

COMSCORE, INC.  
Form 10-K  
March 15, 2011

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2010**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**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, Virginia 20190**

*(Address of Principal Executive Offices)*

**(703) 438-2000**

*(Registrant's Telephone Number, Including Area Code)*

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

| <b>Title of Each Class</b>                | <b>Name of Each Exchange on Which Registered</b> |
|---|--|
| Common Stock, par value \$0.001 per share | The NASDAQ Stock Market LLC                      |

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$364.8 million (based on the closing sales price of the registrant's common stock as reported by the NASDAQ Global Market on that date). Shares of the registrant's common stock held by each officer and director and each person who owns more than 10% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of March 11, 2011, there were 31,806,149 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Specified portions of the registrant's Proxy Statement with respect to its 2011 annual meeting of stockholders, anticipated to be filed with the Securities and Exchange Commission no later than 120 days following the registrant's fiscal year ended December 31, 2010, are incorporated by reference in Part III of this annual report on Form 10-K.

COMSCORE, INC.

ANNUAL REPORT ON FORM 10-K  
FOR THE PERIOD ENDED DECEMBER 31, 2010

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## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

*This Annual Report on Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations section in Item 7 of this report, and other materials accompanying this Annual Report on Form 10-K contain forward-looking statements within the meaning of and safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. We attempt, whenever possible, to identify these forward-looking statements by words such as intends, will, plans, anticipates, expects, may, estimates, believes, should, projects, or continue, or the negative of those words and other words. Similarly, statements that describe our business strategy, goals, prospects, opportunities, outlook, objectives, plans or intentions are also forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, capital expenditures, introduction of new products, regulatory compliance, plans for growth, expected economic conditions, and future operations, as well as assumptions relating to the foregoing.*

*These statements are based on current expectations and assumptions regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause actual events or results to be materially different from any future events or results expressed or implied by these statements. These factors include those set forth in the following discussion and within Item 1A Risk Factors of this Annual Report on Form 10-K and elsewhere within this report.*

*You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report on Form 10-K. You should carefully review the risk factors described in other documents that we file from time to time with the U.S. Securities and Exchange Commission, or SEC. Except as required by applicable law, including the rules and regulations of the SEC, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise, other than through the filing of periodic reports in accordance with the Securities Exchange Act of 1934, as amended.*

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## PART I

### ITEM 1. *BUSINESS*

#### **Overview**

We provide a leading global digital marketing intelligence and measurement 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, which is comprised of persons and households with at least one computer being actively measured by us within the previous thirty-day period that 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. 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 provided a direct linkage and reconciliation between server and panel measurement. In 2010, we expanded our customer offerings through our acquisitions of Nexius, Inc., or Nexius, in July and Nedstat, B.V., or Nedstat in August. Nexius provides mobile carrier-grade solutions that deliver network analysis focused on the experience of wireless subscribers, as well as network intelligence with respect to performance, capacity and configuration analytics. Nedstat is a provider of web analytics and video measurement solutions.

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, mobile and university Internet users as well as insight into the effectiveness of online advertising. Our Marketing Solutions products combine the proprietary information gathered from the comScore panel with the vertical industry expertise of comScore analysts to deliver digital marketing intelligence, including the measurement of online advertising effectiveness, customized for specific industries. We typically deliver our Media Metrix products electronically in the form of weekly, monthly or quarterly reports. Customers can access current and historical Media Metrix data and analyze these data anytime online. Our Marketing Solutions products are typically delivered on a monthly, quarterly or ad hoc basis through electronic reports and analyses.

#### **Industry Background**

##### *Growth of Digital Commerce, Content, Advertising and Communications*

The Internet is a global digital medium for commerce, content, advertising and communications. As the online population has grown and continues to grow, the Internet has and is increasingly becoming a tool for research and commerce and for distributing and consuming media. Advertisers have shifted more of their marketing budgets to digital channels as consumers have increasingly used the Internet to research and make purchases and to consume

digital media. As advertisers spend more of their marketing budgets to reach Internet users, we believe that digital marketing will continue to grow.

In addition to the growth in online commerce, content and marketing, a number of new digital technologies and devices are emerging that enable users to access content and communicate in new ways. Internet-enabled mobile phones, or smart phones, and digital tablets and e-readers allow users to access digital content such as games, music, video and news on their mobile devices through a wireless connection to the Internet. Other digital communications technologies such as voice over Internet protocol (VoIP) utilize the Internet network infrastructure to enable efficient and cost-effective personal communications such as chat and VoIP-based telephony. Delivery of

digital television services over a network infrastructure using Internet Protocol, or IPTV, has a number of advantages over conventional television, including two-way communications, digital content and features, and interactivity. We believe these and other new digital media and communications devices and services offer a similar opportunity as the Internet for us to measure and analyze user behavior.

### ***Importance of Digital Marketing Intelligence***

The interactive nature of digital media such as the Internet on computers and mobile devices enables businesses to access a wealth of user information that was virtually unavailable through offline audience measurement and marketing intelligence techniques. Digital media provide businesses with the opportunity to measure detailed user activity, such as how users interact with Web page content; to assess how users respond to online marketing, such as which online ads users click on to pursue a transaction; and to analyze how audiences and user behavior compare across various Web sites. This type of detailed user data can be combined with demographic, attitudinal and transactional information to develop a deeper understanding of user behavior, attributes and preferences. Unlike offline media such as traditional television and radio, which generally only allow for the passive measurement of relative audience size, digital media enable businesses to actively understand the link between digital content, advertising and user behavior.

We believe that the growth in the online and digital media markets for digital commerce, content, advertising and communications creates an unprecedented opportunity for businesses to acquire a deeper understanding of both their customers and their competitive market position. Businesses can use accurate, relevant and objective digital marketing intelligence to develop and validate key strategies and improve performance. For example, with a deep understanding of the size, demographic composition and other characteristics of its audience, an online content provider can better communicate the value of its audience to potential advertisers. With detailed metrics on the effectiveness of an online advertising campaign and how that campaign influences online and offline purchasing behavior, a business can refine its marketing initiatives. With insight into market share and customer behavior and preferences, a business can understand not only how its digital business is performing relative to its competitors but also the drivers behind such performance. Moreover, by using the appropriate digital marketing intelligence, businesses can refine their digital content, commerce, advertising and communications initiatives to enhance the effectiveness and return on investment of their marketing spending, enabling them to build more successful businesses.

### ***Challenges in Providing Digital Marketing Intelligence***

While the interactive and dynamic nature of digital markets creates the opportunity for businesses to gain deep insights into user behavior and competitive standing, there are a number of issues unique to the Internet that make it challenging for companies to provide digital marketing intelligence. Compared to offline media such as television or radio, the markets for digital media are significantly more fragmented, complex and dynamic. We believe that there are several thousand global Web sites that each receive at least 500,000 unique visitors per month, as compared to only a few hundred channels typically available with standard digital cable or satellite television and broadcast or satellite radio. The complexities of online user activity and the breadth of digital content and advertising make providing digital marketing intelligence a technically challenging and highly data-intensive process.

Digital media continues to develop at a rapid pace and includes numerous formats such as textual content, streaming and downloadable video and music, instant messaging, VoIP telephony, online and social gaming and email. Digital advertising also includes multiple formats such as display, search, rich media and video. Detailed user activity such as viewing, clicking or downloading various components of a Web site across digital media or interacting with various advertising formats creates a substantial amount of data that must be captured on a continuous basis. The data must also be cleansed for quality, relevancy and privacy protection and be organized to enable companies to obtain relevant digital marketing intelligence. This capture of audience data can prove extremely challenging when it involves

millions of Internet users with varying demographic characteristics accessing tens of thousands of Web sites across diverse geographies. In addition, the ongoing evolution of Rich Media Applications that leverage new and evolving technologies contributes to the challenge of accurately measuring user activity. For example, online publishers and advertisers have started to use new techniques that



allow Web applications to quickly make incremental updates without having to refresh the entire Web page. Prior to the wide adoption of Rich Media Application, marketers relied heavily on page view statistics to plan and evaluate their online media spending programs. With this new class of applications, we believe marketers are beginning to question the definition of, and need for, page views, and are seeking alternative metrics for measuring the usage and effectiveness of online media. To maintain their relevance, audience and media measurement technologies must keep pace with the continued evolution and increasing complexity of digital media.

*Need for Accuracy and Reliability.* Relevant digital marketing intelligence requires access to accurate and reliable global data that measure online user activity. Existing data collection methodologies, including those that rely on third party sources, surveys or panels, face significant challenges and limitations. Survey or panel methodologies must measure a sufficiently large and representative sample size of Internet users to accurately capture data that is statistically projectable to the broader Internet population. In addition, the international composition of Internet audiences requires a geographically dispersed sample to accurately capture global digital activity. Digital marketing intelligence that depends solely on third-party sources to obtain Internet audience usage data has the potential to be biased, may be constrained by the data that the third party is capable of capturing, and may be limited in its application. For example, a solution that relies on data supplied by an Internet service provider, or ISP, may show a bias toward the demographic composition or other characteristics of that ISP's users. We believe that a meaningful digital media sourcing methodology must be based on data sourced from a large, representative global sample of online users that can be parsed, enhanced, mined and analyzed; must evolve rapidly and be flexible to adapt to changing technologies; and must be able to provide actionable digital marketing intelligence that can be used to improve business decision-making.

*Need for Third-Party Objectivity.* We believe that the availability of objective third-party data that measure digital audience size, behavior, demographic and attitudinal characteristics represents a key factor in the continued growth of digital content, advertising and commerce. This is similar to offline media markets, such as television and radio, whose development was significantly enhanced by the introduction of third-party audience measurement ratings that provided a basis for the pricing of advertising in those media. As the buying and selling of online advertising continues to grow, we believe that companies on both sides of the advertising transaction will increasingly seek third-party marketing intelligence to assess the value and effectiveness of digital media. In addition, as advertisers work with Web site publishers to target online advertising campaigns to reach a specific demographic or behavioral user profile, the need for objective audience and user information, unbiased by either party to the transaction, will become increasingly important.

*Need for Competitive Information.* In addition to the scope, complexity and rapid evolution of online digital media, the lack of data on competitors makes it difficult for companies to gain a comprehensive view of user behavior beyond their own digital businesses. While products and tools exist that enable companies to understand user activity on their own Web sites, these products are unable to provide a view of digital audience activity on other Web sites or offline. In order for publishers, marketers, merchants and service providers to benefit from accurate and comprehensive digital marketing intelligence they need to understand user activity on Web sites across the Internet and how online consumer behavior translates into offline actions.

### **The comScore Digital Marketing Intelligence Platform**

We provide a leading digital marketing intelligence platform that enables our customers to devise and implement more effective digital business strategies. Our platform is comprised of proprietary databases and a computational infrastructure that measures, analyzes and reports digital activity from our global panel of approximately two million Internet users. 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 offer our customers deep insights into

consumer behavior on their own online properties and those of their competitors, including objective, detailed information on users' demographic characteristics, attitudes, lifestyles and multi-channel buying activity. We also provide industry-specific metrics to our customers.

We deliver our digital marketing intelligence through our comScore Media Metrix suite, our comScore Marketing Solutions products, our comScore mobile solutions and our comScore web analytics solutions. Media

Metrix provides intelligence on digital media usage, including a measurement of the size, behavior and characteristics of the audiences for individual Web sites and advertising networks within the global home, work and university Internet user populations as well as insight into the effectiveness of online advertising. Our Marketing Solutions products combine the proprietary information gathered from our user panel with the vertical industry expertise of comScore analysts to deliver digital marketing intelligence customized for specific industries. Media Metrix and Marketing Solutions products are typically delivered electronically in the form of periodic reports, through customized analyses or are generally available online via a user interface on the comScore Web site.

Key attributes of our platform include:

*Panel of global Internet users.* Our ability to provide digital marketing intelligence is based on information continuously gathered from a broad cross-section 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. Through our proprietary technology, we measure detailed Internet audience activity across the spectrum of digital content and marketing channels. Many comScore panelists also participate in online survey research that captures and integrates demographic, attitudinal, lifestyle and product preference information with Internet behavior data. The global nature of our Internet panel enables us to provide digital marketing intelligence for over forty individual countries. Our global capability is valuable to companies based in international markets as well as to multi-national companies that want to better understand their global Internet audiences and the effectiveness of their global digital business initiatives. 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.

*Census data collection and measurement.* Our Unified Digital Measurement solution combines panel measurement of people and audience demographics with a comprehensive and accurate representation of the consumption of a site's media, which is accomplished by site owners including comScore beacons or reporting pixels on all of their site content. Census measurement using web beacons reports every server call that the site owner would register from all locations and devices, allows for full representation of these audiences and devices, and fully reconciles Media Metrix site audience measurement with publisher's internal server logs or web analytics metrics.

*Scalable technology infrastructure.* We developed our databases and computational infrastructure to support the growth in online activity among our global Internet panel and the increasing complexity of digital content formats, advertising channels and communication applications. The design of our technology infrastructure is based on distributed processing and data capture environments that allow for the collection and organization of vast amounts of data on online activity, including usage of proprietary networks, instant messaging and audio and video streaming. Our award-winning database infrastructure currently captures billions of URL records each week from our global Internet panel. We believe that our efficient and scalable technology infrastructure allows us to operate and expand our data collection infrastructure on a cost-effective basis. In addition to the ability to scale linearly and efficiently in processing panel based data, we have also added the ability to scale quickly and efficiently in support of our Media Metrix 360 effort. While supporting this large growth in tracking events we also reduced the processing time for delivering this data to our clients in our comScore Direct web interface to a few hours after event recordation.

Benefits of our platform include:

*Advanced digital marketing intelligence.* We use our proprietary technology to compile vast amounts of data on Internet user activity and to organize the data into discrete, measurable elements that can be used to provide

actionable insights to our customers. We believe that our digital marketing intelligence platform enables companies to gain a deeper understanding of their digital audiences, which allows them to better assess and improve their company and product-specific competitive position. Because our marketing intelligence is based on a large sample of global Internet users and can incorporate multi-channel transactional data, we are able to provide companies with an enhanced understanding of digital audience activity beyond their own Web sites and the ability to better assess the link between digital marketing and

offline user activity. Digital content providers, marketers, advertising agencies, merchants and service providers can use the insights our platform provides to craft improved marketing campaigns and strategies and to measure the effectiveness and return on investment of their digital initiatives.

*Objective third-party resource for digital marketing intelligence.* We are an independent company that is not affiliated with the digital businesses we measure and analyze, allowing us to serve as an objective third-party provider of digital marketing intelligence. Because businesses use our data to plan and evaluate the purchase and sale of online advertising and to measure the effectiveness of digital marketing, it is important that we provide unbiased data, marketing intelligence, reports and analyses. We deploy advanced statistical methodologies in building and maintaining the comScore global Internet user panel and utilize proven data capture, and computational practices in collecting, statistically projecting, aggregating and analyzing information regarding online user activity. We believe that our approach ensures that the insights we provide are as objective as possible and allows us to deliver products and services that are of value to our customers in their key business decision-making. We believe that the media industry views us as a highly recognized and credible resource for digital marketing intelligence. For example, our information on digital activity are regularly cited by well-known media outlets such as the Associated Press, Reuters, Bloomberg, CNBC, The New York Times and The Wall Street Journal. Moreover, many of the leading Wall Street investment banks also purchase and cite our data in their published research reports prepared by financial analysts that cover Internet businesses.

*Vertical industry expertise.* We have developed expertise across a variety of industries to provide digital marketing intelligence specifically tailored to the needs of our customers operating in specific industry sectors. We have dedicated personnel to address the automotive, consumer packaged goods, entertainment, financial services, media, pharmaceutical, retail, technology, telecommunications and travel sectors. We believe that companies across different industries have distinct information and marketing intelligence needs related to understanding their digital audiences and buyers, evaluating marketing initiatives and understanding company or product-specific competitive position. For example, a pharmaceutical company may want to understand how online research by consumers influences new prescriptions for a particular drug, while a financial services company may want to assess the effectiveness of its online advertising campaigns in signing up new consumers and how this compares to the efforts of its competitors. By working with companies in various industries over the course of multiple years, we have developed industry-specific applications of our data and our client service representatives have developed industry-specific knowledge and expertise that allow us to deliver relevant and meaningful marketing insight to our customers.

*Ease of use and functionality.* The comScore digital marketing intelligence platform is designed to be easy to use by our customers. Our Media Metrix and web analytics products are available through the Internet using a standard browser. Customers of these products can also run customized reports and refine their analyses using an intuitive interface available on our Web site. Our Marketing Solutions products are available either through the Internet or by using standard software applications such as Microsoft Excel, Microsoft PowerPoint or SPSS analytical software. Our customers do not need to install additional hardware or complex software to access and use most of our products.

## **Strategy**

Our objective is to be the leading provider of global digital marketing intelligence products. We plan to pursue our objective through internal initiatives and, potentially, through acquisitions and other investments. The principal elements of our strategy are to:

*Deepen relationships with current customers.* We intend to work closely with our customers to enable them to continuously enhance the value they obtain from our digital marketing intelligence platform, including many of the additional product offerings now available as a result of recent acquisitions. Many of our customers are Fortune 2000 companies that deploy multiple marketing initiatives, and we believe many of our customers would benefit from more extensive use of our product offerings to gain additional insights into their key digital initiatives. We will work to develop and expand our customer relationships to increase our customers' use of our digital marketing intelligence platform.

*Grow our customer base.* As the digital media, commerce, marketing and communications sectors continue to grow, we believe the demand for digital marketing intelligence products will increase. To meet this increase in market demand, we intend to invest in sales, marketing and account management initiatives in an effort to expand our customer base. We intend to offer both general and industry-specific digital marketing products that deliver value to a wide range of potential customers in current and new industry verticals.

*Expand our digital marketing intelligence platform.* We expect to continue to increase our product offerings through our digital marketing intelligence platform. As digital markets become more complex, we believe that companies will require new information and insights to measure, understand and evaluate their digital business initiatives. We intend to develop new applications that leverage our digital marketing intelligence platform to be able to provide the most timely and relevant information to our customers.

*Address emerging digital media.* The extension of digital media and communications to include new formats such as content for mobile phones, VoIP, IP television, and next generation gaming consoles creates new opportunities to measure and analyze emerging digital media. We intend to extend our digital marketing platform to capture, measure and analyze user activity in these emerging digital media and communications formats both through technology developed organically as well as through strategic acquisitions and partnerships.

*Grow internationally.* While we are currently in the early stages of providing customers with international services, we believe that a significant opportunity exists to provide our product offerings to multi-national and international companies. Approximately half of the existing comScore Internet user panel resides outside of the United States. We plan to expand our sales and marketing and account management presence outside the U.S. as we provide a broader array of digital marketing intelligence products that are tailored to local country markets as well as the global marketplace. Our World Metrix product, which measures global digital media usage, samples online users from countries that comprise approximately 95% of the global Internet population. We have also completed acquisitions of Certifica in Latin America and Nedstat in Europe in recent years, which we believe will increase our global reach.

*Extend technology leadership.* We believe that the scalability and functionality of our database and computational infrastructure provide us with a competitive advantage in the digital media intelligence market. Accordingly, we intend to continue to invest in research and development to extend our technology leadership. We intend to continue to enhance our technology platform to improve scalability, performance and cost effectiveness and to expand our product offerings.

*Build brand awareness through media exposure.* Our digital media, commerce and marketing information are frequently cited by media outlets. In addition, we proactively provide them with data and insights that we believe may be relevant to their news reports and articles. We believe that media coverage increases awareness and credibility of the comScore and Media Metrix brands and supplements our marketing efforts. We intend to continue to work with media outlets, including news distributors, newspapers, magazines, television networks, radio stations and online publishers, to increase their use of comScore data in content that discusses digital sector activity.

## **Our Product Offerings**

We deliver our digital marketing intelligence through our comScore Media Metrix product suite and through our comScore Marketing Solutions, comScore mobile solutions and comScore web analytics products.

*comScore Media Metrix*

Media Metrix provides its subscribers, consisting primarily of publishers, marketers, advertising agencies and advertising networks, with intelligence on digital media usage and a measurement of the size, behavior and characteristics of the audiences for Web sites and advertising networks among home, work and university Internet populations. Media Metrix also provides insights into the effectiveness of online advertising. Media Metrix data can be used to accurately identify and target key online audiences, evaluate the effectiveness of digital marketing and



commerce initiatives, support the selling of online advertising by publishers, and to identify and exploit relative competitive standing. The vast majority of our Media Metrix subscribers access selected reports and analyses through the MyMetrix user interface on our Web site.

Our flagship product, Media Metrix, details the online activity and site visitation behavior of Internet users, including use of instant messaging, e-mail, and other digital applications. Beginning in summer 2009, Media Metrix was made available on the Media Metrix 360 Unified Digital Measurement platform, which combines panel measurement of people and audience demographics with a full and accurate representation of the consumption of a site's media. Our customers subscribe to ongoing access to our digital marketing intelligence reports and analyses, including:

- comprehensive reports detailing online behavior for home, work and university audiences;
- demographic characteristics of visitors to Web sites and properties;
- buying power metrics that profile Web site audiences based on their online buying behavior;
- detailed measurement and reporting of online behavior for over 35 countries and over 100 U.S. local markets;
- measurement of key ethnic segments, including the online Hispanic population; and
- reach and frequency metrics for online advertising campaigns that show the percent of a target audience reached and the frequency of exposure to advertising messages.

In addition to our core offering, customers can subscribe to the following additional products in the Media Metrix product suite:

*Plan Metrix.* Plan Metrix is a product that combines the continuously and passively observed Internet behavior provided by Media Metrix with comprehensive attitude, lifestyle and product usage data collected through online surveys of our U.S. Internet user panel. Plan Metrix provides advertising agencies, advertisers and publishers with multiple views of Web site audiences including their online behavior, demographics, lifestyles, attitudes, technology product ownership, product purchases and offline media usage. These data are used in the design and evaluation of online marketing campaigns. For example, an online auto retailer could use Plan Metrix to help understand which Web sites a prospective automobile purchaser is most likely to visit prior to making a purchase decision.

*World Metrix.* We provide insights into worldwide Internet activity through our World Metrix product, which delivers aggregate information about the behavior of online users on a global basis, for approximately 30 individual countries and for regional aggregations such as Latin America, Europe and Asia Pacific. For example, a content publisher can understand its market share of the global Internet audience using our World Metrix product.

*Video Metrix.* Video Metrix provides insights into the viewing of streaming video by U.S. Internet users. The product measures a wide range of video players and formats, including Windows Media, Flash, RealMedia and QuickTime. Video Metrix offers site-level measurement and audience ratings by demographics and time-of-day to assist agencies, advertisers and publishers in designing and implementing media plans that include streaming video. For example, an advertiser that is seeking to maximize the exposure of its streaming video ads to its target audience could use Video Metrix to help understand on which sites and at what times of the day its target audience is viewing the most streaming video.

*Ad Metrix.* Available through the Media Metrix client interface, Ad Metrix provides advertisers, agencies and publishers with a variety of online advertising metrics relating to impressions, or advertisements on a Web site that

reach a target audience. Ad Metrix helps customers determine the impressions delivered by advertising campaigns across Web sites and online properties, including how many visitors are reached with advertisements and how often. In addition, Ad Metrix allows customers to determine the demographic profile of the advertising audience at a particular site, as well as how the volume of impressions changes over time on that site. The Ad Metrix data are consistent with offline media planning metrics such as GRPs, or gross rating points, which measure the percent of a target audience that is reached with an advertisement weighted by the

number of exposures. For example, an advertiser might use Ad Metrix to plan the online portion of an advertising campaign for a sports product on sites that have previously successfully delivered advertising impressions to a target demographic audience. A publisher might use Ad Metrix data to measure its share of advertising impressions relative to competitive publishers.

*Segment Metrix.* Segment Metrix is a product that enables media owners, agencies and advertisers to track, analyze and report Internet activity on their most important consumer groups. Segment Metrix provides the flexibility to integrate behavioral, geographic, demographic and proprietary, client-defined segments with our comScore panel. Agencies and advertisers can use Segment Metrix to gain better insights into how to reach important target customers and advertisers and can use the product to better integrate offline marketing segmentation schemes with our online panel to allow them to track, analyze and report online behavior on a segmented basis.

