of ERISA or any assertion of liability of the Borrower by the PBGC.

4.13. Collections.

(a) The Borrower shall notify and direct all account debtors promptly following written request by the Lender to make all payments on or in respect of Accounts (other than electronic funds transfers) directly to an account in the name of the Borrower to be maintained at the Lender (the "Collection Account"). So long as no Event of Default has occurred, the Borrower may continue to permit electronic payments to be made to the Borrower's operating accounts (collectively, the "Operating Accounts"), provided, however, that at the end of each Business Day, amounts remaining in the Operating Accounts will be swept into the Collection Account. The Borrower hereby authorizes the Lender to receive, endorse and/or deposit into the Collection Account in the name of the Lender or in the name of the Borrower any and all cash, checks, drafts and other remittances received by the Lender on or in respect of Accounts and/or the sale or lease of Inventory and the Borrower hereby waives notice of presentment, protest and non-payment of any such checks, drafts or other remittances. In the event that the Borrower directly receives any cash, checks, drafts or other remittances on or in respect of Accounts and/or the sale or lease of Inventory, the Borrower shall promptly deliver the same to the Lender for deposit to the Collection Account. Pending such deposit, the Borrower will not commingle any such cash, checks, drafts or other remittances with other funds and property but will hold them separate and apart in trust for the Lender subject to the security interests hereunder. Until such authority is terminated by the Lender pursuant to subsection (b) below, the Borrower shall have the authority to withdraw funds from the Collection Account and use the same for the Borrower's general business purposes so long as such use is not inconsistent with the provisions of this Agreement. Until an Event of Default exists or occurs, the Lender, on each Business Day, will apply all finally collected funds on deposit to the Collection Account to the unpaid principal amount of Advances then outstanding.

(b) At any time while an Event of Default shall be continuing, the Lender may (1) terminate the authority of the Borrower to receive electronic payments into the Operating Accounts, whereupon all account debtors shall be directed to remit all payments directly to the Collection Account, and (2) terminate the authority of the Borrower to withdraw funds from the Collection Account whereupon (i) the Collection Account will automatically convert into an account over which the Lender has exclusive dominion, control and power of access and withdrawal, and, for that purpose, the Lender is hereby authorized to take all appropriate actions to block the Borrower's access to the Collection Account, including without limiting the generality of the foregoing, denying electronic access and returning unpaid any checks, drafts or other instruments theretofore or thereafter issued by the Borrower and drawn upon the Collection Account, all without any liability whatsoever on the part of the Lender to the Borrower or to any other person for having done so, (ii) any cash, checks, drafts or other remittances on or in respect of Accounts and/or the sale or lease of Inventory received by the Borrower and held in trust for the Lender as above provided shall be immediately delivered to the Lender for deposit to the Collection Account in precisely the form received, except for the addition thereto of the endorsement of the Borrower where required for collection of any such checks, drafts or other remittances which endorsement the Borrower agrees to make and with respect to such checks, drafts and other remittances the Borrower waives notice of presentment, protest and non-payment and (iii) the Lender shall have the right at any time and from time to time to apply funds held by it in the Collection Account to the payment of all or any part of the Obligations, whether matured or unmatured, in such order and manner as the Lender may determine in its sole discretion.

4.14. Intellectual Property. Other than with respect to registrations and applications no longer used or useful, except to the extent failure to act would not, as deemed by the Borrower in its reasonable business judgment, reasonably be expected to have a Material Adverse Effect, the Borrower will, at its expense, diligently prosecute all patent, trademark or service mark or copyright applications pending on or after the date hereof, if any, will maintain in effect all issued patents and will renew all trademark and service mark registrations, if any, including payment of any and all maintenance and renewal fees relating thereto.

4.15. Primary Operating Accounts. The Borrower shall at all times maintain its primary operating accounts, and collection/lockbox services with the Lender. The Borrower recognizes and agrees that the pricing for the Revolving Credit Facility set forth herein is based on the assumption that the Borrower will maintain its primary operating accounts with the Lender, and that, in the event that the Borrower fails to do so, the Lender may, among other things, adjust the applicable interest rate or fees in order to maintain its required rate of return.

SECTION 5. Financial and Negative Covenants. The Borrower covenants and agrees with the Lender that so long as any of the Obligations (or commitments therefor) shall be outstanding:

5.1. Minimum Liquidity. The Borrower and the Guarantors shall at all times maintain, on a consolidated basis, Minimum Liquidity in amount of not less than Twenty-Five Million Dollars ($25,000,000).

5.2 Funded Debt to EBITDA Ratio. The Borrower and its Subsidiaries shall maintain, on a consolidated basis, a ratio of Funded Debt to EBITDA not exceeding 2.50 to 1.0, measured on the last day of each fiscal quarter.

5.3 Fixed Charge Coverage Ratio. The Borrower and its Subsidiaries shall not permit, on a consolidated basis, the Fixed Charge Coverage Ratio to be less than 1.50 to 1.0, measured on the last day of each fiscal quarter.

5.4 Indebtedness. Except as otherwise expressly permitted by Section 5.6, the Borrower and its Subsidiaries shall not create, incur, assume or permit to exist any indebtedness (including Capital Leases) except (a) indebtedness to the Lender, (b) other indebtedness existing on the date hereof (a comprehensive list of which is itemized on Schedule 5.4) or expressly permitted by the provisions hereof, (c) indebtedness incurred by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business, (d) indebtedness incurred in the ordinary course of business which is unsecured and consists of open accounts extended by suppliers on normal trade terms in connection with the purchase of goods and services, (e) indebtedness incurred in connection with Capital Lease and purchase money obligations in an aggregate amount not exceeding $25,000,000 outstanding at any one time, (f) indebtedness of any Person which becomes a Subsidiary after the Closing Date; provided, that such indebtedness exists at the time that such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and the aggregate principal amount of such indebtedness permitted under this subsection 5.4(f) shall not exceed $500,000.00 outstanding at any time and (g) other indebtedness not to exceed $250,000 in the aggregate;.