*comScore Marketer.* comScore Marketer is an interactive search intelligence service that enables search marketers and Web site operators to benchmark their performance versus that of their competitors and optimize their search marketing efforts. comScore Marketer helps enhance search strategy by delivering insight into paid and organic search results, including an analysis of searcher demographics and online behavior. For example, customers can use comScore Marketer to create more efficient and cost-effective search campaigns, identify better-performing search terms and analyze their competitors' search marketing strategies.

*MobiLens.* MobiLens provides our customers with market-wide metrics on mobile subscribers, mobile handset adoption and use, and mobile media consumption in the U.S. and certain major markets in Europe. MobiLens provides monthly market projections detailing mobile media consumption, the demographic profiles of mobile subscribers, and granular technology profiles of every handset in active use in the U.S. and supported European markets.

*M:Metrics Mobile Metrix.* Mobile Metrix measures the actual behavior of the most active segment of mobile media consumers so customers can evaluate audience demographics, brand reach, frequency and duration of usage. Mobile Metrix continuously captures detailed information on mobile user behavior via on-device meters with an opt-in panel of smartphone owners and delivers it monthly via an intuitive Web query.

*Ad Metrix Mobile.* Ad Metrix Mobile tracks mobile display advertising in the U.S. and UK to provide clients with insight into which brands are advertising with which publishers on the mobile Web.

Some examples of Media Metrix digital marketing intelligence measurements and their customer uses are described in the following table.

**Digital Marketing Intelligence Measurement**

**Examples of Customer Uses**

Site Traffic & Usage Intensity

rank Web sites based on online usage metrics such as unique visitors, page views or minutes of use  
 drill-down to standard or customer-defined site subsets such as channels or sub-channels (such as Yahoo! Finance and Yahoo! Sports)  
 analyze statistics over time such as trends in site visitors within demographic segments  
 assess which Web site audiences are growing or declining, which sites are most attractive to particular demographic segments or which sites or digital applications have the highest level of usage

Quantitative Consumer Information

identify the source of traffic to a particular Web site or channel within a site  
profile site users based on life-stage or offline behavior such as panelist-reported TV usage, car ownership, health conditions or offline purchases  
efficiently identify and target a particular user segment (e.g., people who say they are likely to buy a car in the next six months)

**Digital Marketing Intelligence Measurement**

**Examples of Customer Uses**

|                          |   |
|--------------------------|---|
|                          | quantify the audience overlap between different consumer segments or Web sites to identify the number of unique visitors reached  |
| Online Buying Power      | quantify the propensity of a particular Web site’s audience to purchase certain categories of products (e.g., consumer electronics) online  |
| Competitive Intelligence | compare the standings of Web sites within particular content categories, such as finance or health information<br>quantify audience size relative to competitors, including share of usage within a category and usage trends across competitors<br>track major competitors, quantify their growth, and identify initiatives to promote growth and market share   |
| Reach and Frequency      | identify and quantify the size of audiences reached by individual Web sites and determine how often they reach those audiences<br>assist with the planning of online advertising campaigns that need to achieve specific reach or frequency objectives against a targeted audience across multiple Web sites<br>design the most cost-effective media plans that can achieve campaign objectives for reach and frequency |

***comScore Marketing Solutions***

comScore Marketing Solutions products use our global database, computational infrastructure and our staff of experienced analytical personnel to help customers design more effective marketing strategies that increase sales, reduce costs, deepen customer relationships and ultimately enhance a customer’s competitive position. We offer solutions tailored for specific industry verticals, including the consumer packaged goods, entertainment, financial services, media, pharmaceutical, retail, technology, telecommunications and travel sectors. Many of our Marketing Solutions products are delivered to subscribers on a recurring schedule such as monthly or quarterly. In some cases, we provide customized reports and analyses that combine our expertise with other proprietary information to address a specific customer need.

The core information products offered by comScore Marketing Solutions include:

*Market Share Reports.* These reports track a company’s share of market as measured by industry-specific performance metrics. The metrics of choice vary by industry vertical, including as examples: share of online credit card spending for credit card issuers; share of online travel spending for travel companies; or share of subscribers for ISPs. In each case, market share reports provide an ongoing measurement of competitive performance and insight into the factors driving changes in market share.

*Competitive Benchmark Reports.* These reports allow customers to compare themselves to competitors using various industry-specific metrics. For example, retailers may look at metrics such as the rate of conversion of site visitors to buyers, average order size or rate of repeat purchases among existing customers. Banks may focus on the percentage of bank customers using online bill payment services, or compare the effectiveness of customer acquisition programs as reflected by the percentage of leads they acquire that ultimately sign up for an online account. In each case, a customer may define and obtain best-of-category metrics and use them as a benchmark to monitor its business

performance over time.

*Loyalty and Retention Analysis.* These analyses provide an understanding of the extent to which consumers are also engaged with competitors, and identify loyalty drivers to assist customers in capturing a higher share of the consumer's wallet. For example, a travel company might quantify the potential business lost when consumers visit its site, do not complete a purchase but then visit a competing site to book a travel reservation. Retention or churn analyses quantify consumer losses to competitors and the key drivers of such losses. For example, a narrowband Internet service provider may track the rate of attrition among its customer base, identify which competitors are capturing those lost customers, and analyze the characteristics of the lost customers in order to gain insight into ways to improve retention.

*Customer Satisfaction Reports.* These reports are based on panelist responses to survey questionnaires that ascertain the degree of satisfaction with various products or services offered to consumers. This information is often integrated with the online usage information that we collect from our panelists in order to identify which digital media usage activities affect customer satisfaction. For instance, a sports portal may use these reports to determine which features, such as participating in fantasy sports leagues or viewing streaming video clips, affect customer satisfaction and loyalty the most.

*qSearch.* This product is a monthly scorecard of the search market that provides a comparison of search activity across portals and major search engines. It helps identify the reach of a search engine, the loyalty of its user base, the frequency of search queries, and the effectiveness of sponsored links displayed on search result pages in driving referrals to advertiser sites. qSearch is used by major search engines and advertising agencies in planning search campaigns.

*Ad Effic Campaign Essentials (formerly Campaign Metrix).* This product provides detailed information about specific online advertising campaigns. These reports, available through a Web-based interface, describe for each advertising image, or creative within an advertising campaign, the size and demographic composition of the audience exposed to that particular advertisement, the average number of impressions delivered and other details regarding ad formats and ad sizes used in the campaign. An advertiser, agency or publisher could use Ad Effic Campaign Essentials to gain insight into the effectiveness of an online advertising campaign by examining the number of unique users exposed to the campaign, the number of times on average that a unique user was exposed to the campaign and whether the campaign reached the targeted audience demographic.

*Ad Effic Brand Lift and Action Lift (formerly Brand Metrix).* Ad Effic Brand Lift provides reports showing the test compared to control effectiveness of a campaign using survey-based metrics that we collect from our Ad Recruit technology. For example, a Brand Lift report would illustrate the changes in brand awareness, intent and attitudes that were driven by an advertising campaign. Ad Effic Action Lift measures the lift in the advertiser's site visitation and the lift in searching for the brand's trademark. Each report can be customized to the advertiser's needs and typically delivered in PowerPoint, Excel and SPSS data files, often with a return on investment analysis.

*Ad Effic Online Lift and Offline Lift.* These services provide an understanding of the effectiveness of particular advertising campaigns by measuring the online and offline behavior of a target group of comScore panelists, following their exposure to a particular advertisement, and comparing their behavior to that of a control group of comScore panelists who were not exposed to such advertisements. These services allow a marketer to understand the impact of their advertising campaign and to estimate the return on their investment in online marketing.

*Survey-Based Products.* These products leverage our ability to administer surveys to our panel members to obtain valuable information that can be seamlessly integrated with online behavioral data to provide our clients with additional insights into the drivers of consumer behavior.

*Xplore Mobile Network Analytics Products.* Our Xplore Mobile Network Analytics Products are mobile carrier-grade solutions designed to deliver network analysis focused on the experience of wireless subscribers, as well as network intelligence with respect to performance, capacity and configuration analytics. The Xplore product suite enables network operators to enhance operational efficiencies and prioritize capital expenditures based on customer demand in a rapidly changing environment. Xplore products provide operators with visibility over how the network impacts the customer experience. Xplore allows a user to quickly extrapolate, correlate, and render information from disparate point products and data stores across the communications providers cross functional organizations.

*Web Analytics Products.* Our web analytics products and video measurement solutions help organizations optimize customer experiences and maximize the return on digital media investments. Because these products are highly

customizable, they allow 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.

### **Customers**

As of December 31, 2010, we had 1,752 customers, including 82 Fortune 500 customers. Our customers include at least a majority of each of:

the top twenty online properties, based on total unique visitors, including Microsoft, Yahoo!, AOL and Google;

the top ten U.S. Internet service providers;

the top ten investment banks, based on global investment banking fees revenues;

the top 50 creative, media and digital agencies, based on Ad Age;

the top seven consumer banks, based on total U.S. deposits as ranked by the FDIC;

the top four wireless carriers, based on CTIA;

the top ten pharmaceutical companies, based on worldwide sales;

the top ten credit card issuers, based on total credit cards outstanding; and

the top ten consumer packaged goods companies, based on the 2010 Fortune 500 list.

One of our customers, Microsoft Corporation, accounted for approximately 11%, 12% and 12% of our revenues in the years ended December 31, 2010, 2009 and 2008, respectively. No other customer accounted for more than 10% of our revenues during each of those periods.

### **Selling and Marketing**

We sell the majority of our products through a direct sales force. Sales of the comScore Media Metrix product suite to new clients are managed by sales representatives assigned specifically to new business development. A separate group of account managers within our sales organization is assigned to manage, renew and increase sales to existing Media Metrix customers. The comScore Marketing Solutions sales organization is organized vertically by industry with account executives dedicated to selling into the consumer packaged goods, entertainment, financial services, media, pharmaceutical, retail, technology, telecommunications and travel sectors and other industries. Marketing Solutions account executives are tasked with both identifying and generating new business in specific verticals as well as servicing existing customers. Our sales and account representatives receive a base salary and are eligible for bonuses or commissions based on performance.

Our marketing communications staff is primarily focused on leveraging the use of comScore data and insights by the media and maximizing the number of times that comScore is cited as a source of information. We believe that the use of our data by general and industry-specific media outlets increases recognition of the comScore brand name and serves to help validate the value of the analyses and products we provide. In order to accomplish this goal, we seek to maintain relationships with key news distributors, publications, TV networks, reporters and other media outlets. We believe that the media views us as a highly recognized and credible resource for digital marketing intelligence. For example, we are regularly cited, on average several hundreds of times a day, by well-known news distributors, publications and TV networks such as the Associated Press, Reuters, Bloomberg, CNBC, The New York Times and

The Wall Street Journal. We also target various industry conferences and tradeshows as part of our marketing efforts. These events are typically focused on a particular industry, allowing us to demonstrate to industry participants the value of our products to businesses in that industry.

**Panel and Methodology**

The foundation of our digital marketing intelligence platform is data collected from our comScore panel, which includes approximately two million persons worldwide, whose online behavior we have explicit permission to measure on a continuous, passive basis. We believe that our panel is one of the largest global panels of its kind,

delivering a multi-faceted view of digital media usage and transactional activity as well as selected offline activity. By applying advanced statistical methodologies to our panel data, we project the behavior of the total online population.

We recruit our panel through a variety of online recruitment programs that have been tested and refined since our inception to ensure a diverse sample that sufficiently represents the broader global Internet population. In addition, in the United States we enlist a sub-sample of panelists through various offline recruiting methods. Participants in the comScore research panel receive a package of benefits that is designed to appeal to a broad variety of user categories. Examples of such benefits included in 2010 and prior periods, free security applications such as encrypted file protection; free general purpose applications such as screensavers and games; sweepstakes; cash payments; points that may be redeemed for prizes; and planting a tree in the name of all new panelists through our Trees for Knowledge program. Participants' data and privacy are protected by defined privacy policies that safeguard personally-identifiable information. This combination of recruiting methods allows us to maintain a panel large enough to provide statistically representative samples in most demographic segments.

We continuously determine the size, demographics and other characteristics of the online population using enumeration surveys of tens of thousands of persons annually, whereby respondents are asked a variety of questions about their Internet use, as well as demographic and other descriptive questions about themselves and their households. The sample of participants in each enumeration survey is selected using a random recruiting methodology. The result is an up-to-date picture of the population to which the comScore sample is then projected. We use the results from the enumeration surveys to weight and statistically project the panel data to ensure that the projected data reflect the characteristics of the Internet population.

In addition, our Unified Digital Measurement solution combines panel measurement of people and audience demographics with a full and accurate representation of the consumption of a site's media, which is accomplished by site owners including comScore beacons or reporting pixels on all of their site content. Census measurement using web beacons reports every server call that the site owner would register from all locations and devices, allows for full representation of these audiences and devices, and fully reconciles Media Metrix site audience measurement with publishers internal server logs or web analytics metrics.

The move to census measurement has also been extended to mobile under the auspices of the GSM Association (GSMA), the trade body for mobile operators, and their Mobile Media Metrics (MMM) initiative to deliver a comprehensive and granular view of the mobile internet. GSMA MMM was pioneered and launched by us in the UK. The mobile network operators provide irreversibly anonymized census-level data for mobile internet usage. Demographic data, collected with consent from a representative sample of mobile users, is ascribed onto the unique persistent identification number for each anonymous user in the census data. Wi-Fi traffic, not seen in the mobile network traffic, can be captured in server-side logs of media owners and ad networks by beaconing with our Media Metrix 360 products.

## **Privacy**

We believe that a key factor differentiating our digital marketing intelligence is our ability to track and analyze online usage behavior using the data collected from our panel. Since the founding of our company, we have endeavored to undertake such data collection and analysis responsibly and only with consumer permission. Participation in our research panel is voluntary. Our policies require that participants consent to our privacy and data security practices before our software collects information on the user's online activity. In addition, we provide panelists with multiple opportunities and methods to remove themselves from our panel. We limit the type of information that we collect by identifying and filtering certain personal information from the data collected. The collected data is secured using multiple layers of physical and digital security mechanisms. Moreover, we maintain a strict policy of not sharing comScore panelists' personally identifiable information with our customers. We believe that these actions and policies

are consistent with the AICPA/CICA WebTrust criteria for online privacy.

**Technology and Infrastructure**

We have developed a proprietary system for the measurement of the activity of our global online panel. This system is continuously refined and developed to address the changing digital media landscape and to meet new

customer business needs. The system is comprised of hundreds of servers that operate using software built on Microsoft and other technologies. Our technology infrastructure is operated in two third-party Tier-1 co-location facilities (one in Virginia and the other in Illinois). Our systems have multiple redundancies and are structured to ensure the continuation of business operations in the event of network failure or if one of our data centers has been rendered inoperable. As of December 31, 2010, our technology team (excluding employees devoted to research and development) was comprised of approximately 200 full-time employees (or full-time equivalents) working in four different geographic locations, who design, develop, maintain and operate our entire technology infrastructure. In addition, we have established a relationship with a third party firm for software development in an economically beneficial locale as a means to augment our technology efforts for discrete projects.

Our development efforts have spanned all aspects of our business. We have developed a data capture system that operates across our panelists' computers in almost 200 countries and is used for the real-time capture of consumer Internet behavior. We have built a large scale, efficient and proprietary system for processing massive amounts of data. Typically our systems handle and process data in excess of 190 billion input records per month. Despite the scale of processing required, these data are generally available on a daily basis for our business use. We have also developed a highly efficient and scalable system for the extraction and tabulation of all online activities of our panelists. Likewise, we have created an award-winning, highly scalable data warehousing environment that allows ready access and analysis of the data we collect. We believe our scalable and highly cost-effective systems and processing methods provide us with a significant competitive advantage.

Our customers access our digital marketing intelligence product offerings through a variety of methods including MyMetrix, our proprietary, Web-based analysis and reporting system, which is used by thousands of active, unique users to produce more than several million reports each year.

## **Research and Development**

Our research and development efforts focus on the enhancement of our existing products and the development of new products to meet our customers' digital marketing intelligence needs across a broad range of industries and applications. Because of the rapidly growing and evolving use of the Internet and other digital media for commerce, content, advertising and communications, these efforts are critical to satisfying our customers' demand for relevant digital marketing intelligence. As of December 31, 2010, we had approximately 150 full-time employees (or full-time equivalents) working on research and development activities (excluding employees on our technology team cited under Technology and Infrastructure above). In addition, we involve management and operations personnel in our research and development efforts. In 2010, 2009 and 2008, we spent \$26.4 million, \$17.8 million and \$14.8 million, respectively, on research and development.

## **Intellectual Property**

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions together with confidentiality procedures and contractual provisions to protect our proprietary technology and our brand. We seek patent protection on inventions that we consider important to the development of our business. We control access to our proprietary technology and enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third parties.

Our success depends in part on our ability to develop patentable products and obtain, maintain and enforce patent and trade secret protection for our products, including successfully defending these patents against any third-party challenges, both in the United States and in other countries. We may be able to protect our technologies from unauthorized use by third parties to the extent that we own or have licensed valid and enforceable patents or trade secrets that cover them. However, the degree of future protection of our proprietary rights is uncertain because legal

means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage.

Currently, we own five U.S. patents. U.S. patent 7,181,412 was filed March 22, 2000 and covers, among other things, techniques for collecting consumer data. U.S. patent 7,260,837 was filed February 5, 2003 and covers various techniques, such as techniques for collecting data relating to a user's usage of a computing device, techniques for identifying a user of a computing device, and techniques for monitoring the performance of a

network server. U.S. patent 7,493,655 was filed February 5, 2003 and covers, among other things, techniques for placing user identification in header of data packets usable in user demographic reporting and collecting usage data. U.S. patent 7,702,317 was filed April 27, 2006 and covers various techniques for querying wireless network offerings. U.S. patent 7,849,154 was filed June 27, 2005 and covers, among other things, the acquisition and correlation of a wireless user profile with events occurring on the users wireless device.

Under current U.S. law, the statutory term for a patent is 20 years from its earliest effective filing date. Accordingly, U.S. patent 7,181,412 is expected to expire on or about March 22, 2020. U.S. patents 7,260,837 and 7,493,655 are expected to expire on or about February 5, 2023. U.S. patent 7,702,317 is expected to expire on or about April 27, 2026. U.S. patent 7,849,154 is expected to expire on or about June 27, 2025. Various circumstances, such as the provisions under U.S. patent law for patent term adjustment and patent term extension, may extend the duration of any of these patents. Similarly, various circumstances may shorten the duration of any of these patents, such as a change in U.S. law or a need or decision on our part to terminally disclaim a portion of the statutory term of any of these patents.

We also currently have forty-two U.S. and foreign patent applications pending, and we intend to file, or request that our licensors file, additional patent applications for patents covering our products. However, patents may not be issued for any pending or future pending patent applications owned by or licensed to us, and claims allowed under any issued patent or future issued patent owned or licensed by us may be declared invalid or may not be sufficiently broad to protect our technologies. Any issued patents owned by or licensed to us now or in the future may be challenged, invalidated, held unenforceable or circumvented, and the rights under such patents may not provide us with the expected benefits. In addition, competitors may design around our technology or develop competing technologies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for competitors to capture or increase their market share with respect to related technologies. Although we are not currently involved in any legal proceedings related to intellectual property, we could incur substantial costs to defend ourselves in suits brought against us or in suits in which we may assert our patent rights against others. An unfavorable outcome in any such litigation could have a material adverse effect on our business and results of operations.

In addition to patent and trade secret protection, we also rely on several trademarks and service marks to protect our intellectual property assets. We are the owner of numerous trademarks and service marks and have applied for registration of our trademarks and service marks in the United States and in certain other countries to establish and protect our brand names as part of our intellectual property strategy. Some of our registered marks include comScore, Media Metrix and MyMetrix.

Our intellectual property policy is to protect our products, technology and processes by asserting our intellectual property rights where we believe it is appropriate and prudent. Any pending or future pending patent applications owned by or licensed to us (in the United States or abroad) may not be allowed or may in the future be challenged, invalidated, held unenforceable or circumvented, and the rights under such patents may not provide us with competitive advantages. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

There is always the risk that third parties may claim that we are infringing upon their intellectual property rights and, if successful in proving such claims, we could be prevented from selling our products.

For additional, important information related to our intellectual property, please review the information set forth in Part I, Item 1A of this Annual Report on Form 10-K, Risk Factors Risks Related to Our Business and Our Technologies.

**Competition**

The market for digital marketing intelligence is highly competitive and evolving rapidly. We compete primarily with providers of digital marketing intelligence and related analytical products and services. We also



compete with providers of marketing services and solutions, with survey providers, as well as 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) and ValueClick;

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, relationships with more customers and substantially greater resources than we do. As a result, these competitors may be able to devote more resources to marketing and promotional campaigns, panel retention and development techniques or technology and systems development than we can. In addition, some of our competitors may be able to adopt more aggressive pricing policies. Furthermore, large software companies, Internet portals and database management companies may enter the 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.

We believe the principal competitive factors in our markets include the following:

the ability to provide actual and perceived high-quality, accurate and reliable data regarding Internet and other digital media audience behavior and activity in a timely manner, including the ability to maintain a large and statistically representative sample panel;

the ability to adapt product offerings to emerging digital media technologies and standards;

the breadth and depth of products and their flexibility and ease of use;

the availability of data across various industry verticals and geographic areas and expertise across these verticals and in these geographic areas;

the ability to offer survey-based information combined with digital media usage, eCommerce data and other online information collected from panelists;

the ability to offer high-quality analytical services based on Internet and other digital media audience measurement information;

the ability to offer products that meet the changing needs of customers and provide high-quality service; and

the prices that are charged for products based on the perceived value delivered.

We believe that we compete favorably with our competitors on the basis of these factors. However, if we are unable to compete successfully against our current and future competitors, we may not be able to acquire and retain

customers, and we may consequently experience a decline in revenues, reduced operating margins, loss of market share and diminished value from our products.

### **Government Regulation**

Although we do not believe that significant existing laws or government regulations adversely impact us, our business could be affected by different interpretations or applications of existing laws or regulations, future laws or regulations, 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 the use of cookies. 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 or decrease the amount and utility of the information that we would be permitted to collect. 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 nongovernmental 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.

Additionally, 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. For additional, important information related to government regulation of our business, please review the information set forth in Part I, Item 1A of this Annual Report on Form 10K, Risk Factors Risks Related to Our Business and Our Technologies.

### **Executive Officers of the Registrant**

The following table sets forth the names and ages of our current executive officers:

| <b>Name</b>             | <b>Age</b> | <b>Position</b>                                 |
|-------------------------|------------|---|
| Magid M. Abraham, Ph.D. | 52         | President, Chief Executive Officer and Director |
| Gian M. Fulgoni         | 63         | Executive Chairman of the Board of Directors    |

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|                   |    |  |
|-------------------|----|--|
| Kenneth J. Tarpey | 58 | Chief Financial Officer                        |
| Gregory T. Dale   | 41 | Chief Operating Officer                        |
| Christiana L. Lin | 41 | EVP, General Counsel and Chief Privacy Officer |

*Magid M. Abraham, Ph.D.* one of our co-founders, has served as our President, Chief Executive Officer and as a Director since September 1999. In 1995, Dr. Abraham founded Paragren Technologies, Inc., which specialized in delivering large scale Customer Relationship Marketing systems for strategic and target marketing, and served as its

Chief Executive Officer from 1995 to 1999. Prior to founding Paragren, Dr. Abraham was employed by Information Resources, Inc. from 1985 until 1995, where he was President and Chief Operating Officer from 1993 to 1994 and later Vice Chairman of the Board of Directors from 1994 until 1995. In 2008, Dr. Abraham was inducted into the Entrepreneur Hall of Fame and was named an Ernst & Young Entrepreneur of the Year in the Washington DC area. In 2009 he received the AMA's Parlin Award, a preeminent national honor recognizing one individual annually who has demonstrated outstanding leadership and sustained impact on advancing the evolving profession of marketing research over an extended period of time. Dr. Abraham received the Paul Green Award and the William F. O'Dell Award from the American Marketing Association for an article that he co-authored in the Journal of Marketing Research. He received a Ph.D. in Operations Research and an M.B.A. from MIT. He also holds an Engineering degree from the École Polytechnique in France.