5.5 Liens. The Borrower and its Subsidiaries shall not create, incur, assume or permit to exist any lien, security interest or encumbrance of any nature whatsoever on the Borrower's or any such Subsidiary's property or assets, both now owned and hereafter acquired and including, without limitation, the Collateral, except for (a) any lien or security interest now or hereafter securing all or any part of the Obligations, (b) any lien, security interest or encumbrance existing on the date hereof which was immediately prior hereto disclosed to, and approved by, the Lender in writing, (c) any lien, security interest or other encumbrance subsequently approved by the Lender in writing after the date hereof, including any liens, security interests or other encumbrances deemed approved pursuant to the terms of the Negative Pledge Agreement, (d) liens for taxes not delinquent or for taxes being diligently contested by Borrower or any such Subsidiary in good faith and for which adequate reserves are maintained, (e) statutory, mechanic's, artisan's, materialmen's, vendor's or other similar liens arising in the ordinary course of business, (f) any deposit of funds made in the ordinary course of business to secure obligations of the Borrower or any such Subsidiary under workers compensation, social security or similar laws or to secure public or statutory obligations or the performance of bids, tenders, contracts, leases, subleases, surety and appeals bonds and the like, (g) zoning or other similar and customary land use restrictions, and (h) duly perfected liens securing purchase money indebtedness not prohibited by this Agreement, including duly perfected liens obtained in favor of lessors of tangible personal property arising under operating leases to the extent such leases are re-characterized as sales. Any lien, security interest or encumbrance permitted by this subsection is called a "Permitted Lien."

5.6. Loans and Investments. Except as expressly permitted by this Agreement, the Borrower and its Subsidiaries shall not provide any guaranty(ies) in an amount in excess of $1,000,000 in the aggregate (other than guaranty(ies) of indebtedness of the Borrower or any Subsidiary not prohibited by Section 5.4) for, make or permit to remain outstanding any loan or advance to, or make or own any investment in, any person except (a) reasonable advances for business expenses of the Borrower's employees that would be reimbursable under the Borrower's existing expense reimbursement policy, (b) loans and capital contributions to Subsidiaries, (c) investments in obligations of, or guaranteed by, the United States government or any agency thereof, (d) investments in commercial paper rated in the highest grade, (e) a Contract of Suretyship executed by Borrower for the benefit of Eurofiber Nederland B.V. and (f) investments in minority interests or joint ventures up to an aggregate maximum of $7,500,000 outstanding at any one time.

5.7. Dividends. The Borrower and its Subsidiaries shall not without the prior written consent of the Lender, declare or pay any dividend or other distribution on or with respect to any shares of any class of its Capital Stock now or hereafter outstanding or redeem, purchase or otherwise acquire any shares of any class of its Capital Stock now or hereafter outstanding or any warrants or rights to purchase any such stock, except for (a) dividends payable solely in shares of Capital Stock, (b) purchases from former employees, directors or consultants in an amount of not more than $250,000 in the aggregate on an annual basis, and (c) redemption of Capital Stock owned by such former employees, directors or consultants in connection with the foregoing purchases, the proceeds of which are used to pay withholding taxes arising as a result of such purchases. Notwithstanding the foregoing, (i) a Guarantor may pay a dividend or make a distribution to the Borrower or to another Guarantor, and (ii) a Guarantee-exempt Subsidiary may pay a dividend or make a distribution to another Guarantee-exempt Subsidiary, to a Guarantor or to the Borrower.

5.8. Mergers, Etc. Except as expressly permitted by Section 5.9, the Borrower and its Subsidiaries shall not enter into any merger or consolidation without the prior written consent of the Lender; provided, however, that upon five (5) days prior written notice to the Lender (i) any Subsidiary may merge with or consolidate into the Borrower if the Borrower is the surviving entity provided such merger or consolidation shall not materially adversely affect the Borrower, the Collateral or any rights or remedies of the Lender under the Financing Documents, (ii) any Guarantor may merge with or consolidate into any other Guarantor provided such merger or consolidation shall not materially adversely affect the surviving Guarantor or any rights or remedies of the Lender under the Financing Documents, (iii) any Guarantee-exempt Subsidiary may merge with or consolidate into any Guarantor provided such merger or consolidation shall not materially adversely affect such Guarantor or any rights or remedies of the Lender under the Financing Documents, (iv) any Guarantee-exempt Subsidiary may merge with or consolidate with any other Guarantee-exempt Subsidiary provided such merger or consolidation shall not materially adversely affect the surviving Guarantee-exempt Subsidiary or any rights or remedies of the Lender under the Financing Documents.