*Gian M. Fulgoni*, one of our co-founders, has served as our Executive Chairman of the Board of Directors since September 1999. Prior to co-founding comScore, Mr. Fulgoni was employed by Information Resources, Inc., where he served as President from 1981 to 1989, Chief Executive Officer from 1986 to 1998 and Chairman of the Board of Directors from 1991 until 1995. Mr. Fulgoni has served on the board of directors of PetMed Express, Inc. since 2002 and previously served from August 1999 through November 2000. Mr. Fulgoni has also served on the board of directors of the Advertising Research Foundation, an industry research organization, since 2008. He also served on the board of directors of Platinum Technology, Inc. from 1990 to 1999, U.S. Robotics, Inc. from 1991 to 1994, and Yesmail.com, Inc. from 1999 to 2000. In 1991 and again in 2004, Mr. Fulgoni was named an Illinois Entrepreneur of the Year, the only person to have twice received the honor. In 1992, he received the Wall Street Transcript Award for outstanding contributions as Chief Executive Officer of Information Resources, Inc. in enhancing the overall value of that company to the benefit of its shareholders. In 2008, Mr. Fulgoni was inducted into the Chicago Entrepreneur Hall of Fame and was named an Ernst & Young Entrepreneur of the Year. Educated in the United Kingdom, Mr. Fulgoni holds an M.A. in Marketing from the University of Lancaster and a B.Sc. in Physics from the University of Manchester.

*Kenneth J. Tarpey* has served as our Chief Financial Officer since April 20, 2009. Prior to joining comScore, Mr. Tarpey was Executive Vice President, Chief Financial Officer and Chief Operating Officer of Objectvideo, Inc., a Reston, Virginia-based provider of video surveillance software, from 2003 until April 2009. From 2002 until 2003, Mr. Tarpey was Senior Vice President, Chief Financial Officer and Treasurer of Ai Metrix, Inc., a Herndon, Virginia-based provider of network optimization software. From 1997 until 2001, Mr. Tarpey was Executive Vice President and Chief Financial Officer of Proxicom, a NASDAQ-listed Internet business consulting and development company. Mr. Tarpey holds an M.B.A. from Babson College and a B.A. from College of the Holy Cross.

*Gregory T. Dale* has served as our Chief Operating Officer since August 2009. Prior to that, he served as our Vice President, Product Management from September 1999 until October 2000 and as our Chief Technology Officer from October 2000 until August 2009. Prior to joining us, he served as Vice President of Client Service at Paragren Technologies, Inc., a company that specialized in enterprise relationship marketing. He holds a B.S. in Industrial Management from Purdue University.

*Christiana L. Lin* has served as our EVP, General Counsel and Chief Privacy Officer since August 2009. Prior to that, she served as our Deputy General Counsel from February 2001 until March 2003, as our Corporate Counsel and Chief Privacy Officer from March 2003 until January 2006 and as our General Counsel and Chief Privacy Officer from January 2006 until August 2009. Ms. Lin holds a J.D. from the Georgetown University Law Center and a B.A. in Political Science from Yale University.

## **Employees**

As of December 31, 2010, we had approximately 920 employees. None of our employees are represented by a labor union. We have experienced no work stoppages and believe that our employee relations are good.

**Geographic Areas**

Our primary geographic markets are the United States, Canada, the United Kingdom, Latin America/Chile and Japan. For information with respect to our geographic markets, see Note 13 to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

## Company Information

We incorporated in August 1999 in Delaware. Our principal offices are located at 11950 Democracy Drive, Suite 600, Reston, Virginia 20190. Our telephone number is (703) 438-2000.

## Available Information

We make our periodic and current reports available, free of charge, on our website as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Our website address is [www.comscore.com](http://www.comscore.com) and such reports are filed under SEC Filings on the Investor Relations portion of our website. Information contained on our Web site is not part of this Annual Report on Form 10-K and is not incorporated in this Annual Report on Form 10-K by reference. Further, a copy of this annual report as well as our other periodic and current reports may be obtained from the SEC, located at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding our filings at [www.sec.gov](http://www.sec.gov).

## 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%, 86% and 83% of our revenues in 2010, 2009 and 2008, respectively. Uncertain economic conditions or other factors, such as the failure or consolidation of large financial institutions, may cause certain customers to terminate or reduce their subscriptions. If our customers terminate their subscriptions for our products, do not renew their subscriptions, delay renewals of their subscriptions or renew on terms less favorable to us, our revenues could decline and our business could suffer.

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





***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 and other business development initiatives;

the timing of contract renewals, delivery of products and duration of contracts and the corresponding timing of revenue recognition and 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 2008, we closed our acquisition of M:Metrics and have integrated this business into our own. In 2009, we acquired the Certifica group of companies located in Latin America. Additionally, in 2010, we acquired the 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;

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, if we have not established vendor specific objective evidence, or VSOE, for the undelivered elements in the arrangement. For example, we currently have not established VSOE, for the multiple-element arrangement deliverables involving products and services related to our acquisition of Nexius and account for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue over the service period of the last delivered element. If we are unable to establish VSOE for these transactions or for transactions related to other products and services in future periods, we may be required to otherwise 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 and could impair our ability to recruit panelists or maintain panels of sufficient size and scope, which in turn could adversely affect our ability to provide our products.***

Any perception of our practices as an invasion of privacy, whether legal or illegal, may subject us to public criticism. Existing and future privacy laws and increasing sensitivity of consumers to unauthorized disclosures and the collection or use of personal information and online usage information may create negative public reaction related to our business practices. The U.S. Congress and various media sources have expressed concern over the collection of online usage information from cable providers and telecommunications operators to facilitate targeted Internet advertising, and the collection of online behavioral data generally. A similar concern has been raised by regulatory agencies in the United Kingdom. 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, and the European Commission has issued directives requiring the regulation of cookies throughout the European Union. 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. 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, which could make it difficult to recruit additional panelists or maintain a panel of sufficient size and scope to provide meaningful marketing intelligence. In response to spyware and adware concerns, numerous programs are available, many of which are available for free, that claim to identify and remove spyware and adware from users' computers. Some of these anti-spyware programs have in the past identified, and may in the future identify, our software as spyware or as a potential spyware application. We actively seek to prevent the inclusion of our software on lists of spyware applications or potential spyware applications, to apply best industry practices for obtaining appropriate consent from

panelists and protecting the privacy and confidentiality of our panelist data and to comply with existing privacy laws. However, to the extent that we are not successful, and anti-spyware programs classify our software as spyware or as a potential spyware application, or third party service providers fail to comply with our privacy or data security requirements, our brand may be harmed and users may refrain from downloading these programs or may uninstall our software. Any resulting reputational harm, potential claims asserted against us or decrease in the size or scope of our panel could reduce the demand for our products, increase the cost of recruiting

panelists and adversely affect our ability to provide our products to our customers. Any of these effects could harm our business.

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

Unauthorized disclosure of personally identifiable information regarding Web site visitors, whether through breach of our secure network by an unauthorized party, employee theft or misuse, or otherwise, could harm our business. If there were an inadvertent disclosure of personally identifiable information, or 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.***

During 2009, we acquired a company with a substantial presence in multiple Latin American countries, and in 2010, we acquired a company with a substantial presence in multiple European countries, and a company with a growing clientele within the Middle East. Despite this acquisition, 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 we have begun to undertake will not be successful. In addition, conducting international operations subjects us to new risks that we have not generally faced in the United States. These risks include:

recruitment and maintenance of a sufficiently large and representative panel both globally and in certain countries;

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 years ended December 31, 2010, 2009 and 2008, we derived approximately 29%, 29% and 30% 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, ARS and Nexius, both 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 years ended December 31, 2010, 2009 and 2008, we derived approximately 11%, 12% 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 the subprime-mortgage crisis, slower economic activity, concerns about inflation and deflation, decreased consumer confidence, increased unemployment, reduced corporate profits and capital spending, adverse business conditions, liquidity concerns and other factors. Economic growth in the U.S. and in many other countries slowed in the fourth

quarter of 2007 and remained slow throughout 2008 and 2009. Notwithstanding certain signs of recovery during 2010, economic growth may continue to 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) and 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 920 employees as of December 31, 2010 from 176 employees as of December 31, 2003. As a result of downward adjustments to compensation and reductions in our workforce made during 2009, 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. As of December 31, 2010, we had an accumulated deficit of \$53.3 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 the 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.



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

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

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

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

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

One of our competitors has filed patent infringement lawsuits against others, demonstrating this party's propensity for patent litigation. It is possible that this third party, or some other third party, may bring an action against us, and thus cause us to incur the substantial costs and risks of litigation. Any intellectual property rights claim against us or our customers, with or without merit, could be time-consuming and expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent us from offering our products to our customers and may require that we procure or develop substitute products that do not infringe on other parties' rights.

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

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

Our business could be adversely impacted by existing or future laws or regulations of, or actions by, domestic or foreign regulatory agencies. For example, privacy concerns could lead to legislative, judicial and regulatory limitations on our ability to collect maintain and use information about Internet users in the United States and abroad. Various state legislatures have enacted legislation designed to protect Internet users' privacy, for example by prohibiting spyware. In recent years, similar legislation has been proposed in other states and at the federal level and has been enacted in foreign countries, most notably by the European Union, which adopted a privacy directive regulating the collection of personally identifiable information online 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 Ratings 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 Ratings 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, including those contained in Part II, Item 8 of our Annual Report on Form 10-K.



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

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

We continue to evaluate our existing internal controls against the standards adopted by the Public Company Accounting Oversight Board, or PCAOB. During the course of our ongoing evaluation of our internal controls, we have in the past identified, and may in the future identify, areas requiring improvement, and may have to design enhanced processes and controls to address issues identified through this review. 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 December 31, 2010, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately \$51.9 million and \$37.3 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 December 31, 2010 we estimate our aggregate net operating loss carryforwards for tax purposes related to our foreign subsidiaries are \$27.5 million, which will begin to expire in 2011.

We periodically assess the likelihood that we will be able to recover our deferred tax assets, principally net operating loss carryforwards. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies. As a result of this analysis of all available evidence, both positive and negative, the total valuation allowance against our deferred tax assets decreased by \$2.5 million during year ended December 31, 2010, primarily due to the release of our UK valuation allowance.

As of December 31, 2010, we had a valuation allowance of \$1.0 million against certain deferred tax assets. The valuation allowance relates to the deferred tax assets of the foreign subsidiaries that are in their start-up phases, including China, Spain, Singapore and certain Certifica and Nedstat entities, and the deferred tax asset related to the value of our auction rate securities. Depending on our actual results in the future, there may be sufficient positive evidence to support the conclusion that all or a portion of our remaining valuation allowance should be further reduced. To the extent we determine that all or a portion of our valuation allowance is no longer necessary, we expect to recognize an income tax benefit in the period such determination is made for the reversal of the valuation allowance. If we determine that, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized, we expect to recognize income tax expense in the period such determination is made for the increase in the valuation allowance. These events could have a material impact on our reported results of operations.

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

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

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

Due to the prevailing global economic conditions that largely began in 2008 and continued throughout 2009, many businesses do not have access to the capital markets on acceptable terms. In addition, as a result of this global credit market crisis, conditions for acquisition activities have become very difficult as tight global credit conditions have adversely affected the ability of potential buyers to finance acquisitions. Although these conditions have not immediately affected our current plans, these adverse conditions are not likely to improve significantly in the near future and could have a negative impact on our ability to execute on future strategic activities.

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

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

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

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

***We have invested some of our assets in auction rate securities, which are subject to risks that may cause losses and affect the liquidity of those investments.***

As of December 31, 2010, our principal sources of liquidity consisted of \$33.7 million in cash. As of December 31, 2010, we held \$2.8 million in long-term investments consisting of four separate auction rate securities with a par value of \$4.3 million. In prior years, we invested in these auction rate securities for short periods of time as part of our investment policy. However, uncertainties in the credit markets have prevented us and other investors in recent periods from liquidating some holdings of auction rate securities. As there were no auctions for these securities during the year ended December 31, 2010, we may incur additional losses.

#### **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 after this offering or changes in financial estimates by analysts;

actual or anticipated developments in our competitors' businesses or the competitive landscape;

actual or perceived inaccuracies in, or dissatisfaction with, information we provide to our customers or the media;

litigation involving us, our industry or both;

regulatory developments;

privacy and security concerns, including public perception of our practices as an invasion of privacy;

general economic conditions and trends;

major catastrophic events;

sales of large blocks of our stock;

the timing and success of new product introductions or upgrades by us or our competitors;

changes in our pricing policies or payment terms or those of our competitors;

concerns relating to the security of our network and systems;

our ability to expand our operations, domestically and internationally, and the amount and timing of expenditures related to this expansion; or

departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation, which could result in substantial costs and divert our management's attention and resources from our business. In addition, volatility, lack of positive performance in our stock price or changes to our overall compensation program, including our equity incentive program, may adversely affect our ability to retain key employees.

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

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

***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 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

Our corporate headquarters and executive offices are located in Reston, Virginia, where we occupy approximately 62,000 square feet of office space under a lease that initially expires in 2018, although we have an option to extend until up to 2028, subject to certain conditions. We also lease space in various locations throughout the United States North America, Latin America, Europe, and Japan for sales and other personnel. If we require additional space, we believe that we would be able to obtain such space on commercially reasonable terms.

**ITEM 3. *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. For a discussion of the significant proceedings in which we are involved see Note 8 to our consolidated financial statements.

**ITEM 4. (REMOVED AND RESERVED)****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****PRICE RANGE OF COMMON STOCK**

Our common stock has been traded on the NASDAQ Global Market under the symbol SCOR since our initial public offering in June 2007. The following table sets forth the high and low sales prices of our common stock for each period indicated and are as reported by the NASDAQ Global Market.

| Fiscal Period  | 2010     |          | 2009     |          |
|----------------|----------|----------|----------|----------|
|                | High     | Low      | High     | Low      |
| First Quarter  | \$ 18.16 | \$ 12.64 | \$ 13.98 | \$ 7.47  |
| Second Quarter | \$ 18.86 | \$ 14.80 | \$ 15.51 | \$ 9.85  |
| Third Quarter  | \$ 23.73 | \$ 15.84 | \$ 19.00 | \$ 12.39 |
| Fourth Quarter | \$ 24.47 | \$ 20.40 | \$ 19.58 | \$ 14.32 |

**HOLDERS**

As of March 10, 2011 there were 589 stockholders of record of our common stock, although we believe that there may be a significantly larger number of beneficial owners of our common stock. We derived the number of stockholders by reviewing the listing of outstanding common stock recorded by our transfer agent as of March 10, 2011.

### **STOCK PERFORMANCE GRAPH**

The graph set forth below compares the cumulative total stockholder return on our common stock between June 27, 2007 (the date our common stock first commenced trading on the NASDAQ Global Market) and December 31, 2010 to the cumulative total returns of the NASDAQ Composite Index and NASDAQ Computer Index over the same period. This graph assumes the investment of \$100 at the closing price of the markets on June 27, 2007 in our common stock, the NASDAQ Composite Index and the NASDAQ Computer Index, and assumes the reinvestment of dividends, if any. We have never paid dividends on our common stock and have no present plans to do so.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

#### **COMPARISON OF CUMULATIVE TOTAL RETURN\* among comScore, Inc., The NASDAQ Composite Index and The NASDAQ Computer Index**

\* \$100 invested upon market close of the NASDAQ Global Market on June 27, 2007, the date our common stock first commenced trading on the NASDAQ Global Market upon our initial public offering, including reinvestment of dividends.

The preceding Stock Performance Graph is not deemed filed with the Securities and Exchange Commission and shall not be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

## DIVIDEND POLICY

Since our inception, we have not declared or paid any cash dividends. We currently expect to retain earnings for use in the operation and expansion of our business and therefore do not anticipate paying any cash dividends in the foreseeable future.

## EQUITY COMPENSATION PLANS

The information required by this item regarding equity compensation plans is set forth in Part III, Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this Annual Report on Form 10-K.

## UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### *Unregistered Sales of Equity Securities during the Three Months Ended December 31, 2010*

None.

### *Use of Proceeds from Sale of Registered Equity Securities*

Not applicable.

## PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

During the three months ended December 31, 2010, 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<br>of<br>Shares (or<br>Units)<br>Purchased(1) | Average Price<br>Per Share (or<br>Unit) | Total<br>Number of<br>Shares<br>(or Units)<br>Purchased<br>as<br>Part of<br>Publicly<br>Announced<br>Plans of<br>Programs | Maximum<br>Number (or<br>Approximate<br>Dollar<br>Value) of<br>Shares<br>(or Units)<br>that May<br>Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|------------|-------------------|--|---|---|---|
| October 1  | October 31, 2010  | 14,428   | \$ 12.20                                |   |   |
| November 1 | November 30, 2010 | 25,712   | \$ 19.56                                |   |   |

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|            |                   |        |    |      |
|------------|-------------------|--------|----|------|
| December 1 | December 31, 2010 | 9,616  | \$ | 7.28 |
| Total      |                   | 49,756 |    |      |

- (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.

For the three months ended December 31, 2010, the shares repurchased in connection with our exercise of the repurchase right afforded to us upon the cessation of employment consisted of the following:

|                                | <b>Total Number of<br/>Shares<br/>Purchased</b> | <b>Average Price<br/>Per Share</b> |
|--------------------------------|---|------------------------------------|
| October 1 – October 31, 2010   | 6,911   | \$ 0.00                            |
| November 1 – November 30, 2010 | 2,091   | \$ 0.00                            |
| December 1 – December 31, 2010 | 6,484   | \$ 0.00                            |
| <b>Total</b>                   | <b>15,486</b>                                   |                                    |

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 December 31, 2010, these shares consisted of the following:

|                                | <b>Total Number of<br/>Shares<br/>Purchased</b> | <b>Average Price<br/>Per Share</b> |
|--------------------------------|---|------------------------------------|
| October 1 – October 31, 2010   | 7,517   | \$ 23.41                           |
| November 1 – November 30, 2010 | 23,621  | \$ 21.29                           |
| December 1 – December 31, 2010 | 3,132   | \$ 22.34                           |
| <b>Total</b>                   | <b>34,270</b>                                   |                                    |

**ITEM 6. SELECTED FINANCIAL DATA**

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report. The selected data in this section is not intended to replace the consolidated financial statements.

The consolidated statements of operations data and the consolidated statements of cash flows data for each of the three years ended December 31, 2010, 2009 and 2008 as well as the consolidated balance sheet data as of December 31, 2010 and 2009 are derived from and should be read together with our audited consolidated financial statements and related notes appearing in this report. The consolidated statements of operations data and the consolidated statements of cash flows data for the years ended December 31, 2007 and 2006 as well as the consolidated balance sheet data as of December 31, 2008, 2007 and 2006 are derived from our audited consolidated financial statements not included in this report. Our historical results are not necessarily indicative of results to be expected for future periods.

|   | <b>Year Ended December 31,</b>                         |             |             |             |             |
|---|--|-------------|-------------|-------------|-------------|
|   | <b>2010</b>  | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> |
|   | <b>(In thousands, except share and per share data)</b> |             |             |             |             |
| <b>Consolidated Statement of Operations Data:</b>     |  |             |             |             |             |
| Revenues  | \$ 174,999   | \$ 127,740  | \$ 117,371  | \$ 87,153   | \$ 66,293   |
| Cost of revenues(1)                                   | 51,953   | 38,730      | 34,562      | 23,858      | 20,560      |
| Selling and marketing(1)                              | 59,641   | 41,954      | 39,400      | 28,659      | 21,473      |
| Research and development(1)                           | 26,377   | 17,827      | 14,832      | 11,413      | 9,009       |
| General and administrative(1)                         | 33,953   | 18,232      | 16,785      | 11,599      | 8,293       |
| Amortization  | 4,534  | 1,457       | 804         | 966         | 1,371       |
| Total expenses from operations                        | 176,458  | 118,200     | 106,383     | 76,495      | 60,706      |
| (Loss) income from operations                         | (1,459)  | 9,540       | 10,988      | 10,658      | 5,587       |
| Interest and other income, net                        | 53   | 410         | 1,863       | 2,627       | 231         |
| (Loss) gain from foreign currency                     | (347)  | (132)       | (321)       | (296)       | 125         |
| Gain on sale (impairment) of marketable securities    |  | 89          | (2,239)     |             |             |
| Revaluation of preferred stock warrant liabilities    |  |             |             | (1,195)     | (224)       |
| (Loss) income before income taxes                     | (1,753)  | 9,907       | 10,291      | 11,794      | 5,719       |
| Benefit (provision) for income taxes                  | 177  | (5,938)     | 14,895      | 7,522       | (50)        |
| Net (loss) income                                     | (1,576)  | 3,969       | 25,186      | 19,316      | 5,669       |
| Accretion of redeemable preferred stock               |  |             |             | (1,829)     | (3,179)     |
| Net (loss) income attributable to common stockholders | \$ (1,576)   | \$ 3,969    | \$ 25,186   | \$ 17,487   | \$ 2,490    |



Net (loss) income attributable  
to common stockholders per  
common share:

|         |    |        |    |      |    |      |    |      |    |
|---------|----|--------|----|------|----|------|----|------|----|
| Basic   | \$ | (0.05) | \$ | 0.13 | \$ | 0.88 | \$ | 0.99 | \$ |
| Diluted | \$ | (0.05) | \$ | 0.13 | \$ | 0.83 | \$ | 0.88 | \$ |

Weighted-average number of  
shares used in per share  
calculations:

|         |            |            |            |            |           |
|---------|------------|------------|------------|------------|-----------|
| Basic   | 31,070,018 | 30,014,085 | 28,691,216 | 16,139,365 | 3,847,213 |
| Diluted | 31,070,018 | 30,970,642 | 30,232,714 | 18,377,563 | 3,847,213 |

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

|                            | 2010           | 2009     | 2008   | 2007   | 2006  |
|----------------------------|----------------|----------|--------|--------|-------|
|                            | (In thousands) |          |        |        |       |
| Cost of revenues           | \$ 1,494       | \$ 1,186 | \$ 861 | \$ 279 | \$ 12 |
| Selling and marketing      | 6,217          | 4,617    | 2,611  | 1,009  | 82    |
| Research and development   | 1,868          | 1,111    | 706    | 245    | 13    |
| General and administrative | 8,195          | 2,942    | 2,296  | 941    | 91    |

|   | 2010           | 2009      | December 31,<br>2008 | 2007      | 2006      |
|---|----------------|-----------|----------------------|-----------|-----------|
|   | (In thousands) |           |                      |           |           |
| <b>Consolidated Balance Sheet</b>                                   |                |           |                      |           |           |
| <b>Data:</b>  |                |           |                      |           |           |
| Cash, cash equivalents and short-term investments                   | \$ 33,736      | \$ 88,117 | \$ 71,461            | \$ 96,817 | \$ 16,032 |
| Total current assets  | 103,097        | 136,419   | 116,583              | 123,444   | 31,493    |
| Total assets  | 283,079        | 217,539   | 199,563              | 147,672   | 42,087    |
| Total current liabilities   | 97,228         | 59,409    | 55,992               | 42,077    | 32,880    |
| Equipment loan and capital lease obligations, long-term             | 7,959          | 674       |                      | 977       | 2,261     |
| Preferred stock warrant liabilities and common stock subject to put |                |           |                      | 1,815     | 5,362     |
| Redeemable preferred stock  |                |           |                      |           | 101,695   |
| Stockholders' equity (deficit)                                      | 165,832        | 147,939   | 134,880              | 102,622   | (99,557)  |

|  | 2010                                      | 2009 | 2008 | 2007 | 2006 |
|--|---|------|------|------|------|
|  | Year Ended December 31,<br>(In thousands) |      |      |      |      |

### Consolidated Statement of Cash Flows

#### Data:

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Net cash provided by operating activities | \$ 25,410 | \$ 25,031 | \$ 32,989 | \$ 21,211 | \$ 10,905 |
| Depreciation and amortization             | 12,956    | 8,001     | 5,775     | 4,730     | 4,259     |
| Capital expenditures                      | 5,119     | 6,472     | 14,252    | 3,635     | 2,314     |

Please see Critical Accounting Policies and Estimates under Part II, Item 7 of this Annual Report on Form 10-K for further discussion of key accounting changes which occurred during the years covered in the above table. Additional information regarding business combinations and dispositions for the relevant periods above may be found in the notes accompanying our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

### ITEM 7.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in Part II Item 8 of this Annual Report on Form 10-K. 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 Item 1A, Risk Factors and elsewhere in this Annual Report on Form 10-K. See also Cautionary Statement Regarding Forward-Looking Statements at the beginning of this Form 10-K.*

## Overview

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. Our Marketing Solutions products combine the proprietary information gathered from the comScore panel with the vertical industry expertise of comScore analysts to deliver digital marketing intelligence, including the measurement of online advertising effectiveness, customized for specific industries. We typically deliver our Media Metrix products electronically in the form of weekly, monthly or quarterly reports. Customers can access current and historical Media Metrix data and analyze these data anytime online. Our M:Metrics products suite connects mobile consumer behavior, content merchandising, and device capabilities to provide comprehensive mobile market intelligence. Customers can access our M:Metrics data sets and reports anytime online. Our Marketing Solutions products are typically delivered on a monthly, quarterly or ad hoc basis through electronic reports and analyses.