5.9. Acquisitions. The Borrower shall not acquire or purchase all of the Equity Interests in, or all or substantially all of the assets or properties of any other Person without the prior written consent of the Lender; provided, however, that notwithstanding the provisions of Section 5.8 and this Section 5.9, the Borrower may acquire or purchase all of the Equity Interests in, or all or substantially all of the assets or properties of any Person (all or substantially all of the property of any division or line of business of a Person) that, upon the consummation thereof, will be wholly-owned directly by the Borrower or one or more of its wholly-owned Subsidiaries (including as a result of a merger or consolidation); provided that, with respect to each purchase or other acquisition made pursuant to this Section 5.9:

(i) the Person to be (or whose assets are to be) acquired does not oppose such purchase or other acquisition;

(ii) any such newly-created or acquired Subsidiary shall comply with the requirements of Section 5.18;

(iii) the lines of business of the Person to be (or the property of which is to be) so purchased or otherwise acquired shall be substantially the same or complementary lines of business as one or more of the principal businesses of the Borrower and its Subsidiaries in the ordinary course;

(iv) such purchase or other acquisition shall not include or result in any contingent liabilities that could reasonably be expected to be material to the business, financial condition, operations or prospects of the Borrower and its Subsidiaries, taken as a whole (as determined in good faith by the board of directors (or the persons performing similar functions) of the Borrower or such Subsidiary if the board of directors is otherwise approving such transaction);

(v) (A) immediately before and immediately after giving pro forma effect to any such purchase or other acquisition, no Default shall have occurred and be continuing, and (B) immediately after giving effect to such purchase or other acquisition, the Borrower and its Subsidiaries shall be in pro forma compliance with all the covenants set forth in Sections 5.1 5.2, and 5.3 hereof, such compliance to be determined on the basis of the financial information for the most recently ended four-quarter period for which financial statements are reasonably available as though such acquisition had been consummated as of the first day of such four-quarter period; and

(vi) the Borrower shall have delivered to the Lender, at least five Business Days prior to the date on which any such purchase or other acquisition is to be consummated, a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Lender, certifying that all of the requirements set forth in this Section 5.9 have been satisfied or will be satisfied on or prior to the consummation of such purchase or other acquisition.

5.10. Sale of Assets and Liquidation. The Borrower and its Subsidiaries shall not sell, lease or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business, assets or properties, including, without limitation, the Collateral, outside of the ordinary course of business or take any action to liquidate, dissolve or wind up the Borrower or any such Subsidiary or its business.

5.11. Change of Business. The Borrower shall not enter into any business other than a business of the same general type as now being conducted by the Borrower or any Subsidiary of the Borrower as of the Closing Date.

5.12. Change of Name, Location, Etc. The Borrower shall not (a) change its legal name, identity or structure, (b) change the location of its chief executive office or its chief place of business, or jurisdiction of incorporation, or (c) change the location where it keeps its records concerning the Collateral,; provided, that the Borrower shall not in any event change the location of any material portion of the Collateral if such change would cause the security interest and lien of the Lender on such Collateral (or the perfection thereof) to lapse, or if required to be perfected prior to such change, to cease to be perfected.

5.13. Fiscal year. The Borrower shall not change its fiscal year.

5.14. Affiliates. The Borrower shall not enter into or participate in any transaction with an affiliate except on terms and at rates no more favorable than those which would have prevailed in an arm's length transaction between unrelated third parties.

5.15. ERISA. The Borrower shall not engage in any “prohibited transaction” (as such term is defined by ERISA), incur any “accumulated funding deficiency” (as such term is defined by ERISA) whether or not waived, or terminate any Plan in a manner which could result in the imposition of a lien on any property of the Borrower pursuant to the provisions of ERISA.

5.16. Sale and Leaseback. The Borrower and its Subsidiaries shall not enter into any arrangement whereby the Borrower or any such Subsidiary sells or transfers all or a substantial part of its fixed assets then owned by it and thereupon, or within one (1) year thereafter, rents or leases the assets so sold or transferred from the purchaser or transferee (or their respective successors and assigns).

5.17. Financing Statements. The Borrower shall not file or cause to be filed any amendments, correction statements, or termination statements concerning the Collateral without the prior written consent of the Lender (other than with respect to Permitted Liens in favor of a party other than the Lender).

5.18. Obligations of Subsidiaries. The Borrower will cause each of its Subsidiaries, whether owned as of the Closing Date or thereafter organized or created, to (i) jointly and severally promise to repay the Obligations, whether by Joinder Agreement or otherwise, or (ii) guarantee the payment and performance of the Obligations pursuant to written guaranties of payment in form and substance satisfactory to the Lender in the Lender’s sole discretion unless (x) such Subsidiaries are forbidden by operation of law to execute such a Guaranty or (y) the effect of such Subsidiaries executing such a Guaranty would result in material adverse tax consequences and (A) such prohibition or material adverse tax consequences have been documented in a writing (such as an opinion of counsel or other documentation) satisfactory in form and content to the Lender in the Lender’s discretion, for each Subsidiary seeking such exemption unless such requirement is waived in writing by the Lender or (B) such Subsidiaries are organized under the laws of a jurisdiction other than the United States of America or any political subdivision thereof (each, a “Guarantee-exempt Subsidiary”); provided, however, that notwithstanding anything to the contrary in the foregoing, all of the Borrower’s foreign Subsidiaries as of the Closing Date shall each be deemed a “Guarantee-exempt Subsidiary” for all purposes under this Agreement. The Borrower shall also cause each future Subsidiary (other than a Guarantee-exempt Subsidiary) to also execute and deliver a security agreement (or joinder thereto) in form and substance satisfactory to the Lender.

SECTION 6. Events of Default. The occurrence of any one or more of the following events shall constitute a default under the provisions of this Agreement, and the term “Event of Default” shall mean, whenever it is used in this Agreement, any one or more of the following events (and the term “Default” as used herein means one or more of the following events, whether or not any requirement for the giving of notice, the lapse of time, or both has been satisfied):

6.1. Payment of Obligations. The failure of the Borrower to pay any of the Obligations as and when the same becomes due and payable in accordance with the provisions of this Agreement, the Note, and/or any of the other Financing Documents, whether at the due date thereof, at a date fixed for prepayment thereof or by acceleration thereof provided, however, that to the extent that the Borrower's failure to make any payment due to the Lender that arises from the Lender's error in not processing an automatic debit transaction by the due date, such failure shall not constitute a Default or Event of Default hereunder until the automatic debit transaction has been corrected, but in no circumstance shall this provision apply if the Borrower has insufficient funds to allow the automatic debit transaction to be processed and in every such case the Borrower shall be required to make payment directly to the Lender within three (3) Business Days of the due date;

6.2. Certain Provisions of this Agreement. The failure of the Borrower to perform any of its obligations under Sections 4.2, 4.5, 4.8, or Section 5 of this Agreement;

6.3. Perform, etc. Provisions of This Agreement. The failure of the Borrower to perform, observe or comply with any of the provisions of this Agreement other than those covered by Section 6.1 or Section 6.2, and such failure is not cured within a period of thirty (30) days after the delivery of written notice thereof by the Lender to the Borrower;

6.4. Representations and Warranties. If any representation and warranty contained herein or any statement or representation made in any certificate or any other written information at any time given by or on behalf of the Borrower or any Guarantor or furnished by the Borrower or any Guarantor in connection with this Agreement or any of the other Financing Documents shall prove to be false, incorrect or misleading in any material respect on the date as of which made;

6.5. Default under Other Financing Documents. The occurrence of a default (as defined and described therein) by the Borrower, or any Guarantor under the provisions of the Note or any of the other Financing Documents which is not cured within applicable cure periods, if any, specifically including the occurrence of a default under the Euro Loan Guaranty;

6.6. Liquidation, Termination, Dissolution, etc. If the Borrower or any Guarantor shall liquidate, dissolve or terminate its existence;

6.7. Default under Other Indebtedness. If the Borrower or any Guarantor shall default in any payment of (a) any other indebtedness owing to the Lender, or (b) an indebtedness in excess of $500,000 owing to any other party beyond the period of grace, if any, provided in the instrument or agreement under which such indebtedness was created, or default in the observance or performance of any other agreement or condition relating to any such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, in each case, the effect of which default or other event is to cause or to permit the holder or holders of such indebtedness or beneficiary or beneficiaries of such indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice, if required, such indebtedness to become due prior to its stated maturity;

6.8. Attachment or Forfeiture. The issuance of any forfeiture, attachment or garnishment against property or credits of the Borrower serving as Collateral, or the issuance of any attachment or garnishment against any other property or credits of the Borrower or any Guarantor for an amount in excess, singly or in the aggregate, of $500,000, which shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days after the issuance thereof;

6.9. Judgments. If one or more judgments or decrees shall be entered against the Borrower or any Guarantor involving in the aggregate a liability in excess of $500,000, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days after the entry thereof or shall not be covered by insurance or an escrow deposit established in connection with an acquisition permitted by Section 5.9;

6.10. Inability to Pay Debts, etc. If the Borrower or any Guarantor shall admit its inability to pay its debts as they mature or shall make any assignment for the benefit of any of its creditors;

6.11. Bankruptcy. If proceedings in bankruptcy, or for reorganization of the Borrower or any Guarantor under the United States Bankruptcy Code (as amended) or any part thereof, or under any other applicable laws, whether state or federal, for the relief of debtors, now or hereafter existing, shall be commenced against or by the Borrower or any Guarantor and, except with respect to any such proceedings instituted by the Borrower or such Guarantor, shall not be discharged within sixty (60) days of their commencement;

6.12. Receiver, etc. A receiver or trustee shall be appointed for the Borrower or any Guarantor or for any substantial part of the Borrower's or any Guarantor's assets, or any proceedings shall be instituted for the dissolution or the full or partial liquidation of the Borrower or any Guarantor and, except with respect to any such appointments requested or instituted by the Borrower or such Guarantor, such receiver or trustee shall not be discharged within sixty (60) days of his or her appointment, and, except with respect to any such proceedings instituted by the Borrower or any Guarantor, such proceedings shall not be discharged within sixty (60) days of their commencement;

6.13. Change in Control or Ownership. A Change in Control shall occur or the majority ownership or voting control of any Guarantor is directly or indirectly sold, assigned, transferred, encumbered or otherwise conveyed without the prior written consent of the Lender, which consent shall not be unreasonably withheld, except as otherwise permitted hereunder; provided, however, the majority ownership or voting control of one Guarantor may be transferred or conveyed to another Guarantor without the Lender's prior written consent so long as such transfer or conveyance shall not materially adversely affect any rights or remedies of the Lender under the Financing Documents;

6.14. Financial Condition. The occurrence of a Material Adverse Effect.

6.15. Financing Documents Unenforceable. Any Financing Document shall cease to be enforceable for any reason (other than by its express terms) or the Borrower or any Guarantor shall assert in writing that any Financing Document is unenforceable, or any lien purported to be created by any Financing Document and required hereunder or thereunder to be perfected shall (except as otherwise expressly permitted in this Agreement or the other Financing Documents) cease to be a valid first lien and prior perfected security interest in the securities, assets or properties covered thereby, or the Borrower or any Guarantor shall assert in writing that any security interest purported to be created by any Financing Document and required hereunder or thereunder to be perfected is not (except as otherwise expressly permitted in this Agreement or the other Financing Documents) a valid first lien and prior perfected security interest in the securities, assets or properties purported to be covered thereby.