Our company was founded in August 1999. By 2000, we had established a panel of Internet users and began delivering digital marketing intelligence products that measured online browsing and buying behavior to our first customers. We also introduced netScore, our initial syndicated Internet audience measurement product. We accelerated our introduction of new products in 2003 with the launch of Plan Metrix (formerly AiM 2.0), qSearch, and the Campaign R/F (Reach and Frequency) analysis system and product offerings that measure online activity at the local market level. By 2004, we had built a global panel of 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 mobile carrier-grade products 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.

Our total revenues have grown to \$175.0 million during the fiscal year ending December 31, 2010 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 from \$76.5 million over the same period. The growth in our revenues was primarily the result of:

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;

growth in sales outside of the U.S. as a result of entering into new international markets

As of December 31, 2010, we had 1,752 customers, compared to 895 as of December 31, 2007. We sell most of our products through our direct sales force. Included in total revenues for the year ending December 31, 2010 was approximately \$28.0 million related to operations that were recently acquired during the year ended December 31, 2010 and the fourth quarter of 2009.

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 2008 and 2009, we experienced a limited number of our current and potential customers ceasing, delaying or reducing renewals of existing subscriptions and purchases of new or additional services and products presumably due to the current economic downturn. We continued to add net new customers during each quarter of 2010, and our existing customers renewed their subscriptions at a rate of over 90% based on dollars renewed in the year ended December 31, 2010.

## **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 2010, 86% of total revenues in 2009 and 83% of

total revenues in 2008.

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. International revenues comprised approximately 19%, 15% and 14% of our total revenues for the fiscal years ended December 31, 2010, 2009 and 2008, respectively. Included in our international revenues for the year ending December 31, 2010 was approximately \$9.7 million related to businesses that were acquired during the year ended December 31, 2010 and the fourth quarter of 2009.

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 questionnaire and can also include behavioral information that we passively collect from our panelists. If a customer contractually commits to having a survey conducted on a recurring basis, we classify the revenues generated from such survey products as subscription-based revenues. Our contracts for survey services typically include a fixed fee with terms that range from two months to one year.

On July 1, 2010, we completed our acquisition of Nexius, Inc., resulting in additional revenue sources, including software licenses, professional services (including implementation, training and customized 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 Financial Accounting Standards Board Accounting Standards Codification, or ASC 985-605, *Software Recognition* and ASC 605-35, *Revenue Recognition-Construction-Type and Certain Production-Type Contracts*, typically using the completed contract period method. We currently do not have vendor specific objective evidence, or VSOE, for the multiple deliverables and account for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue 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.

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, with revenue recognition occurring ratably over the remaining subscription term after all elements have commenced delivery.

### ***Project Revenues***

We generate project revenues by providing customized information reports to our customers on a nonrecurring basis through comScore Marketing Solutions and Nedstat products. 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 consolidated 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 Part II, Item 8 of this Annual Report on Form 10-K, 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 our arrangements contain multiple elements, consisting of the various services we offer. Multiple element arrangements typically consist of either subscriptions to multiple online products solutions or a subscription to our online database combined with customized services. We have determined there is not objective and reliable evidence of fair value for any of our services and, therefore, account 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. We recognize the entire arrangement fee over the performance period of the last deliverable. As a result, the total arrangement fee is recognized on a straight-line basis over the period beginning with the commencement of the last customized deliverable.

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. We currently do not have VSOE for the multiple deliverables and account for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue 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.

### ***Fair Value Measurements***

We evaluate 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. We prioritize the inputs used in measuring fair value using the following hierarchy:

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

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

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

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

Our investment instruments are classified within Level 1 or Level 3 of the fair value hierarchy. Level 1 investment instruments are valued using quoted market prices. Level 3 instruments are valued using 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 our illiquid auction rate securities. Our illiquid auction rate securities are valued using a model that takes into consideration the securities coupon rate, the financial condition of the issuers and the bond insurers, the expected date liquidity will be restored, as well as an applied illiquidity discount. Such instruments are classified within Level 3 of the fair value hierarchy.

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. We recognize these items at fair value when they are considered to be impaired. During the years ended December 31, 2010, 2009 or 2008, there were no fair value adjustments for assets and liabilities measured on a non-recurring basis.

***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. Generally, restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. 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 allowance 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 our future operating results. We estimate the fair value of identifiable intangible assets acquired using several different valuation approaches, including relief from royalty method, and income and market approaches. The relief from royalty method assumes that if we did not own the intangible asset or intellectual property, we would be willing to pay a royalty for its use. We generally use the relief from royalty method for estimating the value of acquired technology/methodology assets. The income approach converts the anticipated economic benefits that we assume will be realized from a given asset into value. Under this approach, value is measured as the present worth of anticipated future net cash flows generated by an asset. We generally use the income approach to value customer relationship assets and non-compete agreements. The market approach compares the acquired asset to similar assets that have been sold. We generally use the income approach to value trademarks and brand assets.

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 years ended December 31, 2010, 2009 or 2008.

### ***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 group, we record an impairment loss equal to the excess of the asset group'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 years ended December 31, 2010, 2009 or 2008.

### *Allowance for Doubtful Accounts*

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

### *Income 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 December 31, 2010, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately \$51.9 million and \$37.3 million, respectively. These net operating loss carryforwards will begin to expire in 2022 for federal income tax purposes and in 2016 for state income tax purposes. In addition, at December 31, 2010, we estimate our aggregate net operating loss carryforwards for tax purposes related to our foreign subsidiaries is \$27.5 million, which begins to expire in 2011.

As of December 31, 2010 and 2009, we recorded valuation allowances against certain deferred tax assets of \$1.0 million and \$3.6 million, respectively. At December 31, 2010, the valuation allowance was primarily related to the deferred tax assets of the foreign subsidiaries that are in their start-up phases, including China, Spain and Singapore, and certain Certifica and Nedstat subsidiaries, and the deferred tax asset related to the value of our auction rate securities. At December 31, 2009, the valuation allowance was primarily related to the acquired deferred tax assets of our M:Metrics UK subsidiary, the deferred tax asset related to the value of our auction rate securities, and the deferred tax assets of the foreign subsidiaries that are in their start-up phases, including China, Germany, Hong Kong and certain Certifica subsidiaries.

As of December 31, 2010, we have concluded that it was more likely than not that a substantial portion of our UK deferred tax assets will be realized and determined that it was appropriate to release the entire valuation allowance of \$2.8 million in the fourth quarter of 2010. In making that determination, we considered the profitability of the UK entity achieved in 2010 and prior years, coupled with the timing of the reversal of taxable temporary differences and the forecasted profitability in future years. We also concluded that it was not more likely than not that a substantial portion of our deferred tax assets in certain other foreign jurisdictions would be realized and that an increase to the valuation allowance was necessary. In making that determination, we considered the losses incurred in these foreign jurisdictions during 2010, the current overall economic environment, and the uncertainty regarding the profitability of certain foreign operations. As a result, in the fourth quarter of 2010 we recorded an increase in the deferred tax asset



valuation allowance of approximately \$326,000.

As of December 31, 2009, we concluded that it was not more likely than not that a substantial portion of our deferred tax assets in certain foreign jurisdictions would be realized and that an increase in the valuation allowance was necessary. In making that determination, we considered the losses incurred in these foreign jurisdictions during 2009, the current overall economic environment, and the uncertainty regarding the profitability of acquired

business. As a result, we recorded an increase in the deferred tax asset valuation allowance of approximately \$719,000.

The exercise of certain stock options and the vesting of certain restricted stock awards during the years ended December 31, 2010 and 2009 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. As of December 31, 2010 and December 31, 2009, the cumulative amount of net operating losses relating to such option exercises and vesting events that have been included in the gross net operating loss carryforwards above is \$16.6 million and \$11.0 million respectively.

During the years ended December 31, 2010 and 2009, certain stock options were exercised and 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 relevant windfall tax benefits have been previously recognized. However, as described above, we have not yet recognized these windfall tax benefits because the tax benefits have not resulted in a reduction of current taxes payable. Therefore, the impact of the shortfalls totaling \$944,000 and \$785,000, respectively, have been included in income tax expense for the years ended December 31, 2010 and 2009. 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 December 31, 2010, 2009 and 2008, we had unrecognized tax benefits of \$2.4 million, \$1.2 million and \$240 thousand, respectively, 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 December 31, 2010, the amount of accrued interest and penalties on unrecognized tax benefits was \$771,000. As of December 31, 2009, the amount of accrued interest expense on unrecognized tax benefits was \$489,000. 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 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, the 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 expectation. 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 earning per share computations until the contingency is met as of the end of that reporting period.

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. Beginning in 2007, we made use of restricted stock awards and reduced our use of stock options as a form of stock-based compensation.

At December 31, 2010, total estimated unrecognized compensation expense related to unvested stock-based awards granted prior to that date was \$25.2 million, which is expected to be recognized over a weighted-average period of 1.60 years.

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

### Seasonality

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

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2010</b>                    | <b>2009</b> | <b>2008</b> |
| Revenues  | 100.0%                         | 100.0%      | 100.0%      |
| Cost of revenues                                    | 29.7                           | 30.3        | 29.4        |
| Selling and marketing expenses                      | 34.1                           | 32.8        | 33.6        |
| Research and development                            | 15.0                           | 14.0        | 12.6        |
| General and administrative                          | 19.4                           | 14.3        | 14.3        |
| Amortization  | 2.6                            | 1.1         | 0.7         |
| Total expenses from operations                      | 100.8                          | 92.5        | 90.6        |
| (Loss) income from operations                       | (0.8)                          | 7.5         | 9.4         |
| Interest income net                                 |                                | 0.3         | 1.6         |
| Loss from foreign currency                          | (0.2)                          | (0.1)       | (0.3)       |
| Gain on sale (impairment) of marketable securities  |                                | 0.1         | (1.9)       |
| (Loss) income before income tax (benefit) provision | (1.0)                          | 7.8         | 8.8         |

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|   |        |       |       |
|---|--------|-------|-------|
| Income tax (benefit) provision                        | 0.1    | (4.6) | 12.7  |
| Net (loss) income attributable to common stockholders | (0.9)% | 3.2%  | 21.5% |

***Year Ended December 31, 2010 Compared to Year Ended December 31, 2009 and Year Ended December 31, 2009 Compared to Year Ended December 31, 2008***

**Revenues**

|          | Year Ended December 31, |            |            | Change                 |           | Percent Change |      |
|----------|-------------------------|------------|------------|------------------------|-----------|----------------|------|
|          | 2010                    | 2009       | 2008       | 2010                   | 2009      | 2010           | 2009 |
|          | vs.                     | vs.        | vs.        | vs.                    | vs.       | vs.            | vs.  |
|          |                         |            |            | 2010                   | 2009      | 2010           | 2009 |
|          |                         |            |            | 2009                   | 2008      | 2009           | 2008 |
|          |                         |            |            | (Dollars in thousands) |           |                |      |
| Revenues | \$ 174,999              | \$ 127,740 | \$ 117,371 | \$ 47,259              | \$ 10,369 | 37.0%          | 8.8% |

Total revenues increased by approximately \$47.3 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009. The revenue growth was substantially due to increased sales to our existing customer base as a result of both organic growth and acquisitions. In addition, our customer base continued to grow as compared to the prior year. Our total customer base grew by a net increase of 479 customers from 1,273 at December 31, 2009 to 1,752 at December 31, 2010. The increase in our customer base included 238 related to businesses acquired in 2010. Included in total revenues for the year ended December 31, 2010 was approximately \$28.0 million related to businesses that were acquired during the year ended December 31, 2010 and the fourth quarter of 2009.

Sales to existing customers totaled \$154.1 million during the year ended December 31, 2010 which was an increase of \$40.7 million over the prior year. We attribute \$21.6 million of this increase to continued growth in comScore product suite sales and \$19.1 million to the businesses we acquired during 2010 and the fourth quarter of 2009. During the year ended December 31, 2010, revenues from new customers were \$20.8 million, an increase of approximately \$6.5 million from the prior year. We attribute this increase to the businesses we acquired during 2010 and the fourth quarter of 2009.

Revenues from customers outside of the U.S. totaled approximately \$32.7 million, or approximately 19% of total revenues, during the year ended December 31, 2010, which was an increase of \$13.0 million compared to the prior year. The increase was due to ongoing international expansion efforts that resulted in increases over 2009 of \$4.5 million for Latin America, \$4.4 million for Europe, \$1.8 million for Canada, \$1.4 million for Middle East and Africa and \$936,000 for Asia. Included within total international revenues for the year ended December 31, 2010 was approximately \$9.7 million related to the businesses that were acquired during the year ended December 31, 2010 and during the fourth quarter of 2009.

There was continued revenue growth in our subscription revenues, which increased by approximately \$38.9 million from \$109.8 million during 2009 to \$148.7 million during 2010. In addition, our project-based revenues increased by \$8.4 million from \$17.9 million during 2009 to \$26.3 million during 2010.

Total revenues increased by approximately \$10.4 million during the year ended December 31, 2009 as compared to the year ended December 31, 2008. This increase was primarily due to sales to existing customers based in the U.S. totaling \$97.7 million during 2009, which was a \$12.4 million increase compared to 2008. During the same period, revenues from new U.S. customers were \$10.3 million, a decrease of approximately \$5.3 million from 2008. Revenues from customers outside of the U.S. totaled approximately \$19.7 million, or approximately 15% of total revenues, during the year ended December 31, 2009, which was an increase of \$3.2 million compared to 2008. We attribute this increase to acquired businesses in Latin America and Europe as well as our continued expansion efforts

in Europe, Latin America, Asia and Canada.

Our total customer base grew by a net increase of 107 customers from 1,166 at December 31, 2008 to 1,273 at December 31, 2009. There was continued revenue growth in our subscription revenues, which increased by approximately \$12.4 million from \$97.4 million during 2008 to \$109.8 million during 2009. However, our project-based revenues, decreased by \$2.1 million from \$20.0 million during 2008 to \$17.9 million during 2009. We believe that this decrease was attributable to the impact of general economic conditions upon our customers' budgets and capacity for spending on market research, which may have had a greater impact on our customers' purchases of project-based services than on our subscription services.

We generally invoice customers on an annual, quarterly or monthly basis, or at the completion of certain milestones. Amounts that have been invoiced are recorded in accounts receivable and any unearned revenues are recorded in deferred revenues until the invoice has been collected and the revenue recognized.

### Operating Expenses

Our operating expenses consist of cost of revenues, selling and marketing expenses, research and development expenses, general and administrative expenses and depreciation and amortization of long-lived assets.

Included in our operating expenses are costs such as rent and other facilities related costs, and depreciation expense. During the year ended December 31, 2010, rent and other facilities related costs, and depreciation expense increased by approximately \$1.2 million and \$1.9 million, respectively, compared to the year ended December 31, 2009. During the year ended December 31, 2009, rent and other facilities related costs, and depreciation expense increased by approximately \$1.1 million and \$1.6 million, respectively, compared to the year ended December 31, 2008. The increases incurred during the fiscal year 2010 are largely due to the facilities owned by the businesses we acquired during the year ended December 31, 2010 and the fourth quarter of 2009. The increases incurred during fiscal year 2009 are due to new office facilities and capital expenditures to support our infrastructure as well as position us for future growth. The related cost increases from these new facilities and capital expenditures were allocated to cost of revenues, sales and marketing, research and development, and general and administrative costs.

Also included in our operating expenses for the year ended December 31, 2010 was approximately \$24.8 million of general operating expenses related to the businesses that were acquired during the year ended December 31, 2010 and during the fourth quarter of 2009. These amounts are included in our operating results as a component of cost of revenues, sales and marketing expenses, research and development expenses and general and administrative expenses. In addition, in conjunction with acquisition related activities, we incurred approximately \$2.6 million of transaction related costs for the year ended December 31, 2010. These amounts are included in our operating results as a component of our general and administrative expenses.

During the fourth quarter of 2009, we announced a restructuring program and reduced our headcount by approximately forty-six full-time positions. Included in 2009 operating expenses is a \$563,000 charge related to severance and other costs directly related to the reduction of our workforce. In addition, included in stock-based compensation expense for the year ended December 31, 2009, was approximately \$175,000 of changes associated with restricted stock awards that were modified to accelerate vesting as part of the restructuring plan. As of December 31, 2009, we had approximately \$148,000 in outstanding restructuring liabilities consisting of employee severance that was paid during the first quarter of 2010.

### Cost of Revenues

|                             | Year Ended December 31, |           |           | Change              |                     | Percent Change      |                     |
|-----------------------------|-------------------------|-----------|-----------|---------------------|---------------------|---------------------|---------------------|
|                             | 2010                    | 2009      | 2008      | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 |
|                             | (Dollars in thousands)  |           |           |                     |                     |                     |                     |
| Cost of revenues            | \$ 51,953               | \$ 38,730 | \$ 34,562 | \$ 13,223           | \$ 4,168            | 34.1%               | 12.1%               |
| As a percentage of revenues | 29.7%                   | 30.3%     | 29.4%     |                     |                     |                     |                     |



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 \$13.2 million during the year ended December 31, 2010 compared to the year ended December 31, 2009. This increase was attributable to an increase of \$8.4 million in third party services related to data collection, analysis and validation activities applied as revenue increased. In addition,

data center and bandwidth costs increased \$2.0 million due to the use of our beaconing technology. The increase was also due to a \$1.1 million increase in employee salaries, benefits and related costs, including bonus expense, associated with increases in headcount from both new hires and employees acquired in acquisitions. In addition, stock-based compensation expense increased \$308,000 during the year ended December 31, 2010 as compared to the prior year, due to our continued use of equity compensation as part of our compensation program. Due to the overall increase in rent and depreciation costs, we experienced a \$1.6 million increase in the amount of these costs allocated to cost of revenues for the year ended December 31, 2010. These increases were offset by a \$411,000 decrease in panel development. Included within total cost of revenues for the year ended December 31, 2010 was approximately \$6.4 million related to the businesses that were acquired during the year ended December 31, 2010 and during the fourth quarter of 2009. Cost of revenues decreased as a percentage of revenues during the year ended December 31, 2010 as compared to the year ended December 31, 2009 due to revenue growth relative to increases in cost of revenues expenses.

Cost of revenues increased by approximately \$4.2 million during the year ended December 31, 2009 compared to the year ended December 31, 2008. This increase was attributable to a \$1.3 million increase in panel recruitment and retention and a \$1.7 million increase in data and bandwidth costs. The increase in bandwidth was due to the growth in the panel in addition to the use of our beaconing technology. Also, due to the overall increase in rent and depreciation costs, we incurred an increase of approximately \$1.2 million in the amount of these costs allocated to cost of revenues for the year ended December 31, 2009. In addition, depreciation expense was further increased by capital expenditures to support the infrastructure that supports our panel and customer products. Cost of revenues increased as a percentage of revenues by less than one percentage point during the year ended December 31, 2009 over 2008.

### *Selling and Marketing Expenses*

|                                | Year Ended December 31, |           |           | Change              |                     | Percent Change      |                     |
|--------------------------------|-------------------------|-----------|-----------|---------------------|---------------------|---------------------|---------------------|
|                                | 2010                    | 2009      | 2008      | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 |
|                                | (Dollars in thousands)  |           |           |                     |                     |                     |                     |
| Selling and marketing expenses | \$ 59,641               | \$ 41,954 | \$ 39,400 | \$ 17,687           | \$ 2,554            | 42.2%               | 6.5%                |
| As a percentage of revenues    | 34.1%                   | 32.8%     | 33.6%     |                     |                     |                     |                     |

Selling and marketing expenses consist primarily of salaries, benefits, commissions, bonuses, and stock-based compensation paid to our direct sales force and industry analysts, as well as costs related to online and offline advertising, product management, industry conferences, promotional materials, public relations, other sales and marketing programs, and allocated overhead, 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 \$17.7 million during the year ended December 31, 2010 compared to the year ended December 31, 2009. This increase was due to an \$8.7 million increase in employee salaries, benefits and

related costs from our ARSgroup, Nexius and Nedstat acquisitions as well as due to increases in base comScore head count and annual merit increases. We also experienced a \$1.6 million increase in bonus expense due to our 2010 bonus program, which includes a cash component; our 2009 plan was entirely equity based. Commission expense increased \$1.3 million due to higher sales volume in 2010 as compared to 2009. In addition, we experienced a \$2.0 million increase in travel expenses due to our 2010 sales meeting as well as the increase in customers, our internal headcount and the frequency of international travel. This increase was also due to a \$1.6 million increase in stock-based compensation due to continued use of equity compensation as part of our compensation program. Also, due to the overall increase in rent and depreciation costs, we experienced a \$731,000 increase in the amount of these costs allocated to selling and marketing expenses for the year ended December 31, 2010. We also experienced a \$725,000 increase in third party related costs due to increased usage of third party

resellers. Marketing and general office expenses increased \$682,000 due to an increase in events, conferences and due and subscriptions related to our industry. Included within total selling and marketing expenses for the year ended December 31, 2010 was approximately \$10.7 million related to the businesses that were acquired during the year ended December 31, 2010 and the fourth quarter of 2009. Selling and marketing expenses increased as a percentage of revenues during 2010 as compared to 2009 due to expansion of sales and marketing activities in the U.S. and internationally.

Selling and marketing expenses increased by \$2.6 million during the year ended December 31, 2009 compared to the year ended December 31, 2008. This increase was due to a \$2.0 million increase in stock-based compensation due to our increased use of equity compensation as part of our bonus program, and, to a lesser degree, equity compensation issued in exchange for reductions to regular cash compensation implemented in 2009. Also, due to the overall increase in rent and depreciation costs, we experienced a \$732,000 increase in the amount of these costs allocated to selling and marketing expenses for the year ended December 31, 2009. Selling and marketing expenses decreased as a percentage of revenues during 2009 as compared to 2008 due to revenue growth relative to increases in selling and marketing expenses.

### *Research and Development Expenses*

|                             | Year Ended December 31, |           |           | Change              |                     | Percent Change      |                     |
|-----------------------------|-------------------------|-----------|-----------|---------------------|---------------------|---------------------|---------------------|
|                             | 2010                    | 2009      | 2008      | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 |
|                             | (Dollars in thousands)  |           |           |                     |                     |                     |                     |
| Research and development    | \$ 26,377               | \$ 17,827 | \$ 14,832 | \$ 8,550            | \$ 2,995            | 48.0%               | 20.2%               |
| As a percentage of revenues | 15.0%                   | 14.0%     | 12.6%     |                     |                     |                     |                     |

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 \$8.6 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009. This increase was due to a \$5.3 million increase in employee salaries, benefits and related costs associated with the increase in headcount and our continued focus on developing new products. The increase included a \$757,000 increase in stock-based compensation during the year ended December 31, 2010 as compared to the prior year, due to our continued use of equity compensation as part of our compensation program. In addition, to support our development of new products and the integration of acquired businesses, we experienced increases of \$998,000 and \$579,000 in our systems and maintenance costs related to computer hardware and software and costs paid to outsourced service providers, respectively. In addition, there was a \$491,000 increased allocation of overhead costs such as rent due to the increased headcount and size of our research and development functions. Travel expenses also increased \$320,000 due to the integration of the acquired businesses and increased international travel. Approximately \$3.7 million of research and development expense for the year ended December 31, 2010 was related to the businesses that were acquired during the year ended December 31, 2010 and during the fourth quarter of 2009, and the components of such are included in the foregoing discussion.. Research and development costs increased as a percentage of revenues for the year ended December 31, 2010 as compared to 2009 due to our investments in new

product initiatives relative to our growth in revenues.