SECTION 7. Rights and Remedies.

7.1. Rights and Remedies. If any Event of Default shall occur and be continuing, the Lender may (i) declare the Revolving Credit Facility hereunder and any obligation or commitment of the Lender hereunder to make Advances or to issue Letters of Credit for the account of the Borrower to be terminated, whereupon the same shall forthwith terminate, and (ii) declare the unpaid principal amount of the Note, together with accrued and unpaid interest thereon, and all other Obligations then outstanding to be immediately due and payable, whereupon the same shall become and be forthwith due and payable by the Borrower to the Lender, without presentment, demand, protest or notice of any kind, all of which are expressly waived by the Borrower; provided that in the case of any Event of Default referred to in Sections 6.11 or 6.12 above, the Revolving Credit Facility hereunder and any obligation or commitment of the Lender hereunder to make Advances to, or issue Letters of Credit for the account of, the Borrower shall immediately and automatically terminate and the unpaid principal amount of the Note, together with accrued and unpaid interest thereon, and all other Obligations then outstanding shall be automatically and immediately due and payable by the Borrower to the Lender without notice, presentment, demand, protest or other action of any kind, all of which are expressly waived by the Borrower. Upon the occurrence and during the continuation of any Event of Default, then in each and every case, the Lender shall be entitled to exercise in any jurisdiction in which enforcement thereof is sought, the following rights and remedies, in addition to the rights and remedies available to the Lender under the other provisions of this Agreement and the other Financing Documents, the rights and remedies of a secured party under the Uniform Commercial Code and all other rights and remedies available to the Lender under applicable law, all such rights and remedies being cumulative and enforceable alternatively, successively or concurrently:

(a) The Lender shall have the right to take possession of the Collateral, and for that purpose, so far as the Borrower may give authority therefor or to the extent permitted under applicable laws, to enter upon any premises on which the Collateral or any part thereof may be situated and remove therefrom all or any of the Collateral without any liability for suit, action or other proceeding. THE BORROWER HEREBY WAIVES ANY AND ALL RIGHTS TO PRIOR NOTICE AND TO JUDICIAL HEARING WITH RESPECT TO REPOSSESSION OF COLLATERAL, and require the Borrower, at the Borrower's expense, to assemble and deliver all or any of the Collateral to such place or places as the Lender may designate.

(b) The Lender shall have the right to operate, manage and control all or any of the Collateral (including use of the Collateral and any other property or assets of the Borrower in order to continue or complete performance of the Borrower's obligations under any contracts of the Borrower), or permit the Collateral or any portion thereof to remain idle or store the same, and collect all rents and revenues therefrom and sell, lease or otherwise dispose of any or all of the Collateral upon such terms and under such conditions as the Lender, in its sole discretion, may determine, and purchase or acquire any of the Collateral at any such sale or other disposition, all to the extent permitted by applicable law. Any purchaser or lessee of any of the Collateral so sold or leased shall hold the property so sold or leased free from any claim or right of the Borrower and the Borrower hereby waives (to the extent permitted by law) all rights of redemption, stay or appraisal with respect thereto. The Lender and the Borrower agree that commercial reasonableness and good faith require the Lender to give to the Borrower no more than ten (10) days prior written notice of any public sale or other disposition of the Collateral or of the time after which any private sale or other disposition of the Collateral is to be made.

(c) The Lender shall have the right, and the Borrower hereby irrevocably designates and appoints the Lender and its designees as the attorney-in-fact of the Borrower, with power of substitution and with power and authority in the Borrower's name, the Lender's name or otherwise and for the use and benefit of the Lender (i) to notify persons obligated to make payments or other remittances on or with respect to the Collateral to make such payments and other remittances directly to the Lender, (ii) to demand, collect, sue for, take control of, compromise, settle, change the terms of, release, exchange, substitute, extend, renew or otherwise deal with, the Collateral or any person obligated on or under the Collateral in any manner as the Lender may deem advisable, (iii) to remove from any place of business of the Borrower copies of (or, if deemed by the Lender to be reasonably necessary, originals of) all records in respect of the Collateral and, at the cost and expense of the Borrower, to make use of any place of business of the Borrower as may be necessary or desirable to administer, control, collect, sell or otherwise dispose of the Collateral, (iv) to receive and endorse the Borrower's name on any checks, drafts, money orders or other instruments of payment relating to any of the Collateral, (v) to sign any proofs of claim or loss, (vi) to commence, prosecute or defend any action, suit or proceeding relating to the Collateral or the collection, enforcement or realization upon the Collateral, (vii) to adjust and compromise any claims under insurance policies, and (viii) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with any or all of the Collateral and to do all other acts and things necessary to carry out this Agreement as though the Lender were absolute owner of the Collateral. This power of attorney, being coupled with an interest, is irrevocable and all acts by the Lender and its designees pursuant thereto are hereby ratified and confirmed by the Borrower. Neither the Lender nor any of its designees shall be liable for any acts of commission or omission, nor for any error of judgment or mistake of fact or law other than acts of actual fraud, willful misconduct or gross negligence. The provisions of this subsection shall not (x) be construed as requiring or obligating the Lender or any designee to take any action authorized hereunder and any action taken or any action not taken hereunder shall not give rise to any liability on the part of the Lender or its designees or to any defense, claim, counterclaim or offset in favor of the Borrower, (y) be construed to mean the Lender has assumed any of the obligations of the Borrower under any instrument or agreement as the Lender shall not be responsible in any way for the performance of the Borrower of any of the provisions thereof, and (z) relieve the Borrower of any of its obligations hereunder or in any way limit the exercise by the Lender of any other or further rights it may have hereunder, under the other Financing Documents, by law or otherwise.

7.2. Default Rate. Notwithstanding the entry of any decree, order, judgment or other judicial action, upon the occurrence of an Event of Default hereunder, the unpaid principal amount of the Note and all other monetary Obligations outstanding or becoming outstanding while such Event of Default exists shall bear interest from the date of such Event of Default until such Event of Default has been cured, at a floating and fluctuating per annum rate of interest equal at all times to the Default Rate, irrespective of whether or not as a result thereof, the Note or any of the Obligations has been declared due and payable or the maturity thereof accelerated. The Borrower shall on demand from time to time pay such interest to the Lender and the same shall be a part of the Obligations hereunder.

7.3. Liens, Set-Off. As security for the payment of the Obligations and the performance of the Financing Documents, the Borrower hereby grants to the Lender a continuing security interest and lien on, in and upon all indebtedness owing to, and all deposits (general or special), credits, balances, monies, securities and other property of, the Borrower and all proceeds thereof, both now and hereafter held or received by, in transit to, or due by, the Lender. In addition to, and without limitation of, any rights of the Lender under applicable laws, if any Event of Default occurs and is continuing, the Lender may at any time and from time to time thereafter during the continuance of such Event of Default, without notice to the Borrower, set-off, hold, segregate, appropriate and apply at any time and from time to time thereafter all such indebtedness, deposits, credits, balances (whether provisional or final and whether or not collected or available), monies, securities and other property toward the payment of all or any part of the Obligations in such order and manner as the Lender in its sole discretion may determine and whether or not the Obligations or any part thereof shall then be due or demand for payment thereof made by the Lender.

7.4. Enforcement Costs. The Borrower agrees to pay to the Lender on demand (a) all Enforcement Costs paid, incurred or advanced by or on behalf of the Lender including, without limitation, reasonable attorneys' fees, costs and expenses, and (b) interest on such Enforcement Costs from the date payment for the same is demanded until paid in full at a per annum rate of interest equal at all times to the Default Rate. All Enforcement Costs, with interest as above provided, shall be a part of the Obligations hereunder.

7.5 Collateral Account. If any Event of Default shall occur and be continuing, and the Lender shall elect to terminate the Revolving Credit Facility, the Borrower at any time and from time to time during the continuance of such Event of Default shall upon demand of the Lender deliver to the Lender cash or U.S. Treasury Bills with maturities of not more than thirty (30) days in an amount equal to the amount of issued or pending Letters of Credit as of such time. The Lender may also deposit to the Collateral Account (defined below) any cash, monies or funds received by the Lender from the collection of the Obligations or the sale or other disposition of the Collateral which the Lender, in its discretion, designates as being held against issued or pending Letters of Credit as of such time. Such cash, monies, funds or U.S. Treasury Bills shall be held by the Lender in an account (the "Collateral Account") and invested or reinvested (as the case may be) in U.S. Treasury Bills with maturities of no more than thirty (30) days from the date of investment. The Lender shall have the sole power of access and withdrawal from the Collateral Account. As collateral and security for the payment of the Obligations, the Borrower hereby assigns and pledges to the Lender, and grants to the Lender a security interest in and to, all cash, monies, funds, U.S. Treasury Bills and other securities and instruments at any time and from time to time held by the Lender in the Collateral Account and any interest, income, earnings and proceeds thereof, all of which shall be a part of the Collateral hereunder. If any Event of Default shall occur and be continuing, the Lender is irrevocably authorized to make such withdrawals from the Collateral Account at any time and from time to time and apply the same to any of the Obligations (including, without limitation, Letter of Credit Obligations) in such order and manner as the Lender in its sole discretion may determine. After all Obligations have been paid in full and there are no Letters of Credit outstanding or any commitment on the part of the Lender to open and issue Letters of Credit, any cash, monies, funds, U.S. Treasury Bills or other securities and instruments held by the Lender in the Collateral Account will be turned over to the Borrower or to such other person who may be entitled to the same under applicable laws.

7.6. Application of Proceeds. During the continuance of any Event of Default, any proceeds of the collection of the Obligations and/or the sale or other disposition of the Collateral will be applied by the Lender to the payment of Enforcement Costs, and any balance of such proceeds (if any) will be applied by the Lender to the payment of the remaining Obligations (whether then due or not), at such time or times and in such order and manner of application as the Lender may from time to time in its sole discretion determine. If the sale or other disposition of the Collateral fails to satisfy all of such Obligations, the Borrower shall remain liable to the Lender for any deficiency.

7.7. Remedies, etc. Cumulative. Each right, power and remedy of the Lender as provided for in this Agreement or in the other Financing Documents or now or hereafter existing under applicable laws or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or in the other Financing Documents or now or hereafter existing under applicable laws or otherwise, and the exercise or beginning of the exercise by the Lender of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Lender of any or all such other rights, powers or remedies.