Research and development expenses increased by \$3.0 million during the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase was due to a \$1.6 million increase in employee salaries, benefits and related costs associated with the increase in headcount of our research and development personnel and our increased focus on developing new products. We also incurred a \$405,000 increase in stock-based compensation due to our increased use of equity compensation as part of our bonus program, and, to a lesser degree, equity compensation issued in exchange for reductions to regular cash compensation implemented in 2009, as well as our increased headcount. In addition, we incurred an increase of \$564,000 in the amount of costs allocated to research and development expenses due to the overall increase in rent and depreciation costs and the increased size

of our research and development functions. We also experienced a \$261,000 increase in our systems and maintenance costs related to computer hardware and software and a \$137,000 increase in consulting fees.

### *General and Administrative Expenses*

|                             | Year Ended December 31, |           |           | Change    |          | Percent Change |      |
|-----------------------------|-------------------------|-----------|-----------|-----------|----------|----------------|------|
|                             | 2010                    | 2009      | 2008      | 2010      | 2009     | 2010           | 2009 |
|                             |                         |           |           | vs.       | vs.      | vs.            | vs.  |
|                             |                         |           |           | 2009      | 2008     | 2009           | 2008 |
|                             | (Dollars in thousands)  |           |           |           |          |                |      |
| General and administrative  | \$ 33,953               | \$ 18,232 | \$ 16,785 | \$ 15,721 | \$ 1,447 | 86.2%          | 8.6% |
| As a percentage of revenues | 19.4%                   | 14.3%     | 14.3%     |           |          |                |      |

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 \$15.7 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increase was due to a \$5.3 million increase in stock-based compensation during the year ended December 31, 2010 as compared to the prior year. Of this increase, \$3.6 million was due to the market-based stock options granted to key executives during the second quarter of 2010, and \$1.7 million was due to our continued use of equity compensation as part of our compensation program. The increase was also due to a \$5.2 million increase in professional fees and outside services, which includes \$1.9 million for professional services such as legal and tax services associated with our acquisition related activities, \$1.9 million for other required accounting, legal and general consulting services to meet the needs of our expanding business, \$1.2 million for non-capitalizable consulting services and internal software implementation projects and \$231,000 due to recruiting and relocation related fees associated with expanding our general and administrative departments to support the Company's growth. In addition, employee salaries, benefits and related costs increased \$2.6 million due to ARSgroup, Nexius and Nedstat acquisitions as well as comScore head count and annual merit increases. We also experienced an increase in bonus expense of \$316,000 due to our 2010 bonus program which includes a cash component; the 2009 plan was entirely equity based. In addition, we incurred \$862,000 in severance payments during the year ended December 31, 2010. Also, due to increased headcount and business acquisitions general facility and overhead related expenses increased \$216,000 during the year ended December 31, 2010 as compared to the prior year. Included within total general and administrative expenses for the year ended December 31, 2010 was approximately \$4.0 million related to the businesses that were acquired during the year ended December 31, 2010 and during the fourth quarter of 2009. General and administrative expenses increased as a percentage of revenues during 2010 as compared to 2009 due to increases in general and administrative expenses relative to revenue growth.

General and administrative expenses increased by \$1.4 million during the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase was due to \$685,000 for professional services such as legal and tax services associated with our acquisition of Certifica, Inc. In addition, stock-based compensation increased \$646,000 during the year ended December 31, 2009 as compared to the prior year due to our increased use of equity compensation as part of our bonus program, and, to a lesser degree, equity compensation issued in exchange for

reductions to regular cash compensation implemented in 2009. We also experienced a \$312,000 increase in professional fees for tax and legal services due to additional global tax planning strategies resulting from our expanding international presence. We also incurred an increase of \$156,000 in the amount of costs allocated to general and administrative expenses due to the overall increase in rent and depreciation costs. These increases were partially offset by a \$250,000 decrease in employee salaries, benefits and related costs resulting from salary and benefits cost-containment programs that became effective during 2009 and a \$195,000 decrease in bad debt expense due to our improved collections process. General and administrative expenses as a percentage of revenue during 2009 were consistent with the prior year.

**Amortization Expense**

|                             | Year Ended December 31, |          |        | Change              |                     | Percent Change      |                     |
|-----------------------------|-------------------------|----------|--------|---------------------|---------------------|---------------------|---------------------|
|                             | 2010                    | 2009     | 2008   | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 | 2010<br>vs.<br>2009 | 2009<br>vs.<br>2008 |
|                             | (Dollars in thousands)  |          |        |                     |                     |                     |                     |
| Amortization expense        | \$ 4,534                | \$ 1,457 | \$ 804 | \$ 3,077            | \$ 653              | 211.2%              | 81.2%               |
| As a percentage of revenues | 2.6%                    | 1.1%     | 0.7%   |                     |                     |                     |                     |

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

Amortization expense increased \$3.1 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009 due to additional amortization of intangible assets that were acquired during 2010 and the fourth quarter of 2009 in connection with our acquisitions of ARSgroup, Nexius, Nedstat and Certifica.

Amortization expense increased \$653,000 during the year ended December 31, 2009 as compared to the year ended December 31, 2008 due to additional amortization of intangible assets that were acquired during the second quarter of 2008 in connection with our acquisition of M:Metrics, and, to a lesser degree, amortization from intangible assets acquired during the fourth quarter of 2009 in connection with our acquisition of Certifica.

**Interest and Other Income, Net**

Interest and other income, net, consists of interest income, interest expense and gains or losses on disposals of fixed assets.

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

Interest income, net for the year ended December 31, 2010 was \$7,000 as compared to \$501,000 for the year ended December 31, 2009. The decrease of \$494,000 during 2010 was due to a \$265,000 decrease in interest income as a result of lower cash balances as a result of the acquisitions of ARSgroup, Nexius and Nedstat during 2010. In addition, our interest expense increased \$229,000 due to our increased use of capital leases during 2010. Our cash, cash equivalents and investments decreased by \$54.4 million to \$36.6 million at December 31, 2010 due to acquisition activities.

Interest income, net for the year ended December 31, 2009 was \$501,000 as compared to \$1.9 million for the year ended December 31, 2008. The decrease of \$1.4 million during 2009 was due to lower returns from our investments. Our cash, cash equivalents and investments increased by \$15.9 million to \$90.9 million at December 31, 2009 due to positive operating cash flow.

Included in Interest and other income, net, was a \$109,000 loss for fixed asset disposals for the year ended December 31, 2009.



***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 transaction loss of \$347,000 during the year ended December 31, 2010 as compared to a transaction loss of \$132,000 during the year ended December 31, 2009 due to our increased international presence in Europe and Latin America. Our foreign currency transactions are recorded as a result of fluctuations in the

exchange rate between the U.S. dollar and the British Pound, Euro, and the functional currencies of our Latin America entities.

Due to the weakening of the U.S. Dollar as compared to the British Pound during the year ended December 31, 2009, we recorded a transaction loss of \$132,000 as compared to a transaction loss of \$321,000 during the year ended December 31, 2008. Our foreign currency transactions are recorded as a result of fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar, Euro and British Pound.

#### ***Gain on Sale (Impairment) of Marketable Securities***

During the year ended December 31, 2009, we recognized a gain of \$89,000 from the sale of one auction rate security.

Impairment of marketable securities is comprised of unrealized losses related to changes in the fair value of our investments that have a decline that is considered other-than-temporary. During the year ended December 31, 2008, we recorded an impairment charge of \$2.2 million for our marketable securities, which was due to the write down of our investments in auction rate securities that we determined to have an other-than-temporary decline in value. There was no comparable charge in the years ending December 31, 2010 and 2009. For more information on our investments in auction rate securities, see Management's Discussion and Analysis of Financial Condition and results of Operations Liquidity and Capital Resources.

#### ***Provision for Income Taxes***

As of December 31, 2010, we had federal and state net operating loss carryforwards for tax purposes of approximately \$51.9 million and \$37.3 million, respectively. These net operating loss carryforwards begin to expire in 2022 for federal income tax purposes and begin to expire in 2016 for state income tax purposes. In the future, we intend to utilize any carryforwards available to us to reduce our tax payments. A portion of our net operating loss carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. We do not expect that this limitation will impact our ability to utilize all of our net operating losses prior to their expiration. For the year ended December 31, 2010, the tax provision is comprised of U.S. income tax expense of \$602,000 related to our federal alternative minimum tax and state tax liabilities, \$1.2 million of foreign income tax expense, and deferred tax benefit of approximately \$1.9 million related primarily to the reduction of our valuation allowance.

As of December 31, 2009, we had federal and state net operating loss carryforwards for tax purposes of approximately \$52.9 million and \$39.7 million, respectively, which begin to expire in 2021 for federal and begin to expire in 2014 for state income tax reporting purposes. For the year ended December 31, 2009, the tax provision is comprised of U.S. income tax expense of \$703,000 related to our federal alternative minimum tax and state tax liabilities, \$139,000 of foreign income tax expense, and deferred tax expense of approximately \$5.1 million related primarily to the utilization of net operating losses during the year.

As of December 31, 2008, we had federal and state net operating loss carryforwards for tax purposes of approximately \$74.2 million and \$44.9 million, respectively, which begin to expire in 2021 for federal and begin to expire in 2014 for state income tax reporting purposes. For the year ended December 31, 2008, the tax provision is comprised of U.S. income tax expense of \$359,000, related to our federal alternative minimum tax and state tax liabilities, \$127,000 of foreign income tax expense, and deferred tax expense of approximately \$5.0 million related primarily to the utilization of net operating losses during the year, offset by a reduction of our valuation allowance of \$20.4 million.

## Liquidity and Capital Resources

The following table summarizes our cash flows:

| Consolidated Cash Flow Data                         | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2010                    | 2009      | 2008      |
|   | (In thousands)          |           |           |
| Net cash provided by operating activities           | \$ 25,410               | \$ 25,031 | \$ 32,989 |
| Net cash (used in) provided by investing activities | (44,023)                | 8         | (64,405)  |
| Net cash used in financing activities               | (6,083)                 | (1,715)   | (1,138)   |
| Effect of exchange rate changes on cash             | 148                     | 663       | (1,517)   |
| Net (decrease) increase in cash and equivalents     | (24,548)                | 23,987    | (34,071)  |

Our principal uses of cash historically have consisted of cash paid for business acquisitions, payroll and other operating expenses and payments related to the investments in equipment primarily to support our consumer panel and technical infrastructure required to support our customer base. As of December 31, 2010, our principal sources of liquidity consisted of \$33.7 million in cash, which represents cash generated from operating activities. As of December 31, 2010, we held \$2.8 million in long-term investments consisting of four separate auction rate securities with an original par value of \$4.3 million. In prior years, we invested in these auction rate securities for short periods of time as part of our investment policy. However, uncertainties in the credit markets have limited our ability to liquidate our holdings of auction rate securities, as there have been no auctions for these securities in 2010 or 2009.

The four securities were valued using a discounted cash flow model that takes into consideration the financial condition of the issuers, the workout period, the discount rate and other factors. During the year ended December 31, 2009 we recorded a \$429,000 unrealized gain related to these securities. Based on our current fair value estimate as of December 31, 2010, we recorded an additional \$10,000 unrealized gain. The net unrealized gain of \$439,000 is included in Accumulated other comprehensive income within our Consolidated Balance Sheets included in Part II, Item 8 of this Annual Report on form 10-K. We are uncertain as to when the liquidity issues relating to these investments will improve. Accordingly, we classified these securities as long-term on our Consolidated Balance Sheets included in Part II, Item 8 of this Annual Report on form 10-K. If the credit ratings of the issuer, the bond insurers or the collateral deteriorate further, we may further adjust the carrying value of these investments.

During the fourth quarter of 2009, we sold one auction rate security, via a tender offer, and recorded a realized gain of \$89,000.

### *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 \$25.4 million of net cash from operating activities during the year ended December 31, 2010. Our cash flows from operations was driven by our net loss of \$1.6 million, as adjusted for \$30.2 million in non-cash charges such as depreciation, amortization, provision for bad debts, stock-based compensation, deferred rent and bond premium amortization, and a \$1.9 million non-cash deferred tax benefit. At the same time, our cash flows from operations were negatively impacted by a \$4.5 million increase in prepaid expenses and other assets due to an increase in advanced payments to vendors for annual maintenance agreements and estimated quarterly income tax

payments. This was partially offset by a positive impact of \$2.9 million due to an increase in accounts payable and accrued expenses in 2010 due to the timing of payments to vendors.

We generated approximately \$25.0 million of net cash from operating activities during the year ended December 31, 2009. Our cash flows from operations was driven by our positive net income of \$4.0 million, as adjusted for non-cash charges such as depreciation, amortization, provision for bad debts, stock-based compensation and bond premium amortization, and non-cash deferred tax expense. In addition, we experienced a \$4.8 million increase over 2008 in amounts collected from customers in advance of when we recognize revenues as a result of our growing customer base. We also experienced, a \$4.5 million increase in accounts receivable due to

the timing of certain client renewal invoicing, increased sales to new and existing clients during the current period offset by strong collections of receivables. At the same time, our cash flows from operations were negatively impacted due to a \$2.9 million decrease in accounts payable and accrued expenses over 2008, which we attribute to the payment of accrued bonuses from prior year and income tax payments.

We generated approximately \$33.0 million of net cash from operating activities during the year ended December 31, 2008. The significant components of cash flows from operations were net income of \$25.2 million, adjusted for \$13.6 million in non-cash depreciation, amortization, provision for bad debts, stock-based compensation, and bond premium amortization, \$9.3 million in deferred rent, \$6.1 million increase in amounts collected from customers in advance of when we recognize revenues as a result of our growing customer base, \$2.2 million in impairment of marketable securities, and a \$343,000 decrease in other current and non-current assets, offset by a \$15.4 million non-cash deferred tax benefit, \$6.6 million increase in accounts receivable, and a \$1.8 million decrease in accounts payable and accrued expenses.

### *Investing Activities*

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

We used \$44.0 million of cash during the year ended December 31, 2010 for investing activities. We used \$68.9 million, net of cash acquired, to purchase ARSgroup, Nexius and Nedstat. In addition, we used \$5.1 million to purchase property and equipment to maintain and expand our technology and infrastructure. Of this amount \$424,000 was funded through landlord allowances received in connection with our Toronto office lease. These cash outflows were offset by a net \$30.0 million generated from sale and maturity of investments.

We generated \$8,000 of net cash in investing activities during the year ended December 31, 2009. We generated a net \$7.8 million from sale of investments. We used \$6.5 million to purchase property and equipment to maintain and expand our technology and infrastructure. Of this amount, \$333,000 was funded through landlord allowances received in connection with our Seattle office lease. In addition, we used \$1.3 million, net of cash acquired, to purchase Certifica.

We used \$64.4 million of net cash in investing activities during the year ended December 31, 2008. We used \$44.6 million, net of cash acquired, to purchase M:Metrics. In addition, \$14.3 million was used to purchase property and equipment to maintain and expand our technology and infrastructure. Of this amount, \$9.4 million was funded through landlord allowances received in connection with our Chicago, Reston and San Francisco office leases. We also used a net \$6.9 million to purchase investments. We removed the restrictions associated with certain certificates of deposit that served as collateral for letters of credit associated with office leases, and the related \$1.4 million was reclassified to cash and cash equivalents.

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 \$6.1 million of cash during the year ended December 31, 2010 for financing activities. This included \$5.5 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 \$1.7 million to make payments on our capital lease obligations. These cash outflows were offset by \$989,000 in proceeds from the exercise of our common stock options and warrants and a \$128,000 excess tax benefit from the exercise of stock options.

We used \$1.7 million of cash during the year ended December 31, 2009 for financing activities. This included \$1.6 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 \$1.1 million to make payments on our capital lease obligations offset by \$922,000 in proceeds from the exercise of our common stock options and warrants.

We used \$1.1 million of cash during the year ended December 31, 2008 for financing activities. This included \$1.3 million for shares repurchased by us pursuant to the exercise by stock incentive plan participants of their right to elect to use common stock to satisfy their tax withholding obligations. In addition we used \$900,000 to make payments on our capital lease obligations offset by \$1.0 million in proceeds from the exercise of our common stock options and warrants.

We do not have any special purpose entities and we do not engage in off-balance sheet financing arrangements.

### Contractual Obligations and Known Future Cash Requirements

Set forth below is information concerning our known contractual obligations as of December 31, 2010 that are fixed and determinable.

|                             | Total     | Less Than<br>1 Year | 1-3 Years<br>(In thousands) | 3-5<br>Years | More Than<br>5 Years |
|-----------------------------|-----------|---------------------|-----------------------------|--------------|----------------------|
| Capital lease obligations   | \$ 13,467 | \$ 5,155            | \$ 8,312                    | \$           | \$                   |
| Operating lease obligations | 41,750    | 6,618               | 11,086                      | 10,433       | 13,613               |
| Purchase price obligations  | 510       | 510                 |                             |              |                      |
| Total                       | \$ 55,727 | \$ 12,283           | \$ 19,398                   | \$ 10,433    | \$ 13,613            |

Our principal lease commitments consist of obligations under leases for office space, computer and telecommunications equipment and automobiles. In addition, we financed the purchase of some of our computer equipment and software under a capital lease arrangement over a period of approximately 36 months. Our purchase obligations relate to outstanding orders to purchase computer equipment and are typically small; they do not materially impact our overall liquidity. In connection with the Certifica and Nedstat acquisitions, we are obligated to make future payments to the sellers subject to reductions for any claims against the sellers. In addition, due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at December 31, 2010, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, \$2.4 million of unrecognized tax benefits (as more fully described in Note 9 to the audited financial statements) have been excluded from the contractual payment obligations table above.

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

2010 and 2009, we utilized approximately \$9.6 million and \$1.1 million, respectively, of this line of credit to finance computer equipment and software. These leases bear an interest rate of approximately 5% per annum. The base terms for these leases range from three years to three and half years and include a nominal charge in the event of prepayment. The lease payments total approximately \$3.7 million per annum. Assets acquired under the equipment lease secure the obligations.

In November 2010, we extended our \$5.0 revolving line of credit with Bank of America, with an interest rate equal to BBA LIBOR rate plus an applicable margin based upon certain financial ratios, through February 28, 2011. On February 25, 2011, we further extended our \$5.0 million revolving line of credit with Bank of America through



May 31, 2011. This line of credit includes no restrictive financial covenants. We maintain letters of credit in lieu of security deposits with respect to certain office leases. During the year ended December 31, 2010, five letters of credit were reduced by approximately \$646,000. As of December 31, 2010, no amounts were borrowed against the line of credit and \$3.3 million of letters of credit were outstanding, leaving \$1.7 million available for additional letters of credit or other borrowings. These letters of credit may be reduced periodically provided we meet the conditional criteria of each related lease agreement.

### ***Future Capital Requirements***

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors. To the extent that our existing cash, cash equivalents, short-term investments and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing stockholders may occur.

### ***Recent Accounting Pronouncements***

Recent accounting pronouncements are detailed in Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

### ***Off-Balance Sheet Arrangements***

We had no off-balance sheet arrangements as of December 31, 2010 and 2009.

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

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We do not hold or issue financial instruments for trading purposes or have any derivative financial instruments. To date, most payments made under our contracts are denominated in U.S. dollars and we have not experienced material gains or losses as a result of transactions denominated in foreign currencies. As of December 31, 2010, our cash reserves were maintained in bank deposit accounts and auction rate securities totaling \$36.6 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, in markets such as Latin American and Europe, but we believe this exposure to be immaterial at this time. As such, we do not currently engage in any transactions that hedge foreign currency exchange rate risk. As we grow our international operations, our exposure to foreign currency risk could become more significant.

### **Interest Rate Sensitivity**

As of December 31, 2010, our principal sources of liquidity consisted of \$33.7 million of cash. The cash is 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 fell by 1% during the year ended December 31, 2010, our interest income would have declined approximately \$28,000, assuming consistent investment levels.

### **Auction Rate Securities and Liquidity Risk**

As of December 31, 2010, our principal sources of liquidity consisted of \$33.7 million in cash which represents cash generated from operations. As of December 31, 2010, we held \$2.8 million in long-term investments consisting of four separate auction rate securities. In prior years, we invested in these auction rate securities for short periods of time as part of our investment policy. However, uncertainties in the credit markets have limited our ability to liquidate our holdings of auction rate securities, as there have been no auctions for these securities in 2010.

During the fourth quarter of 2009, we sold one auction rate security, via a tender offer, and recorded a realized gain of \$89,000. The four remaining securities were valued using a discounted cash flow model that takes into consideration the financial condition of the issuers, the workout period, the discount rate and other factors. Based on our current fair value estimate, we recorded an unrealized gain of \$439,000 as of December 31, 2010. The unrealized gain is included in Other comprehensive income within the consolidated balance sheet. We are uncertain as to when the liquidity issues relating to these investments will improve. Accordingly, we classified these securities as long-term on our consolidated balance sheet. If the credit ratings of the issuer, the bond insurers or the collateral deteriorate further, we may further adjust the carrying value of these investments.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of comScore, Inc.

We have audited the accompanying consolidated balance sheets of comScore, Inc. (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of comScore, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), comScore, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
March 15, 2011

**COMSCORE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

|  | <b>December 31,</b>                                    |                   |
|--|--|-------------------|
|  | <b>2010</b>  | <b>2009</b>       |
|  | <b>(In thousands, except share and per share data)</b> |                   |
| <b>Current assets:</b>   |  |                   |
| Cash and cash equivalents  | \$ 33,736  | \$ 58,284         |
| Short-term investments   |  | 29,833            |
| Accounts receivable, net of allowances of \$725 and \$510, respectively  | 54,269   | 34,922            |
| Prepaid expenses and other current assets  | 8,391  | 2,324             |
| Deferred tax asset   | 6,701  | 11,056            |
| <b>Total current assets</b>  | <b>103,097</b>   | <b>136,419</b>    |
| Long-term investments  | 2,819  | 2,809             |
| Property and equipment, net  | 28,637   | 17,302            |
| Other non-current assets   | 733  | 193               |
| Deferred tax asset, long-term  | 11,316   | 10,057            |
| Intangible assets, net   | 50,260   | 8,745             |
| Goodwill   | 86,217   | 42,014            |
| <b>Total assets</b>  | <b>\$ 283,079</b>                                      | <b>\$ 217,539</b> |
| <b>Current liabilities:</b>  |  |                   |
| Accounts payable   | \$ 5,588   | \$ 2,009          |
| Accrued expenses   | 15,297   | 7,751             |
| Deferred revenues  | 70,611   | 48,046            |
| Deferred rent  | 941  | 1,231             |
| Deferred tax liability   | 132  | 12                |
| Capital lease obligations  | 4,659  | 360               |
| <b>Total current liabilities</b>   | <b>97,228</b>  | <b>59,409</b>     |
| Deferred rent, long-term   | 8,019  | 8,210             |
| Deferred tax liability, long-term  | 744  | 119               |
| Capital lease obligations, long-term   | 7,959  | 674               |
| Other long-term liabilities  | 3,297  | 1,188             |
| <b>Total liabilities</b>   | <b>117,247</b>   | <b>69,600</b>     |
| Commitments and contingencies  |  |                   |
| <b>Stockholders' equity:</b>   |  |                   |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized at December 31, 2010 and 2009; no shares issued or outstanding at December 31, 2010 and 2009 |  |                   |

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|   |            |            |
|---|------------|------------|
| Common stock, \$0.001 par value per share; 100,000,000 shares authorized at December 31, 2010 and 2009; 31,523,559 and 30,385,590 shares issued and outstanding at December 31, 2010 and 2009, respectively | 32         | 30         |
| Additional paid-in capital  | 216,895    | 199,270    |
| Accumulated other comprehensive income  | 2,166      | 324        |
| Accumulated deficit   | (53,261)   | (51,685)   |
| Total stockholders' equity  | 165,832    | 147,939    |
| Total liabilities and stockholders' equity  | \$ 283,079 | \$ 217,539 |

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

## COMSCORE, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

|  | Year Ended December 31,                         |            |            |
|--|---|------------|------------|
|  | 2010  | 2009       | 2008       |
|  | (In thousands, except share and per share data) |            |            |
| Revenues   | \$ 174,999                                      | \$ 127,740 | \$ 117,371 |
| Cost of revenues (excludes amortization of intangible assets resulting from acquisitions shown below)(1) | 51,953  | 38,730     | 34,562     |
| Selling and marketing(1)   | 59,641  | 41,954     | 39,400     |
| Research and development(1)  | 26,377  | 17,827     | 14,832     |
| General and administrative(1)  | 33,953  | 18,232     | 16,785     |
| Amortization of intangible assets resulting from acquisitions  | 4,534   | 1,457      | 804        |
| Total expenses from operations   | 176,458   | 118,200    | 106,383    |
| (Loss) income from operations  | (1,459)   | 9,540      | 10,988     |
| Interest income and other, net   | 53  | 410        | 1,863      |
| Loss from foreign currency   | (347)   | (132)      | (321)      |
| Gain from sale (impairment) of marketable securities   |   | 89         | (2,239)    |
| (Loss) income before income tax benefit (provision)  | (1,753)   | 9,907      | 10,291     |
| Income tax benefit (provision)   | 177   | (5,938)    | 14,895     |
| Net (loss) income  | \$ (1,576)                                      | \$ 3,969   | \$ 25,186  |
| Net (loss) income per common share:  |   |            |            |
| Basic  | \$ (0.05)                                       | \$ 0.13    | \$ 0.88    |
| Diluted  | \$ (0.05)                                       | \$ 0.13    | \$ 0.83    |
| Weighted-average number of shares used in per share calculation common stock:                            |   |            |            |
| Basic  | 31,070,018                                      | 30,014,085 | 28,691,216 |
| Diluted  | 31,070,018                                      | 30,970,642 | 30,232,714 |
| (1) Amortization of stock-based compensation is included in the line items above as follows:             |   |            |            |
| Cost of revenues   | \$ 1,494  | \$ 1,186   | \$ 861     |
| Selling and marketing  | 6,217   | 4,617      | 2,611      |
| Research and development   | 1,868   | 1,111      | 706        |
| General and administrative   | 8,195   | 2,942      | 2,296      |
| Comprehensive income:  |   |            |            |
| Net (loss) income  | \$ (1,576)                                      | \$ 3,969   | \$ 25,186  |
| Other comprehensive income:  |   |            |            |
| Foreign currency cumulative translation adjustment   | 1,847   | 829        | (1,132)    |
| Unrealized (loss) gain on marketable securities  | (5)   | 337        | 289        |



|                            |    |     |    |       |    |        |
|----------------------------|----|-----|----|-------|----|--------|
| Total comprehensive income | \$ | 266 | \$ | 5,135 | \$ | 24,343 |
|----------------------------|----|-----|----|-------|----|--------|

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

## COMSCORE, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

|   | Common Stock                      |           | Treasury<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Accumulated<br>Stockholders | Total<br>Stockholders<br>Equity |
|---|-----------------------------------|-----------|-------------------|----------------------------------|---|-----------------------------|---------------------------------|
|   | Shares                            | Amount    |                   |                                  |   |                             |                                 |
|   | (In thousands, except share data) |           |                   |                                  |   |                             |                                 |
| <b>Balance at<br/>December 31, 2007</b>                                     | <b>27,960,573</b>                 | <b>28</b> |                   | <b>183,433</b>                   | <b>1</b>  | <b>(80,840)</b>             | <b>102,622</b>                  |
| Net income  |                                   |           |                   |                                  |   | 25,186                      | 25,186                          |
| Foreign currency<br>translation adjustment                                  |                                   |           |                   |                                  | (1,132)   |                             | (1,132)                         |
| Unrealized gain on<br>marketable securities<br>net of tax effect of<br>\$68 |                                   |           |                   |                                  | 289   |                             | 289                             |
| Exercise of common<br>stock options   | 611,733                           | 1         |                   | 976                              |   |                             | 977                             |
| Exercise of common<br>stock warrants, net                                   | 4,020                             |           |                   | 50                               |   |                             | 50                              |
| Issuance of restricted<br>stock, net  | 465,010                           |           |                   |                                  |   |                             |                                 |
| Restricted stock units<br>vested  | 17,490                            |           |                   |                                  |   |                             |                                 |
| Common stock<br>received for tax<br>withholding                             | (64,326)                          |           | (1,265)           |                                  |   |                             | (1,265)                         |
| Reclassification of<br>common stock subject<br>to put to common<br>stock    | 135,640                           |           |                   | 1,814                            |   |                             | 1,814                           |
| Amortization of stock<br>based compensation                                 |                                   |           |                   | 6,339                            |   |                             | 6,339                           |
| <b>Balance at<br/>December 31, 2008</b>                                     | <b>29,130,140</b>                 | <b>29</b> | <b>(1,265)</b>    | <b>192,612</b>                   | <b>(842)</b>  | <b>(55,654)</b>             | <b>134,880</b>                  |
| Net income  |                                   |           |                   |                                  |   | 3,969                       | 3,969                           |
| Foreign currency<br>translation adjustment                                  |                                   |           |                   |                                  | 829   |                             | 829                             |
| Unrealized gain on<br>marketable securities<br>net of tax effect of \$8     |                                   |           |                   |                                  | 337   |                             | 337                             |

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|  |                   |              |           |                   |                 |                    |                   |
|--|-------------------|--------------|-----------|-------------------|-----------------|--------------------|-------------------|
| Exercise of common stock options                     | 420,583           |              |           | 922               |                 |                    | 922               |
| Issuance of restricted stock, net                    | 949,946           | 1            |           | (1)               |                 |                    |                   |
| Restricted stock units vested                        | 27,338            |              |           |                   |                 |                    |                   |
| Common stock received for tax withholding            | (142,417)         |              | (1,573)   |                   |                 |                    | (1,573)           |
| Treasury stock retirement                            |                   |              | 2,838     | (2,838)           |                 |                    |                   |
| Amortization of stock based compensation             |                   |              |           | 8,575             |                 |                    | 8,575             |
| <b>Balance at December 31, 2009</b>                  | <b>30,385,590</b> | <b>\$ 30</b> | <b>\$</b> | <b>\$ 199,270</b> | <b>\$ 324</b>   | <b>\$ (51,685)</b> | <b>\$ 147,939</b> |
| Net loss   |                   |              |           |                   |                 | (1,576)            | (1,576)           |
| Foreign currency translation adjustment              |                   |              |           |                   | 1,847           |                    | 1,847             |
| Unrealized loss on marketable securities             |                   |              |           |                   | (5)             |                    | (5)               |
| Common stock issued in conjunction with acquisitions | 216,115           |              |           | 3,651             |                 |                    | 3,651             |
| Exercise of common stock options                     | 308,118           |              |           | 988               |                 |                    | 988               |
| Issuance of restricted stock, net                    | 992,879           | 1            |           | (1)               |                 |                    |                   |
| Restricted stock units vested                        | 88,559            |              |           |                   |                 |                    |                   |
| Common stock received for tax withholding            | (325,526)         | 1            |           | (5,473)           |                 |                    | (5,472)           |
| Restricted stock canceled                            | (142,176)         |              |           |                   |                 |                    |                   |
| Excess tax benefit from exercise of stock options    |                   |              |           | 128               |                 |                    | 128               |
| Amortization of stock based compensation             |                   |              |           | 18,332            |                 |                    | 18,332            |
| <b>Balance at December 31, 2010</b>                  | <b>31,523,559</b> | <b>\$ 32</b> | <b>\$</b> | <b>\$ 216,895</b> | <b>\$ 2,166</b> | <b>\$ (53,261)</b> | <b>\$ 165,832</b> |

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

**COMSCORE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2010</b>                    | <b>2009</b> | <b>2008</b> |
|  | <b>(In<br/>thousands)</b>      |             |             |
| <b>Operating activities</b>  |                                |             |             |
| Net (loss) income  | \$ (1,576)                     | \$ 3,969    | \$ 25,186   |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                                |             |             |
| Depreciation   | 8,422                          | 6,544       | 4,977       |
| Amortization of intangible assets resulting from acquisitions                            | 4,534                          | 1,457       | 798         |
| Provisions for bad debts   | 167                            | 290         | 594         |
| Stock-based compensation   | 17,773                         | 9,849       | 6,482       |
| Deferred tax (benefit) provision   | (1,938)                        | 5,096       | (15,386)    |
| Gain on sale (impairment) of marketable securities                                       |                                | (89)        | 2,239       |
| Amortization of deferred rent  | (906)                          | (632)       | (126)       |
| Amortization of bond premium   | 188                            | 610         | 730         |
| Loss on asset disposal   | 13                             | 139         | 50          |
| Changes in operating assets and liabilities:   |                                |             |             |
| Accounts receivable  | (15,101)                       | (4,491)     | (6,581)     |
| Prepaid expenses and other current assets  | (4,492)                        | 28          | 343         |
| Accounts payable, accrued expenses, and other liabilities                                | 2,854                          | (2,908)     | (1,838)     |
| Deferred revenues  | 15,064                         | 4,838       | 6,124       |
| Deferred rent  | 408                            | 331         | 9,397       |
| Net cash provided by operating activities  | 25,410                         | 25,031      | 32,989      |
| <b>Investing activities</b>  |                                |             |             |
| Acquisition of business, net of cash acquired  | (68,880)                       | (1,296)     | (44,638)    |
| Purchase of investments  |                                | (50,197)    | (92,288)    |
| Sale and maturity of investments   | 29,976                         | 57,973      | 85,388      |
| Purchase of property and equipment   | (5,119)                        | (6,472)     | (14,252)    |
| Recovery of restricted cash  |                                |             | 1,385       |
| Net cash (used in) provided by investing activities                                      | (44,023)                       | 8           | (64,405)    |
| <b>Financing activities</b>  |                                |             |             |
| Proceeds from the exercise of common stock options and warrants                          | 988                            | 922         | 1,027       |
| Repurchase of common stock   | (5,472)                        | (1,573)     | (1,265)     |
| Excess tax benefits from exercise of stock options                                       | 128                            |             |             |
| Principal payments on capital lease obligations  | (1,727)                        | (1,064)     | (900)       |
| Net cash used in financing activities  | (6,083)                        | (1,715)     | (1,138)     |
| Effect of exchange rate changes on cash  | 148                            | 663         | (1,517)     |

|  |           |    |        |           |
|--|-----------|----|--------|-----------|
| Net (decrease) increase in cash and cash equivalents           | (24,548)  |    | 23,987 | (34,071)  |
| Cash and cash equivalents at beginning of year                 | 58,284    |    | 34,297 | 68,368    |
| Cash and cash equivalents at end of year                       | \$ 33,736 | \$ | 58,284 | \$ 34,297 |
| <b>Supplemental cash flow disclosures</b>                      |           |    |        |           |
| Interest paid  | \$ 296    | \$ | 63     | \$ 122    |
| Net income tax paid  | \$ 1,340  | \$ | 1,615  | \$ 325    |
| <b>Supplemental noncash investing and financing activities</b> |           |    |        |           |
| Capital lease obligations incurred                             | \$ 12,309 | \$ | 1,121  | \$        |
| Leasehold improvements acquired through lease incentives       | \$ 424    | \$ | 333    | \$ 9,397  |

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

## COMSCORE, INC.

### NOTES TO 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. 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. 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.

Within the consolidated balance sheets for the year ended December 31, 2009 \$12,000 and \$119,000 has been reclassified from deferred tax asset and deferred tax asset, long-term, respectively, to deferred tax liability and deferred tax liability, long-term, respectively. Also within the consolidated balance sheets \$619,000 and \$94,000 has been reclassified from accrued expenses and deferred revenues, respectively, to other long-term liabilities for the year ended December 31, 2009. In addition, within the deferred tax schedule (see Note 9) \$2.5 million has been reclassified from deferred tax assets to deferred tax liabilities for the year ended December 31, 2009 to conform with the current year presentation.

##### *Use of Estimates*

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

**COMSCORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***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 the quoted prices in active markets that are observable either directly or indirectly;

*Level 3* unobservable inputs of which there is little or no market data, which require the Company to develop its own assumptions.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures its marketable securities at fair value and determines the appropriate classification level for each reporting period. The Company is required to use significant judgments to make this determination.

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

Cash 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 fixed assets, intangible assets and goodwill. The Company recognizes these items at fair value when they are considered to be impaired. During the years ended December 31, 2010 and 2009, 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. As of December 31, 2010 and 2009, the Company had amounts in certain financial institutions that exceed the FDIC insurance coverage.

Investments, which consist principally of U.S. treasury bills, U.S. treasury notes and auction rate securities, are stated at fair value. These securities are accounted for as available-for-sale securities. 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 years ended December 31, 2010 and 2009 were not material.

Interest income on investments was \$303,000, \$568,000 and \$2.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*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.

The following is a summary of activities in the allowance for doubtful accounts for the fiscal years indicated:

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2010</b>                    | <b>2009</b> | <b>2008</b> |
|   | <b>(In thousands)</b>          |             |             |
| <b>Allowance for Doubtful Accounts</b>  |                                |             |             |
| Beginning Balance                       | \$ (510)                       | \$ (479)    | \$ (234)    |
| Additions                               | (167)                          | (290)       | (602)       |
| Reductions, (recoveries) and write-offs | (48)                           | 259         | 357         |
| Ending Balance                          | \$ (725)                       | \$ (510)    | \$ (479)    |

*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 Statement of Operations and Comprehensive 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. 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 the valuation allowance 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 other businesses are acquired. The allocation of the purchase price to intangible assets and goodwill involves the extensive use of management's estimates and assumptions, and the result of the allocation process can have a significant impact on future operating results. The Company estimates the fair value of identifiable intangible assets acquired using several different valuation approaches, including the relief from royalty

**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

method and, income and market approaches. The relief from royalty method assumes that if the Company did not own the intangible asset or intellectual property, it would be willing to pay a royalty for its use. The Company generally uses the relief from royalty method for estimating the value of acquired technology/methodology assets. The income approach converts the anticipated economic benefits that the Company assumes will be realized from a given asset into value. Under this approach, value is measured as the present value of anticipated future net cash flows generated by an asset. The Company generally uses the income approach to value customer relationship assets and non-compete agreements. The market approach compares the acquired asset to similar assets that have been sold. The Company generally uses the income approach to value trade names and brand assets.

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 2009 and determined that there was no impairment of goodwill. The Company completed its annual impairment analysis as of October 1st for each of 2010, 2009 and 2008 and determined that there was no impairment of goodwill.

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

|                                   | <b>Useful<br/>Lives<br/>(Years)</b> |
|-----------------------------------|-------------------------------------|
| Acquired methodologies/technology | 3 to 10                             |
| Customer relationships            | 7 to 12                             |
| Panel                             | 7                                   |
| Intellectual property             | 10                                  |
| Tradenames                        | 2 to 10                             |

***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 group, the Company records an impairment loss equal to the excess of the asset group'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 years ended December 31, 2010, 2009 and 2008.

***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

**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 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 Accumulated other comprehensive income.

The Company incurred foreign currency transaction losses of \$347,000, \$132,000, and \$321,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The losses are the result of transactions denominated in currencies other than the functional currency of the Company's foreign subsidiaries.

***Accumulated Other Comprehensive Income***

The following summary sets forth the components of accumulated other comprehensive income, net of tax, in stockholders' equity:

|  | <b>December 31,</b>   |             |
|--|-----------------------|-------------|
|  | <b>2010</b>           | <b>2009</b> |
|  | <b>(In thousands)</b> |             |
| Foreign currency translation gain (loss)     | \$ 1,727              | \$ (120)    |
| Unrealized gain on marketable securities     | 439                   | 444         |
| Total accumulated other comprehensive income | \$ 2,166              | \$ 324      |

***Operating Segment Information***

The Company has concluded that it has one operating segment based on the fact that its Chief Executive Officer, who is also its chief operating decision maker, continues to evaluate performance and make operating decisions based on consolidated financial data. Additionally, there are no managers who are held accountable by the chief operating decision maker, or anyone else, for an operating measure of profit or loss for any operating unit below the consolidated unit level.

***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

**COMSCORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 either subscriptions to multiple online product solutions or the various services the Company offers. Multiple element arrangements typically consist of a subscription to the Company's online database combined with customized services. The Company has determined there is not objective and reliable evidence of fair value for any of its services and, therefore, accounts for all elements in multiple elements arrangements as a single unit of accounting. Access to data under the subscription element is generally provided shortly after the execution of the contract. However, the initial delivery of customized services generally occurs subsequent to the commencement of the subscription element. The Company recognizes the entire arrangement fee over the performance period of the last deliverable. As a result, the total arrangement fee is recognized on a straight-line basis over the period beginning with the commencement of the last customized deliverable. The Company evaluates contemporaneous arrangements to determine whether they should be combined or treated separately under the relevant accounting literature.

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 Financial Accounting Standards Board 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. The Company currently does not have vendor specific objective evidence (VSOE) for the multiple deliverables and accounts for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue 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.

Revenues for the year ended December 31, 2010 included \$171.6 million for service arrangements and \$3.4 million for software arrangements.

***Costs of Revenues***



Cost of revenues consists primarily of expenses related to the operating network infrastructure and the recruitment, maintenance and support of consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, benefits and related expenses of network operations, survey operations, custom analytics and technical support departments, and are expensed as they are incurred. Cost of revenues consists primarily of expenses related to the operating network infrastructure and the recruitment, maintenance and support of consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, benefits and related expenses of network operations, survey operations, custom analytics and technical support departments.

**COMSCORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Cost of revenues also includes data collection costs for the products and operational costs associated with the Company's data centers, including depreciation expense associated with computer equipment that supports its panel and systems, and allocated overhead, which is comprised of rent and depreciation expense generated by general purpose equipment and software.

Deferred contract costs represents incremental direct costs paid to a third party and the internal costs of employees directly related to the delivery of an item that cannot be accounted for separately from the undelivered items for certain of the Company's significantly customized software sales or other long-term in nature projects. These costs are recognized as cost of revenues ratably over the same period that deferred revenue is recognized as revenues. The Company analyzes the recoverability of these costs each reporting period.

***Selling and Marketing***

Selling and marketing expenses consist primarily of salaries, stock-based compensation, benefits, commissions and bonuses paid to the direct sales force and industry analysts, as well as costs related to online and offline advertising, product management, seminars, promotional materials, public relations, other sales and marketing programs, and allocated overhead, including rent and other facilities related costs, and depreciation. All selling and marketing costs are expensed as they are incurred.

***Research and Development***

Research and development expenses include new product development costs, consisting primarily of salaries, stock-based compensation, benefits and related costs for personnel associated with research and development activities, and allocated overhead, including rent and other facilities related costs, and depreciation.

***General and Administrative***

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

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, investments and accounts receivable. Cash equivalents are held at financial institutions. Investments consist of fixed income and auction rate securities (see Note 4). With respect to accounts receivable, credit risk is mitigated by the Company's ongoing credit evaluation of its customers' financial condition.

For the years ended December 31, 2010, 2009 and 2008, one customer accounted for approximately 11%, 12% and 12%, respectively, of total revenues. As of December 31, 2010 and 2009, no one customer accounted for more than 10% of accounts receivable.

***Advertising Costs***

All advertising costs are expensed as incurred. Advertising expense, which is included in sales and marketing expense, totaled \$220,000, \$216,000 and \$298,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

***Stock-Based Compensation***

The Company estimates the fair value of share-based awards on the date of grant. The fair value of stock options is determined using the Black-Scholes option-pricing model. The fair value of market-based stock options

**COMSCORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 expectation. The forfeiture estimate is revised as necessary if actual forfeitures differ from these estimates.

The Company issues restricted stock awards where 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, 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.

The Company recognizes tax positions using a more-likely-than-not 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***

Basic net (loss) income per common share excludes dilution for potential common stock issuances and is computed by dividing net (loss) income by the weighted-average number of common shares outstanding for the period. Diluted net (loss) income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.



## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net (loss) income per common share:

|  | Year Ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2010                    | 2009       | 2008       |
| (In thousands, except share data)                              |                         |            |            |
| <b>Calculation of basic and diluted net income per share :</b> |                         |            |            |
| Net (loss) income  | \$ (1,576)              | \$ 3,969   | \$ 25,186  |
| Net (loss) income per common share:                            |                         |            |            |
| Basic  | \$ (0.05)               | \$ 0.13    | \$ 0.88    |
| Diluted  | \$ (0.05)               | \$ 0.13    | \$ 0.83    |
| Weighted-average shares outstanding-common stock, basic        | 31,070,018              | 30,014,085 | 28,691,216 |
| Dilutive effect of   |                         |            |            |
| Options to purchase common stock                               |                         | 915,025    | 1,500,068  |
| Unvested restricted stock units                                |                         | 32,930     | 22,337     |
| Warrants to purchase common stock                              |                         | 8,602      | 19,093     |
| Weighted-average shares outstanding-common stock, diluted      | 31,070,018              | 30,970,642 | 30,232,714 |

The dilutive effect of stock options and restricted stock units of 802,665, 81,629 and 60,086 were not included in the computation of diluted net (loss) income per common share for the years ended December 31, 2010, 2009 and 2008, respectively, as their effect would be anti-dilutive. In addition, the dilutive effect of the shares of common stock warrants were not included in the computation of diluted net (loss) income per common share for each of the years ended December 31, 2009 and 2008, as their effect would be anti-dilutive.

**Recent Pronouncements**

In September 2009, the Financial Accounting Standards Board ( FASB ) issued a new revenue accounting standards update, *Multiple-Deliverable Revenue Arrangements* , 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. This new guidance will become effective for comScore on January 1, 2011. The Company is currently evaluating the impact that the adoption of the new guidance will have on its consolidated financial statements.

In January 2010, the FASB issued a new fair value accounting standard update, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*. This update requires additional disclosures about (i) the different classes of assets and liabilities measured at fair value, (ii) the valuation techniques and inputs used, (iii) the activity in Level 3 fair value measurements, and (iv) the transfers between Levels 1, 2, and 3. This update is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted this guidance during the first quarter of 2010 and the adoption of this guidance had no impact on its consolidated results of operations and financial condition.

### **3. Business Combinations**

The Company uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, its estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the preliminary purchase price

**COMSCORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

allocation period, which may be up to one year from the business combination date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. The Company records adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in its operating results in the period in which the adjustments were determined. None of the goodwill is deductible for tax purposes.

For the year ended December 31, 2010, approximately \$2.6 million of transaction related costs are included in the Company's consolidated statements of operations as a component of the Company's general and administrative expenses.

**Certifica**

On November 11, 2009, the Company completed its acquisition of Certifica, a leading analyst of Internet traffic measurement in Latin America, pursuant to the Agreement and Plan of Acquisition dated November 11, 2009, (the Acquisition). Pursuant to the Agreement and Plan of Acquisition, the Company acquired all of the outstanding common stock of Certifica in a cash transaction.

The Acquisition resulted in goodwill of approximately \$1.9 million at the date of acquisition. This amount represents the residual amount of the total purchase price after allocation to net assets and identifiable intangible assets acquired. Included in the total net assets acquired was approximately \$679,000 in liabilities related to uncertain tax positions. The amount recorded for goodwill is consistent with the Company's intentions for the acquisition of Certifica. The Company acquired Certifica to strengthen its presence in the Latin America region and enable the Company to offer hybrid measurement as part of its Media Metrix 360 initiative using the same state-of-the-art measurement technologies the Company uses elsewhere in the world.

Definite-lived intangible assets of \$1.2 million consist of the value assigned to Certifica's customer relationships, trade name and its core technology of \$946,000, \$157,000 and \$51,000 respectively. The useful lives range from two to seven years (see Note 2).

The Company has finalized its purchase accounting for Certifica. The Company has included the financial results of Certifica in its consolidated financial statements beginning November 11, 2009. Included in revenue for the year ended December 31, 2010 was \$2.9 million related to Certifica.