7.8. No Waiver, Etc. No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement or of the other Financing Documents, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant or agreement or of any such breach, or preclude the Lender from exercising any such right, power or remedy at any later time or times. By accepting payment after the due date of any amount payable under this Agreement or under any of the other Financing Documents, the Lender shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under this Agreement or under any of the other Financing Documents, or to declare an Event of Default for failure to effect such prompt payment of any such other amount. The payment by the Borrower or any other person and the acceptance by the Lender of any amount due and payable under the provisions of this Agreement or the other Financing Documents at any time during which an Event of Default exists shall not in any way or manner be construed as a waiver of such Event of Default by the Lender or preclude the Lender from exercising any right of power or remedy consequent upon such Event of Default.

7.9 Arbitration.

(a) This paragraph concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this Agreement (including any renewals, extensions or modifications); or (ii) any document related to this Agreement (collectively a "Claim"). For the purposes of this arbitration provision only, the term "parties" shall include any parent corporation, subsidiary or affiliate of the Lender involved in the servicing, management or administration of any obligation described or evidenced by this Agreement.

(b) At the request of any party to this Agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the "Act"). The Act will apply even though this Agreement provides that it is governed by the law of a specified state. The arbitration will take place on an individual basis without resort to any form of class action.

(c) Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA"), and the terms of this paragraph. In the event of any inconsistency, the terms of this paragraph shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, any party to this agreement may substitute another arbitration organization with similar procedures to serve as the provider of arbitration.

(d) The arbitration shall be administered by AAA and conducted in Washington, D.C. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars ($5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed, judgment entered and enforced.

(e) The arbitrator(s) will give effect to statutes of limitation in determining any Claim and may dismiss the arbitration on the basis that the Claim is barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s). The arbitrator(s) shall have the power to award reasonable legal fees pursuant to the terms of this Agreement.

(f) This paragraph does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

(g) The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration.

(h) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This provision is a material inducement for the parties entering into this Agreement.

SECTION 8. Miscellaneous.

8.1. Course of Dealing; Amendment. No course of dealing between the Lender and the Borrower shall be effective to amend, modify or change any provision of this Agreement or the other Financing Documents. The Lender shall have the right at all times to enforce the provisions of this Agreement and the other Financing Documents in strict accordance with the provisions hereof and thereof, notwithstanding any conduct or custom on the part of the Lender in refraining from so doing at any time or times. The failure of the Lender at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Agreement or the other Financing Documents or as having in any way or manner modified or waived the same. This Agreement and the other Financing Documents to which the Borrower is a party may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Lender and the Borrower.

8.2. Waiver of Default. The Lender may, at any time and from time to time, execute and deliver to the Borrower a written instrument waiving, on such terms and conditions as the Lender may specify in such written instrument, any of the requirements of this Agreement or of the other Financing Documents or any Event of Default or Default and its consequences, provided, that any such waiver shall be for such period and subject to such conditions as shall be specified in any such instrument. In the case of any such waiver, the Borrower and the Lender shall be restored to their former positions prior to such Event of Default or Default and shall have the same rights as they had hereunder. No such waiver shall extend to any subsequent or other Event of Default or Default, or impair any right consequent thereto and shall be effective only in the specific instance and for the specific purpose for which given.

8.3. Notices. All notices, requests and demands to or upon the parties to this Agreement shall be deemed to have been given or made when delivered by hand, or when received after being deposited in the mail, postage prepaid by registered or certified mail, return receipt requested, one day after being sent by reputable overnight delivery service, or, in the case of notice by or facsimile transmission, when properly transmitted, addressed as follows or to such other address as may be hereafter designated in writing by one party to the other:

If to the Borrower:

comScore, Inc.
11950 Democracy Drive, Suite 600
Reston, Virginia 20190
Attention: Lisa Brenner
Fax No.: 703-438-2033

With a copy to:

Holland & Knight
1600 Tysons Boulevard, Suite 700
McLean VA 22102
Attention: David Matuszewski, Esquire
Fax No.: 703-720-8610

If to the Lender:

Bank of America, N.A.
MD9-978-04-01
1101 Wootton Parkway, 4th Floor
Rockville, MD 20852
Attention: Michael D. Brannan, Senior Vice President
Fax No.: 804-264-2387

With a copy to:

Ober, Kaler Grimes & Shriver,
A Professional Corporation
1401 H Street, N.W.
Washington, D.C. 20005
Attention: Nikolaus F. Schandlbauer, Esquire
Fax No.: 202-408-0640

except in cases where it is expressly herein provided that such notice, request or demand is not effective until received by the party to whom it is addressed.

8.4. Right to Perform. If an Event of Default has occurred and is continuing, then and in each such case, the Lender may (but shall be under no obligation whatsoever to) upon concurrent notice to or demand upon the Borrower remedy any such failure by advancing funds or taking such action as it deems appropriate for the account and at the expense of the Borrower. The advance of any such funds or the taking of any such action by the Lender shall not be deemed or construed to cure an Event of Default or waive performance by the Borrower of any provisions of this Agreement. The Borrower shall pay to the Lender on demand, together with interest thereon from the date of such demand until paid in full at a per annum rate of interest equal at all times to the Default Rate, any such funds so advanced by the Lender and any costs and expenses advanced or incurred by or on behalf of the Lender in taking any such action, all of which shall be a part of the Obligations hereunder.