**ARSgroup**

On February 19, 2010, the Company completed its acquisition of ARSgroup (ARS), a leading technology-driven market research firm that measures the persuasion of advertising on TV and multi-media platforms, pursuant to the Agreement and Plan of Acquisition dated February 10, 2010, (the ARS Acquisition). Pursuant to the Agreement and Plan of Acquisition, the Company acquired all of the outstanding common stock of ARS in a cash transaction.

The ARS Acquisition resulted in goodwill of approximately \$8.1 million at the date of acquisition. This amount represents the residual amount of the total purchase price of \$17.7 million after allocation to net assets and identifiable intangible assets acquired. The amount recorded for goodwill is consistent with the Company's intentions for the acquisition of ARS. The Company acquired ARS to provide it with technology-driven market research capabilities for measuring the effectiveness of advertising creative content. The additional resources will allow the Company to create new products and tools for designing and measuring more effective advertising on TV, online, and



cross media campaigns.

Definite-lived intangible assets of \$9.5 million consist of the value assigned to ARS's methodology and database, customer relationships and trade name of \$4.1 million, \$4.1 million and \$1.3 million, respectively. The useful lives range from two to ten years (see Note 2).

**COMSCORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

ARS made an Internal Revenue Code section 338(h)(10) election with respect to the acquisition transaction. With such an election, the Company has fair market value basis in the ARS assets and liabilities for both income tax and financial reporting purposes and no opening deferred tax balances. The Company is in the process of evaluating other tax related items. The Company has included the financial results of ARS in its consolidated financial statements beginning February 19, 2010. Included in revenue for the year ended December 31, 2010 was \$18.1 million related to ARS.

**Nexius, Inc.**

On July 1, 2010, the Company completed its acquisition of Nexius, a leading provider of carrier-grade mobile network analysis and intelligence solutions, pursuant to a Stock Purchase Agreement dated July 1, 2010 (the Nexius Acquisition).

The aggregate amount of the consideration paid by the Company upon the closing of the transaction was \$20.9 million, of which approximately \$3.0 million was paid in cash to satisfy certain of Nexius's existing debt obligations. Following payment of transaction expenses, the remaining estimated merger consideration of \$15.3 million in cash and an aggregate of 158,070 shares of the Company's common stock valued at \$2.6 million was paid to the Nexius shareholders and holders of certain Nexius equity rights.

The Nexius Acquisition resulted in goodwill of approximately \$14.0 million at the date of acquisition. This amount represents the residual amount of the total purchase price after allocation to net assets and identifiable intangible assets acquired. The amount recorded for goodwill is consistent with the Company's intentions for the acquisition of Nexius. The Company acquired Nexius to solidify it as a leader in the mobile category.

Definite-lived intangible assets of \$17.1 million consist of the value assigned to Nexius's customer relationships, core technology and trade name of \$14.5 million, \$1.6 million and \$1.0 million respectively. The useful lives range from two to twelve years (see Note 2).

The Company is in the process of evaluating the opening balance sheet liabilities and other tax related items and may continue to adjust the preliminary purchase price allocation after obtaining more information about asset valuations and liabilities assumed. The Company has included the financial results of Nexius in its consolidated financial statements beginning July 1, 2010. Included in revenue for the year ended December 31, 2010 was \$3.4 million related to Nexius.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The preliminary purchase price is allocated as follows (in thousands):

|   |           |
|---|-----------|
| Cash and cash equivalents                 | \$ 4      |
| Accounts receivable                       | 484       |
| Prepaid expenses and other current assets | 57        |
| Deferred tax asset                        | 1,172     |
| Property and equipment                    | 290       |
| Accounts payable                          | (1,375)   |
| Other accrued liabilities                 | (463)     |
| Deferred revenue                          | (3,395)   |
| Deferred tax liability, long-term         | (6,195)   |
| Other long-term liabilities               | (776)     |
| Net tangible liabilities acquired         | (10,197)  |
| Definite-lived intangible assets acquired | 17,050    |
| Goodwill                                  | 14,035    |
| Total estimated purchase price            | \$ 20,888 |

In connection with the preliminary purchase price allocation, the estimated fair value of the deferred revenue assumed from Nexius in connection with the Nexius Acquisition was determined utilizing a cost build-up approach. The present value of the sum of the costs and operating profit approximates the amount that the Company would be required to pay a third party to assume the obligations. The estimated costs to fulfill the obligation were based on the historical direct costs related to providing the services.

**Nedstat B.V.**

On August 31, 2010, the Company completed its acquisition of Nedstat, a leading provider of technology that helps web sites, particularly publishers and video companies, analyze the behavior of their users with powerful analytic tools, pursuant to the Stock Purchase Agreement dated August 31, 2010 (the Nedstat Acquisition).

The aggregate amount of the consideration paid by the Company upon the closing of the transaction was approximately \$34.4 million in cash and an aggregate of 58,045 shares of the Company's common stock valued at \$1.1 million was issued to two key shareholders of Nedstat.

The Nedstat Acquisition resulted in goodwill of approximately \$21.0 million at the date of acquisition. This amount represents the residual amount of the total purchase price after allocation to net assets and identifiable intangible assets acquired. The amount recorded for goodwill is consistent with the Company's intentions for the acquisition of Nedstat. The Company acquired Nedstat to help transform the Company into a broad based Digital Business Analytics company and solidify its Unified Digital Measurement ( UDM ) platform.

Definite-lived intangible assets of \$18.7 million consist of the value assigned to Nedstat's customer relationships, core technology and trade name of \$15.3 million, \$1.9 million and \$1.5 million, respectively. The useful lives range from

two to seven years (see Note 2).

The Company is in the process of evaluating the opening balance sheet liabilities and other tax related items and may continue to adjust the preliminary purchase price allocation after obtaining more information about asset valuations and liabilities assumed. The Company has included the financial results of Nedstat in its consolidated financial statements beginning September 1, 2010. Included in revenue for the year ended December 31, 2010 was \$3.6 million related to Nedstat.

**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The preliminary purchase price is allocated as follows (in thousands):

|   |           |
|---|-----------|
| Cash and cash equivalents                 | \$ 622    |
| Accounts receivable                       | 2,708     |
| Prepaid expenses and other current assets | 177       |
| Property and equipment                    | 2,279     |
| Other long term assets                    | 224       |
| Accounts payable                          | (890)     |
| Deferred revenue                          | (5,434)   |
| Deferred tax liability                    | (160)     |
| Deferred tax liability, long-term         | (584)     |
| Other accrued liabilities                 | (3,137)   |
| Net tangible assets acquired              | (4,195)   |
| Definite-lived intangible assets acquired | 18,669    |
| Goodwill                                  | 21,018    |
| Total estimated purchase price            | \$ 35,492 |

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

**Pro Forma Adjusted Summary**

The results of Nexius and Nedstat's operations have been included in the Consolidated Financial Statements subsequent to the acquisition dates.

The unaudited financial information provided below summarizes the combined results of operations of the Company and Nexius and Nedstat on a pro forma basis, as though the companies had been combined as of the beginning of the periods presented. The unaudited pro forma adjusted summary combines the historical results for the Company for the periods presented with the historical results for Nexius and Nedstat for those same periods. The pro forma financial information is presented for informational purposes only and does not purport to be indicative of the Company's financial position or results of operations, would actually have been had such transactions been completed as of the beginning of the periods presented, or of the financial position or results of operations that may be obtained in the future.

|                                |             |
|--------------------------------|-------------|
| <b>Year Ended December 31,</b> |             |
| <b>2010</b>                    | <b>2009</b> |

**(Unaudited)**  
**(In thousands, except per share data)**

|   |             |            |
|---|-------------|------------|
| Revenues                                      | \$ 185,779  | \$ 151,490 |
| Net loss                                      | \$ (10,158) | \$ (5,622) |
| Basic loss per share to common stockholders   | \$ (0.34)   | \$ (0.20)  |
| Diluted loss per share to common stockholders | \$ (0.34)   | \$ (0.20)  |

For pro forma adjusted summary purposes, the financial impacts of Certifica and ARS were not included as they were not significant individually or in the aggregate.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. Investments and Fair Value Measurements

As of December 31, 2010 and December 31, 2009, the Company had \$2.8 million in long-term investments consisting of four separate auction rate securities with a par value of \$4.3 million.

Auction rate securities are generally long-term debt instruments that were intended to provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined calendar intervals, generally every 28 days. This mechanism typically allows existing investors to rollover their holdings and to continue to own their respective securities or liquidate their holdings by selling their securities at par value. These securities often are insured against loss of principal and interest by bond insurers. In prior years, the Company invested in these securities for short periods of time as part of its investment policy. However, since 2007, the uncertainties in the credit markets have limited the ability of the Company to liquidate its holdings of certain auction rate securities because the amount of securities submitted for sale has exceeded the amount of purchase orders. Accordingly, the Company continues to hold these long-term securities and is due interest at a higher rate than similar securities for which auctions have cleared. The four remaining securities were valued using a discounted cash flow model that takes into consideration the financial condition of the issuers, the workout period, the discount rate and other factors.

The Company is unsure as to when the liquidity issues relating to these investments will improve. Accordingly, the Company classified these securities as non-current as of December 31, 2010 and December 31, 2009. If the credit ratings of the issuers, the bond insurers or the collateral deteriorate further, the Company may further adjust the carrying value of these investments.

Marketable securities, including the fair value hierarchy, which are classified as available-for-sale, are summarized below (in thousands).

|                                   | Amortized<br>Cost | Gross<br>Unrealized<br>Gain<br>(Loss) | Aggregate<br>Fair<br>Value | Classification on<br>Balance Sheet |                          |
|-----------------------------------|-------------------|---------------------------------------|----------------------------|------------------------------------|--------------------------|
|                                   |                   |                                       |                            | Short-Term<br>Investments          | Long-Term<br>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                 |

|                          | Amortized<br>Cost | Gross<br>Unrealized<br>Gain | Aggregate<br>Fair<br>Value | Classification on Balance<br>Sheet |                          |
|--------------------------|-------------------|-----------------------------|----------------------------|------------------------------------|--------------------------|
|                          |                   |                             |                            | Short-Term<br>Investments          | Long-Term<br>Investments |
| As of December 31, 2009: |                   |                             |                            |                                    |                          |

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|                                   |           |        |           |           |          |
|-----------------------------------|-----------|--------|-----------|-----------|----------|
| U.S. treasury notes (Level 1)     | \$ 29,810 | \$ 23  | \$ 29,833 | \$ 29,833 | \$       |
| Auction rate securities (Level 3) | 2,380     | 429    | 2,809     |           | 2,809    |
|                                   | \$ 32,190 | \$ 452 | \$ 32,642 | \$ 29,833 | \$ 2,809 |

There were no gross unrealized losses related to available-for-sale securities as of December 31, 2010 and December 31, 2009.

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



**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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):

|   | <b>Long-term<br/>Investments</b> |
|---|----------------------------------|
| Balance on December 31, 2009                            | \$ 2,809                         |
| Unrealized gains included in other comprehensive income | 10                               |
| Balance on December 31, 2010                            | \$ 2,819                         |

**5. Property and Equipment**

Property and equipment, including equipment under capital lease obligations, consists of the following:

|   | <b>December 31</b>    |             |
|---|-----------------------|-------------|
|   | <b>2010</b>           | <b>2009</b> |
|   | <b>(In thousands)</b> |             |
| Computer equipment                              | \$ 26,034             | \$ 14,327   |
| Computer software                               | 9,564                 | 5,262       |
| Office equipment and furniture                  | 3,611                 | 3,272       |
| Automobiles                                     | 1,210                 |             |
| Leasehold improvements                          | 9,940                 | 8,828       |
|   | 50,359                | 31,689      |
| Less: accumulated depreciation and amortization | (21,722)              | (14,387)    |
|   | \$ 28,637             | \$ 17,302   |

During the years ended December 31, 2010 and 2009, the Company capitalized \$424,000 and \$333,000, respectively, of leasehold improvements, furniture and fixtures and office equipment associated with landlord allowances received in connection with its Toronto and Seattle office leases (see Note 8).

Property, equipment and automobiles financed through capital lease obligations totaled \$8.3 million for hardware, \$3.9 million for software and \$1.2 million for automobiles at December 31, 2010. At December 31, 2009, \$950,000 was financed through capital leases for software. At December 31, 2010 and 2009, accumulated depreciation related to property and equipment financed through capital leases totaled \$1.8 million and \$54,000, respectively. The capital lease associated with \$3.1 million of assets expired and ownership transferred to the Company during the fourth quarter of 2009.

For the years ended December 31, 2010, 2009 and 2008, total depreciation expense was \$8.4 million, \$6.5 million and \$5.0 million, respectively.

**6. Goodwill and Intangible Assets**

The change in the carrying value of goodwill for the year ended December 31, 2010 is as follows (in thousands):

|                                 |           |
|---------------------------------|-----------|
| Balance as of December 31, 2009 | \$ 42,014 |
| Acquisitions                    | 43,398    |
| Translation adjustments         | 805       |
| Balance as of December 31, 2010 | \$ 86,217 |

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain of the Company's intangible assets are recorded in Euros, British Pounds and the local currencies of our 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 amortized acquired intangible assets are as follows (in thousands):

|                                       | December 31, 2010     |                          |                     | December 31, 2009     |                          |                     |
|---------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|                                       | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Tradename                             | \$ 4,069              | \$ (581)                 | \$ 3,488            | \$ 165                | \$ (14)                  | \$ 151              |
| Customer relationships                | 38,471                | (3,140)                  | 35,331              | 4,000                 | (709)                    | 3,291               |
| Acquired methodologies/<br>technology | 10,157                | (1,633)                  | 8,524               | 2,479                 | (599)                    | 1,880               |
| Intellectual property                 | 2,561                 | (662)                    | 1,899               | 2,568                 | (407)                    | 2,161               |
| Panel                                 | 1,615                 | (597)                    | 1,018               | 1,763                 | (501)                    | 1,262               |
|                                       | \$ 56,873             | \$ (6,613)               | \$ 50,260           | \$ 10,975             | \$ (2,230)               | \$ 8,745            |

Amortization expense related to intangible assets was approximately \$4.5 million, \$1.5 million and \$804,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

The weighted average remaining amortization period by major asset class as of December 31, 2010, is as follows:

|                                   | (In years) |
|-----------------------------------|------------|
| Tradename                         | 4.9        |
| Acquired methodologies/technology | 6.5        |
| Customer relationships            | 8.4        |
| Panel                             | 4.4        |
| Intellectual property             | 7.4        |

The estimated future amortization of acquired intangible assets as of December 31, 2010 is as follows:

|      | (In thousands) |
|------|----------------|
| 2011 | \$ 7,843       |
| 2012 | 7,500          |
| 2013 | 6,894          |
| 2014 | 6,852          |
| 2015 | 5,916          |

|            |           |
|------------|-----------|
| Thereafter | 15,255    |
|            | \$ 50,260 |

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 7. Accrued Expenses

Accrued expenses consist of the following:

|                                       | December 31,   |          |
|---------------------------------------|----------------|----------|
|                                       | 2010           | 2009     |
|                                       | (In thousands) |          |
| Accrued payroll and related           | \$ 4,411       | \$ 1,519 |
| Accrued stock-based compensation      | 1,099          | 1,659    |
| Accrued income, sales and other taxes | 3,212          | 1,377    |
| Accrued professional fees             | 1,072          | 965      |
| Other                                 | 5,503          | 2,231    |
|                                       | \$ 15,297      | \$ 7,751 |

## 8. Commitments and Contingencies

*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.

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 escalation increases. Future minimum payments under noncancelable lease agreements with initial terms of one year or more are as follows:

|                              | December 31, 2010 |                     |
|------------------------------|-------------------|---------------------|
|                              | Capital<br>Leases | Operating<br>Leases |
|                              | (In thousands)    |                     |
| 2011                         | \$ 5,155          | \$ 6,618            |
| 2012                         | 4,804             | 5,980               |
| 2013                         | 3,508             | 5,106               |
| 2014                         |                   | 5,184               |
| 2015                         |                   | 5,249               |
| Thereafter                   |                   | 13,613              |
| Total minimum lease payments | 13,467            | \$ 41,750           |

|   |          |
|---|----------|
| Less amount representing interest           | (849)    |
| Present value of net minimum lease payments | 12,618   |
| Less current portion                        | (4,659)  |
| Capital lease obligations, long-term        | \$ 7,959 |

Total rent expense, under non-cancellable operating leases, was \$5.6 million, \$4.9 million and \$4.0 million for the years ended December 31, 2010, 2009 and 2008, respectively. During the year ended December 31, 2008, the Company agreed with two landlords for the early termination of their respective office leases. In connection with

**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

these terminations, the Company paid \$262,000. This amount is included in expenses from operations in the consolidated statement of operations and comprehensive income for the year ended December 31, 2008.

During the years ended December 31, 2010 and 2009, the Company recorded \$424,000 and \$333,000, respectively, of deferred rent and capitalized assets as a result of landlord allowances in connection with its Toronto and Seattle office leases, respectively. The deferred rent will be applied to rent expense recognized by the Company over the lease terms.

***Contingencies***

On November 30, 2010, the Company extended its \$5.0 million revolving line of credit with Bank of America, with an interest rate equal to BBA LIBOR rate plus an applicable margin based upon certain financial ratios, through February 28, 2011. On February 25, 2011, the Company further extended its \$5.0 million revolving line of credit with Bank of America through May 31, 2011. This line of credit includes no restrictive financial covenants. The Company maintains letters of credit in lieu of security deposits with respect to certain office leases. During the year ended December 31, 2010, five letters of credit were reduced by approximately \$646,000. As of December 31, 2010, no amounts were borrowed against the line of credit and \$3.3 million of letters of credit were outstanding, leaving \$1.7 million available for additional letters of credit or other borrowings. These letters of credit may be reduced periodically provided the Company meets the conditional criteria of each related lease agreement.

The Company has no asserted claims as of December 31, 2010, but is from time to time exposed to unasserted potential claims encountered in the normal course of business. Although the outcome of any legal proceedings cannot be predicted with certainty, management believes that the final resolution of these matters will not materially affect the Company's consolidated financial position or results of operations.

**9. Income Taxes**

The components of (loss) income before income tax for the years ended December 31, 2010, 2009 and 2008 are as follows:

|          | <b>2010</b>           | <b>2009</b> | <b>2008</b> |
|----------|-----------------------|-------------|-------------|
|          | <b>(In thousands)</b> |             |             |
| Domestic | \$ 3,675              | \$ 12,331   | \$ 10,906   |
| Foreign  | (5,428)               | (2,424)     | (615)       |
|          | \$ (1,753)            | \$ 9,907    | \$ 10,291   |

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income tax benefit (expense) is comprised of the following:

|                              | Year Ended December 31, |            |           |
|------------------------------|-------------------------|------------|-----------|
|                              | 2010                    | 2009       | 2008      |
|                              | (In thousands)          |            |           |
| Current:                     |                         |            |           |
| Federal                      | \$ (341)                | \$ (457)   | \$ (285)  |
| State                        | (261)                   | (246)      | (74)      |
| Foreign                      | (1,158)                 | (139)      | (127)     |
| Total                        | (1,760)                 | (842)      | (486)     |
| Deferred:                    |                         |            |           |
| Federal                      | (656)                   | (4,744)    | 13,109    |
| State                        | (141)                   | (285)      | 1,671     |
| Foreign                      | 2,734                   | (67)       | 601       |
| Total                        | 1,937                   | (5,096)    | 15,381    |
| Income tax benefit (expense) | \$ 177                  | \$ (5,938) | \$ 14,895 |

A reconciliation of the statutory United States income tax rate to the effective income tax rate is as follows:

|                                     | Year Ended December 31, |       |          |
|-------------------------------------|-------------------------|-------|----------|
|                                     | 2010                    | 2009  | 2008     |
| Statutory federal tax rate          | 35.0%                   | 35.0% | 35.0%    |
| State taxes, net of federal benefit | (15.0)                  | 3.5   | 4.4      |
| Nondeductible items                 | (35.2)                  | 8.2   | 4.5      |
| Foreign rate differences            | (40.7)                  | 2.0   | 1.9      |
| Change in statutory tax rates       |                         |       | 6.3      |
| Change in valuation allowance       | 139.0                   | 6.9   | (196.8)  |
| Stock compensation shortfalls       | (18.9)                  | 7.7   |          |
| True-ups and other adjustments      | (31.6)                  | (1.0) |          |
| Tax credits                         |                         | (3.2) |          |
| Foreign tax withholding             | (11.0)                  |       |          |
| Uncertain tax positions             | (11.5)                  | 0.8   |          |
| Effective tax rate                  | 10.1%                   | 59.9% | (144.7)% |

The Company recognized income tax benefit of approximately \$177,000 during the year ended December 31, 2010, which is comprised of current tax expense of \$602,000 related to federal alternative minimum tax and state income tax



liabilities and \$1.2 million of foreign income tax expense, and deferred tax benefit of approximately \$1.9 million related primarily to the reduction in the deferred tax asset valuation allowance.

The Company recognized income tax expense of approximately \$5.9 million during the year ended December 31, 2009, which is comprised of current tax expense of \$703,000 related to federal alternative minimum tax and state income tax liabilities and \$139,000 of foreign income tax expense, and deferred tax expense of approximately \$5.1 million related primarily to the utilization of net operating losses during the year.

The Company recognized an income tax benefit of approximately \$14.9 million during the year ended December 31, 2008, primarily due to the recording of a reduction in the deferred tax asset valuation allowance of approximately \$20.4 million offset by current tax expense of \$486,000 related to federal alternative minimum tax

**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

expense and state and foreign income taxes and a deferred tax expense of approximately \$5.0 million related primarily to the utilization of net operating losses during the year.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. Significant components of the Company's net deferred income taxes are as follows:

|                                  | <b>December 31</b>    |             |
|----------------------------------|-----------------------|-------------|
|                                  | <b>2010</b>           | <b>2009</b> |
|                                  | <b>(In thousands)</b> |             |
| Deferred tax assets:             |                       |             |
| Net operating loss carryforwards | \$ 18,716             | \$ 18,993   |
| Tax credits                      | 1,497                 | 1,306       |
| Accrued salaries and benefits    | 343                   | 45          |
| Deferred revenues                | 503                   | 1,142       |
| Capital leases                   | 3,639                 | 406         |
| Deferred compensation            | 4,366                 | 2,752       |
| Deferred rent                    | 3,386                 | 3,751       |
| Other                            | 1,919                 | 905         |
| Gross deferred tax assets        | 34,369                | 29,300      |
| Valuation allowance              | (1,027)               | (3,550)     |
| Net deferred tax assets          | 33,342                | 25,750      |
| Deferred tax liabilities:        |                       |             |
| Intangibles assets               | (10,704)              | (2,256)     |
| Property and equipment           | (4,839)               | (2,424)     |
| Prepaid maintenance              | (445)                 | (67)        |
| Other                            | (208)                 | (21)        |
| Total deferred tax liabilities   | (16,196)              | (4,768)     |
| Net deferred tax asset           | \$ 17,146             | \$ 20,982   |

As of December 31, 2010 and 2009, the Company had valuation allowances of \$1.0 million and \$3.6 million, respectively, against certain deferred tax assets, which consisted primarily of net operating loss carryforwards.

As of December 31, 2010, the Company concluded that it was more likely than not that a substantial portion of its UK deferred tax assets would be realized and determined that it was appropriate to release the entire valuation allowance of \$2.8 million in the fourth quarter. In making that determination, the Company considered the profitability of the UK entity achieved in 2010 and prior years, coupled with the timing of the reversal of taxable temporary differences and the forecasted profitability in future years. The Company also concluded that it was not more likely than not that a substantial portion of its deferred tax assets in certain other foreign jurisdictions would be realized and that an increase

to the valuation allowance was necessary. In making that determination, the Company considered the losses incurred in these foreign jurisdictions during 2010, the current overall economic environment, and the uncertainty regarding the profitability of certain foreign operations currently in start-up phase. As a result, the Company recorded an increase in the deferred tax asset valuation allowance of approximately \$326,000.