8.5. Indemnification. The Borrower agrees hereby to indemnify and hold the Lender harmless from any loss, liability, damages, judgments, and costs of any kind brought by third parties relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Lender to the Borrower hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit except to the extent such loss, liability, damage, judgment or cost is the result of Lender's gross negligence or willful misconduct. This indemnity includes but is not limited to reasonable attorneys' fees. This indemnity extends to the Lender, its parent, subsidiaries and all of its directors, officers, employees, agents, successors, attorneys, and assigns; provided, however, that the Borrower shall not be liable for the payment of any portion of any loss, liability, damages, judgments, and costs of any kind as a result of the gross negligence or willful misconduct of a director, officer, employee, agent, successor or attorney of the Lender. This indemnity will survive repayment of the Borrower's obligations to the Lender. All sums due to the Lender hereunder shall become Obligations of the Borrower, due and payable promptly upon demand. Notwithstanding the foregoing, Borrower shall have no liability under this Section 8.5 for Lender's income or similar taxes.

8.6. Costs and Expenses. The Borrower agrees to promptly pay to the Lender on demand, all such fees, recordation and other taxes, costs and expenses of whatever kind and nature, including reasonable attorney's fees and disbursements, which the Lender may incur or which are payable in connection with the closing of the Revolving Credit Facility, including, without limitation, the preparation of this Agreement and the other Financing Documents, the recording or filing of any and all of the Financing Documents and obtaining lien searches. All such fees, costs, recordation and other taxes shall be a part of the Obligations hereunder.

8.7. Consent to Jurisdiction. The Borrower and Lender each irrevocably (a) consents and submits to the jurisdiction and venue of any state or federal court sitting in the Commonwealth of Virginia over any suit, action or proceeding arising out of or relating to this Agreement or any of the other Financing Documents, (b) waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum, and (c) consents to the service of process in any such suit, action or proceeding in any such court by the mailing of copies of such process to it by certified or registered mail at its address set forth herein for the purpose of giving notice.

8.8. <u>WAIVER OF JURY TRIAL</u>. THE BORROWER AND THE LENDER HEREBY VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THE CREDIT FACILITIES, THIS AGREEMENT OR ANY OF THE OTHER FINANCING DOCUMENTS.

8.9. <u>Certain Definitional Provisions; Changes in GAAP</u>.

(a) All terms defined in this Agreement shall have such defined meanings when used in any of the other Financing Documents. Accounting terms used in this Agreement shall have the respective meanings given to them under generally accepted accounting principles in effect from time to time in the United States of America. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. As used herein, the singular number shall include the plural, the plural, the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require. Unless otherwise defined herein, all terms used herein which are defined by the Uniform Commercial Code shall have the same meanings as assigned to them by the Uniform Commercial Code unless and to the extent varied by this Agreement.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Agreement or any other Financing Document, and either the Borrower or the Lender shall so request, the Lender and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; <u>provided</u> <u>that</u>, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

8.10. <u>Severability</u>. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of any of the other provisions of this Agreement which shall remain effective.

8.11. <u>Survival</u>. All representations, warranties and covenants contained among the provisions of this Agreement shall survive the execution and delivery of this Agreement and all other Financing Documents.

8.12. <u>Binding Effect</u>. This Agreement and all other Financing Documents shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

8.13. Applicable Law and Time of Essence. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of law or choice of law (except Sections 5-1401 and 5-1402 of the New York General Obligations Law), including all matters of construction, validity and performance. Time is of the essence in connection with all obligations of the Borrower hereunder and under any of the other Financing Documents.

8.14. Duplicate Originals and Counterparts. This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and all taken together shall constitute but one and the same instrument.

8.15. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only, shall not constitute a part of this Agreement for any other purpose and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

8.16 Public Use of Borrower's Name. With the Borrower's permission, the Lender may in its discretion use the Borrower's corporate name in press releases, public announcements and other promotional items or literature of the Lender. To that end, the Borrower *hereby* consents to the creation of one or more items commemorating this transaction and use information related to the transaction in internal communications. In addition, the Borrower *hereby* consents to the Lender's use of the Borrower's name and information related to this transaction (other than pricing) in connection with marketing, press releases or other transactional announcements or updates provided to investor or trade publications.

8.17 Termination of Security Interest. Upon payment in full of the outstanding Obligations and the termination of the Lender's commitment to make available the Revolving Credit Facility, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Borrower. Upon any such termination, the Lender will execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

8.18 No Advisory or Fiduciary Responsibility**.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Financing Document), the Borrower acknowledges and agrees that: (i) (A) the services evidenced by this Agreement provided by Lender are arm's-length commercial transactions between the Borrower and Lender, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Financing Documents; (ii) (A) Lender is and has been acting solely as a principal and, has not been, is not, and will not be acting as an advisor, agent or fiduciary, for the Borrower or any other Person and (B) Lender does not have any obligation to the Borrower with respect to the transaction contemplated hereby except those obligations expressly set forth herein and in the other Financing Documents; and (iii) Lender may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, and the Lender has no obligation to disclose any of such interests to the Borrower. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may currently have against Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

8.19 USA PATRIOT Act Notice. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with such Act.

[remainder of page left intentionally blank — signature pages follow]

IN WITNESS WHEREOF, each of the parties hereto have executed and delivered this Agreement under their respective seals as of the day and year first written above.

WITNESS:		COMSCORE, INC.	
/s/ Christiana Lin	By:	/s/ Kenneth J. Tarpey	(SEAL)
		Name: Kenneth J. Tarpey Title: CFO & Treasurer	
WITNESS:		BANK OF AMERICA, N.A.	
	By:	/s/ Michael Brannan	(SEAL)
		Name: Michael Brannan Title: SVP; Sr. Credit Products Officer	

Exhibit 31.1

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 controls 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 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 9, 2011

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 controls 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 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 9, 2011

Exhibit 32.1

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, 2011 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 9, 2011

Exhibit 32.2

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, 2011 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 9, 2011