As of December 31, 2009, the Company concluded that it was not more likely than not that a substantial portion of its deferred tax assets in certain foreign jurisdictions would be realized and that an increase in the valuation allowance was necessary. In making that determination, the Company considered the losses incurred in these foreign jurisdictions during 2009, the current overall economic environment, and the uncertainty regarding

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the profitability of the acquired Certifica business. As a result, the Company recorded an increase in the deferred tax asset valuation allowance of approximately \$719,000.

The valuation allowance as of December 31, 2010 of \$1.0 million relates 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. To the extent the Company determines that, based on the weight of available evidence, all or a portion of its valuation allowance is no longer necessary, the Company will recognize an income tax benefit in the period such determination is made for the reversal of the valuation allowance. If management determines that, based on the weight of available evidence, it is more-likely-than-not that all or a portion of the net deferred tax assets will not be realized, the Company may recognize income tax expense in the period such determination is made to increase the valuation allowance. It is possible that any such reduction of or addition to the Company's valuation allowance may have a material impact on the Company's results from operations.

The following is a summary of activities in the deferred tax asset valuation allowance for the fiscal years indicated:

|   | <b>December 31,</b> |             |
|---|---------------------|-------------|
|   | <b>2010</b>         | <b>2009</b> |
| <b>Deferred Tax Valuation Allowance</b> |                     |             |
| Beginning Balance                       | \$ (3,550)          | \$ (2,831)  |
| Additions                               | (326)               | (910)       |
| Reductions                              | 2,849               | 191         |
| Ending Balance                          | \$ (1,027)          | \$ (3,550)  |

As of December 31, 2010, the Company had federal and state net operating loss carryforwards for tax purposes of approximately \$51.9 million and \$37.3 million, respectively. As of December 31, 2009, the Company had federal and state net operating loss carryforwards for tax purposes of approximately \$52.9 million and \$39.7 million, respectively. These net operating loss carryforwards begin to expire in 2022 for federal income tax purposes and begin to expire in 2016 for state income tax purposes. At December 31, 2010, the Company had an aggregate net operating loss carryforward for tax purposes related to its foreign subsidiaries of \$27.5 million, which begins to expire in 2011. In addition, at December 31, 2010, the Company had alternative minimum tax credit carryforwards of \$1.2 million which can be carried forward indefinitely and research & development credit carryforwards of \$701,000 which begin to expire in 2025.

The exercise of certain stock options and the vesting of certain restricted stock awards during the years ended December 31, 2010 and 2009 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 our current taxes payable. As such, the Company has not recorded a deferred tax asset in the accompanying financial statements related to the additional net operating losses generated from the windfall tax deductions associated with the exercise of these stock options 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. As of

December 31, 2010 and December 31, 2009, the cumulative amounts of net operating losses relating to such option exercises and vesting events that have been included in the gross net operating loss carryforwards above are \$16.6 million and \$11.0 million, respectively.

During the years ended December 31, 2010 and 2009, certain stock options were exercised and 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

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

relevant windfall tax benefits have been previously recognized. However, as mentioned above, the Company has not yet recognized these windfall tax benefits because the tax benefits have not resulted in a reduction of current taxes payable. Therefore, the impact of the shortfalls totaling \$944,000 and \$785,000, respectively, have been included in income tax expense for the years ended December 31, 2010 and 2009. Looking forward, we expect our income tax provisions for future reporting periods will be impacted by these stock compensation tax deduction shortfalls. We cannot predict the stock compensation shortfall impact because of dependency upon future market price performance of our stock.

Under the provisions of Internal Revenue Code Section 382, certain substantial changes in the Company's ownership may result in a limitation on the amount of U.S. net operating loss carryforwards that could be utilized annually to offset future taxable income and taxes payable. A portion of the Company's net operating loss carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. We do not expect that this limitation will impact our ability to utilize all of our net operating losses prior to their expiration. Additionally, despite the net operating loss carryforwards, the Company may have a future tax liability due to alternative minimum tax, foreign tax or state tax requirements.

The Company intends to indefinitely reinvest the undistributed earnings from its foreign subsidiaries. As of December 31, 2010, the Company has not recorded U.S. income tax expense related to undistributed foreign earnings of approximately \$1.7 million.

For uncertain 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 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 a result, the Company has unrecognized tax benefits, which are tax benefits related to uncertain tax positions which have been or will be reflected in income tax filings that have not been recognized in the financial statements due to potential adjustments by taxing authorities in the applicable jurisdictions. As of December 31, 2010, 2009 and 2008, the Company had unrecognized tax benefits of \$2.4 million, \$1.2 million and \$240 thousand, respectively, all of which would affect the Company's tax rate if recognized. The Company anticipates that approximately \$55,000 of unrecognized tax benefits will reverse during the next year due to the filing of related tax returns and the expiration of statutes of limitation. The net increase in the liability for unrecognized income tax benefits since the date of adoption resulted from the following:

|   | 2010           | December 31,<br>2009 | 2008  |
|---|----------------|----------------------|-------|
|   | (In thousands) |                      |       |
| Unrecognized tax benefits beginning balance                                     | \$ 1,198       | \$ 240               | \$ 71 |
| Increase related to tax positions of prior years                                | 121            | 29                   | 169   |
| Increase related to acquired tax positions recorded through purchase accounting | 997            | 864                  |       |
| Increase related to tax positions of the current year                           | 60             | 65                   |       |
| Unrecognized tax benefits ending balance  | 2,376          | 1,198                | 240   |

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2010, the amount of accrued interest and penalties on unrecognized tax benefits was \$771,000. As of December 31, 2009, the amount of accrued interest expense on unrecognized tax benefits was \$489,000. The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states 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 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.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**10. Stockholders Equity***1999 Stock Option Plan and 2007 Equity Incentive Plan*

Prior to the effective date of the registration statement for the Company's initial public offering (IPO) on June 26, 2007, eligible employees and non-employees were awarded options to purchase shares of the Company's common stock, restricted stock or restricted stock units pursuant to the Company's 1999 Stock Plan (the 1999 Plan). Upon the effective date of the registration statement of the Company's IPO, the Company ceased using the 1999 Plan for the issuance of new equity awards. Upon the closing of the Company's IPO on July 2, 2007, the Company established its 2007 Equity Incentive Plan (the 2007 Plan and together with the 1999 Plan, the Plans). The 1999 Plan will continue to govern the terms and conditions of outstanding awards granted thereunder, but no further shares are authorized for new awards under the 1999 Plan. As of December 31, 2010 and December 31, 2009, the Plans provided for the issuance of a maximum of approximately 7.8 million shares and 6.6 million shares, respectively, of common stock. In addition, the 2007 Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year beginning with the 2008 fiscal year, equal to the lesser of: (i) 4% of the outstanding shares of the Company's common stock on the last day of the immediately preceding fiscal year; (ii) 1,800,000 shares; or (iii) such other amount as the Company's board of directors may determine. The vesting period of options granted under the Plans is determined by the Board of Directors, although, for service-based options the vesting has historically been generally ratably over a four-year period. Options generally expire 10 years from the date of the grant. Effective January 1, 2010, the shares available for grant increased 1,215,423 pursuant to the automatic share reserve increase provision under the Plans. Accordingly, as of December 31, 2010, a total of 1,477,716 shares were available for future grant under the 2007 Plan.

The Company estimates the fair value of stock option awards using the Black-Scholes option-pricing formula and a single option award approach. The Company then amortizes the fair value of awards expected to vest on a ratably 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.

On May 4, 2010, the Compensation Committee of the Company's Board of Directors awarded on May 4, 2010, a total of 1,043,045 stock options to the Company's then employed named executive officers. These options are subject to market-based vesting, whereby 100% of the shares subject to option will vest in the event that the Company's common stock closing price as reported by the NASDAQ Global Market exceeds an average of \$30 per share for a consecutive thirty-day period prior to May 4, 2012 (the Trigger). 50% of the shares subject to the options will vest upon achievement of the Trigger and the remaining 50% of the shares subject to the options will vest on the one year anniversary of the achievement of the Trigger, subject to the named executive officer's continued status as a service provider of the Company through such dates. Stock-based compensation expense for the year ended December 31, 2010 included \$3.6 million related to the market-based stock options.

In July 2010, the Compensation Committee of the Company's Board of Directors authorized the accelerated vesting of certain shares of restricted stock and restricted stock units. The acceleration of 63,678 shares occurred on July 30, 2010 with a second tranche accelerated on November 15, 2010 for approximately 63,000 shares. Stock-based compensation expense for the year ended December 31, 2010 included approximately \$1.4 million due to the accelerated vesting.



On October 25, 2010, the Compensation Committee of the Company's Board of Directors awarded on November 15, 2010, a total of 93,253 restricted stock units to the members of the Company's executive management team other than the named executive officers. These restricted stock units are subject to market-based vesting, whereby 100% of the shares will vest in the event that the Company's common stock closing price as reported by the NASDAQ Global Market exceeds an average of \$30 per share for a consecutive thirty-day period prior to May 4, 2012 (the "Trigger"). 50% of the shares subject to the options will vest upon achievement of the Trigger and the remaining 50% of the shares subject to the options will vest on the one year anniversary of the achievement of the Trigger, subject to the employee's continued status as a service provider of the Company.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

through such dates. Stock-based compensation expense for the year ended December 31, 2010 included \$146,000 related to the market-based restricted stock units.

The following are the weighted-average assumptions used in valuing the stock options granted during the year ended December 31, 2010 and a discussion of the Company's assumptions. No stock options were issued during the year ended December 31, 2009.

|                                     | <b>Year Ended<br/>December 31,<br/>2010          2008<br/>(In thousands)</b> |        |
|-------------------------------------|--|--------|
| Dividend yield                      | 0.00%  | 0.00%  |
| Expected volatility                 | 67.79%   | 60.00% |
| Risk-free interest rate             | 2.90%  | 2.93%  |
| Expected life of options (in years) | 2.00   | 4.00   |

*Dividend yield* The Company has never declared or paid dividends on its common stock and has no plans to pay dividends in the foreseeable future.

*Expected volatility* Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The expected volatility is calculated based on the weekly closing price volatility of the Company's common stock for the period from its initial public offering until the grant date.

*Risk-free interest rate* The Company used rates on the grant date of zero-coupon government bonds with maturities over periods covering the term of the awards, converted to continuously compounded forward rates.

*Expected life of the options* This is the period of time that the options granted are expected to remain outstanding.

The weighted average grant date fair value of options granted during the years ended December 31, 2010 and 2008 was \$18.21 and \$19.34, respectively, no options were granted during the years ended December 31, 2009. The total fair value of shares vested during the years ended December 31, 2010, 2009 and 2008 was \$82,000, \$536,000 and \$853,000, respectively.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the Plans is presented below:

|  | Number of<br>Shares | Weighted-Average<br>Exercise Price |
|--|---------------------|------------------------------------|
| Options outstanding at December 31, 2007 | 2,039,434           | 2.01                               |
| Options granted                          | 51,908              | 6.24                               |
| Options exercised                        | 611,733             | 1.60                               |
| Options forfeited                        | 24,589              | 5.63                               |
| Options expired                          | 1,650               | 9.55                               |
| Options outstanding at December 31, 2008 | 1,453,370           | 2.26                               |
| Options granted                          |                     |                                    |
| Options exercised                        | 420,583             | 2.19                               |
| Options forfeited                        | 36,689              | 7.01                               |
| Options expired                          | 2,819               | 4.87                               |
| Options outstanding at December 31, 2009 | 993,279             | 2.11                               |
| Options granted                          | 1,043,045           | 18.21                              |
| Options exercised                        | 308,084             | 3.22                               |
| Options forfeited                        | 5,628               | 9.65                               |
| Options expired                          | 9,447               | 4.72                               |
| Options outstanding at December 31, 2010 | 1,713,165           | \$ 11.68                           |
| Options exercisable at December 31, 2010 | 665,351             | \$ 1.47                            |

The following table summarizes information about options outstanding at December 31, 2010:

| Range of Exercise Prices | Options Outstanding    |  |  | Options Exercisable    |  |  |
|--------------------------|------------------------|--|--|------------------------|--|--|
|                          | Options<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>(Years) | Options<br>Exercisable | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>(Years) |
| \$0.25 \$2.50            | 524,661                | \$ 0.44                                  | 3.07   | 524,661                | \$ 0.44                                  | 3.07   |
| \$2.51 \$13.66           | 145,459                | \$ 5.46                                  | 5.21   | 140,690                | \$ 5.34                                  | 5.18   |
| \$13.67 \$18.21          | 1,043,045              | \$ 18.21                                 | 4.34   |                        | \$                                       |  |
|                          | 1,713,165              | \$ 11.68                                 | 4.03   | 665,351                | \$ 1.47                                  | 3.52   |

The intrinsic value of exercised stock options is calculated based on the difference between the exercise price and the quoted market price of our common stock as of the close of the exercise date. The aggregate intrinsic value of options exercised for the years ended December 31, 2010, 2009 and 2008 was \$4.7 million, \$4.3 million and \$10.2 million, respectively. The aggregate intrinsic value for all options outstanding under the Company's stock plans as of December 31, 2010 was \$18.1 million. The aggregate intrinsic value for options exercisable under the Company's stock plans as of December 31, 2010 was \$13.7 million. The weighted average remaining contractual life for all options outstanding and all options exercisable under the Company's stock plans as of December 31, 2010 was 4.03 years and 3.52 years, respectively. As of December 31, 2010, total unrecognized compensation expense related to non-vested stock options granted prior to that date is estimated at \$2.8 million, which the Company expects to recognize over a weighted average period of approximately 0.94 years. Total unrecognized compensation expense is estimated and may be increased or decreased in future periods for subsequent grants or forfeitures.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our 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 cash purchase price paid by the employee, if any. During the year ended December 31, 2010, 168,518 forfeited shares of restricted stock have been repurchased by the Company at no cost and subsequently retired. A summary of the status for nonvested stock awards as of December 31, 2010 is presented as follows:

| Nonvested Stock Awards         | Restricted<br>Stock | Restricted<br>Stock Units | Total of<br>Shares<br>Number<br>Underlying<br>Awards | Weighted<br>Average<br>Grant-Date<br>Fair Value |
|--------------------------------|---------------------|---------------------------|--|---|
| Nonvested at December 31, 2007 | 771,783             | 63,727                    | 835,510  | \$ 14.08  |
| Granted                        | 540,667             | 63,794                    | 604,461  | 23.46   |
| Vested                         | 193,957             | 17,241                    | 211,198  | 14.24   |
| Forfeited                      | 75,392              | 13,607                    | 88,999   | 20.36   |
| Nonvested at December 31, 2008 | 1,043,101           | 96,673                    | 1,139,774  | \$ 18.53  |
| Granted                        | 1,170,380           | 138,895                   | 1,309,275  | 10.22   |
| Vested                         | 393,764             | 27,338                    | 421,102  | 16.37   |
| Forfeited                      | 220,434             | 21,411                    | 241,845  | 17.38   |
| Nonvested at December 31, 2009 | 1,599,283           | 186,819                   | 1,786,102  | \$ 13.11  |
| Granted                        | 991,379             | 333,153                   | 1,324,532  | 17.13   |
| Vested                         | 856,964             | 88,559                    | 945,523  | 13.75   |
| Forfeited                      | 142,176             | 26,342                    | 168,518  | 13.67   |
| Nonvested at December 31, 2010 | 1,591,522           | 405,071                   | 1,996,593  | \$ 15.43  |

The aggregate intrinsic value for all non-vested shares of restricted common stock and restricted stock units outstanding as of December 31, 2010 was \$44.6 million. The weighted average remaining contractual life for all non-vested shares of restricted common stock and restricted stock units as of December 31, 2010 was 2.19 years.

We granted nonvested stock awards at no cost to recipients during the years ended December 31, 2010, 2009 and 2008. As of December 31, 2010, total unrecognized compensation expense related to non-vested restricted stock and restricted stock units was \$22.4 million, which the Company expects to recognize over a weighted average period of approximately 1.68 years. Total unrecognized compensation expense may be increased or decreased in future periods for subsequent grants or forfeitures.

Of the 945,523 shares of the Company's restricted stock and restricted stock units vesting during the year ended December 31, 2010, the Company repurchased 325,527 shares at an aggregate purchase price of approximately \$5.5 million pursuant to the stockholder's right under the Plans to elect to use common stock to satisfy tax withholding obligations. The repurchased shares were subsequently retired.

*Common Stock Warrants*

In prior years, the Company had granted an aggregate of 403,368 warrants to purchase common stock. The common stock warrants began to expire in February 2006 through to April 2015 with exercise prices ranging from \$3.00 to \$24.50. As of December 31, 2010 and 2009, warrants to purchase 24,375 shares of common stock were outstanding.

**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Shares Reserved for Issuance***

At December 31, 2010, 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 2007 Equity Incentive Plan       | 1,477,716 |
| Common stock available for outstanding options and unvested restricted stock units | 2,118,236 |
| Common stock warrants  | 24,375    |
|  | 3,620,327 |

***Unregistered Sales of Equity Securities***

On July 1, 2010, in connection with its purchase all of the outstanding capital stock of Nexius, the Company issued a total of 158,070 unregistered shares of comScore common stock as partial consideration for such acquisition.

On August 31, 2010, in connection with its purchase of all of the outstanding capital stock of Nedstat, the Company issued a total of 58,045 shares of common stock to two key employee shareholders of Nedstat. These shares were issued pursuant to the terms of Stock Purchase Agreements based on the purchase of such number of shares equal to 30% of such shareholders' respective consideration received in the acquisition of Nedstat by the Company.

**11. Employee Benefit Plans**

The Company has a 401(k) Plan for the benefit of all U.S. employees who meet certain eligibility requirements. This plan covers substantially all of the Company's full-time U.S. employees. Since the Company had suspended the employer match effective January 1, 2009, the Company did not make any employer contributions during the year ended December 31, 2009. Effective January 1, 2010, the Company reinstated the employer match and made approximately \$327,000 in contributions to the 401(k) Plan for the year ended December 31, 2010. The Company made approximately \$0 and \$366,000 in contributions to the 401(k) Plan for the years ended December 31, 2009 and 2008, respectively.

**12. Related Party Transactions**

During 2010, the Company entered into a Data Processing agreement with a third party for which the Chief Executive Officer of the Company was also a member of the third party's board of directors until October 2010. The Company paid \$144,000 pursuant to such agreement during the year ended December 31, 2010. In relation to this counterparty, there was \$14,000 included in accounts payable balances as of December 31, 2010.

During 2009, the Company entered into a Licensing and Services agreement with a third party for which a director of the Company is also a member of the third party's board of directors. The Company recognized \$535,000 and \$319,000 of revenue pursuant to such agreement during the years ended December 31, 2010 and 2009, respectively. In relation to this counterparty, there was \$4,000 and \$257,000 included in accounts receivable balances as of December 31, 2010 and 2009, respectively.





**COMSCORE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. 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 each year is set forth below:

|                             | <b>Year Ended December 31,</b> |                   |                   |
|-----------------------------|--------------------------------|-------------------|-------------------|
|                             | <b>2010</b>                    | <b>2009</b>       | <b>2008</b>       |
|                             | <b>(In thousands)</b>          |                   |                   |
| United States               | \$ 142,312                     | \$ 108,017        | \$ 100,895        |
| Europe/United Kingdom/Other | 17,257                         | 11,553            | 10,463            |
| Canada                      | 7,968                          | 6,192             | 5,827             |
| Latin America               | 5,477                          | 929               |                   |
| Asia                        | 1,985                          | 1,049             | 186               |
| <b>Total Revenues</b>       | <b>\$ 174,999</b>              | <b>\$ 127,740</b> | <b>\$ 117,371</b> |

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 year is set forth below:

|                       | <b>December 31,</b>   |                  |
|-----------------------|-----------------------|------------------|
|                       | <b>2010</b>           | <b>2009</b>      |
|                       | <b>(In thousands)</b> |                  |
| United States         | \$ 22,627             | \$ 17,023        |
| Europe/United Kingdom | 5,221                 | 256              |
| Canada                | 411                   | 23               |
| Latin America         | 378                   |                  |
| <b>Total</b>          | <b>\$ 28,637</b>      | <b>\$ 17,302</b> |

**14. Restructuring**

During the fourth quarter of 2009, the Company announced a restructuring program and reduced its headcount by approximately forty-six full-time positions. During the year ended December 31, 2009 a \$563,000 charge related to severance and other costs directly related to the reduction of our workforce was included in operating expenses. In addition, included in stock-based compensation expense for the year ended December 31, 2009, was approximately \$175,000 due to restricted stock awards that were modified to accelerate vesting as part of the restructuring plan. As of December 31, 2009, the Company had approximately \$148,000 in outstanding restructuring liability consisting of employee severance that the Company paid during the first quarter of 2010. No such plans were entered into in the

fiscal year 2010.

## COMSCORE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 15. Quarterly Financial Information (Unaudited)

|           | Dec. 31,<br>2010                                | Sep. 30,<br>2010 | Jun. 30,<br>2010 | Three Months Ended |                  |                  | Jun. 30,<br>2009 |    |
|-----------|---|------------------|------------------|--------------------|------------------|------------------|------------------|----|
|           |   |                  |                  | Mar. 31,<br>2010   | Dec. 31,<br>2009 | Sep. 30,<br>2009 |                  |    |
|           | (In thousands, except share and per share data) |                  |                  |                    |                  |                  |                  |    |
|           | \$ 51,195                                       | \$ 45,703        | \$ 41,962        | \$ 36,139          | \$ 33,826        | \$ 31,916        | \$ 31,374        | \$ |
|           | 15,477  | 13,743           | 12,374           | 10,359             | 9,544            | 9,455            | 9,695            |    |
|           | 17,712  | 16,319           | 12,892           | 12,718             | 10,898           | 10,241           | 10,329           |    |
|           | 7,988   | 7,254            | 6,088            | 5,047              | 4,617            | 4,677            | 4,528            |    |
|           | 9,376   | 10,204           | 8,167            | 6,206              | 5,357            | 4,353            | 4,015            |    |
|           | 1,989   | 1,380            | 658              | 507                | 425              | 385              | 327              |    |
|           | 52,542  | 48,900           | 40,179           | 34,837             | 30,841           | 29,111           | 28,894           |    |
|           | (1,347)   | (3,197)          | 1,783            | 1,302              | 2,985            | 2,805            | 2,480            |    |
|           | (64)  | (37)             | 40               | 114                | 62               | 39               | 134              |    |
|           | (135)   | (83)             | (12)             | (117)              | (80)             | (71)             | 7                |    |
|           |   |                  |                  |                    | 89               |                  |                  |    |
|           | (1,546)   | (3,317)          | 1,811            | 1,299              | 3,056            | 2,773            | 2,621            |    |
|           | 1,051   | 1,182            | (986)            | (1,070)            | (1,494)          | (1,828)          | (1,436)          |    |
| Income    | \$ (495)  | \$ (2,135)       | \$ 825           | \$ 229             | \$ 1,562         | \$ 945           | \$ 1,185         | \$ |
| Income to | \$ (495)  | \$ (2,135)       | \$ 825           | \$ 229             | \$ 1,562         | \$ 945           | \$ 1,185         | \$ |

s:

|    |        |    |        |    |      |    |      |    |      |    |      |    |      |    |
|----|--------|----|--------|----|------|----|------|----|------|----|------|----|------|----|
| \$ | (0.02) | \$ | (0.07) | \$ | 0.03 | \$ | 0.01 | \$ | 0.05 | \$ | 0.03 | \$ | 0.04 | \$ |
| \$ | (0.02) | \$ | (0.07) | \$ | 0.03 | \$ | 0.01 | \$ | 0.05 | \$ | 0.03 | \$ | 0.04 | \$ |

verage  
shares  
share

ock

|            |            |            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|------------|------------|
| 31,449,665 | 31,223,077 | 30,965,800 | 30,630,461 | 30,306,344 | 30,204,147 | 30,052,515 | 29,947,815 |
| 31,449,665 | 31,223,077 | 31,736,718 | 31,475,136 | 31,238,733 | 31,157,222 | 31,008,672 | 30,929,815 |

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

|                            | <b>Three Months Ended</b> |                          |                          |                          |                          |                          |                          |                          |
|----------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                            | <b>Dec. 31,<br/>2010</b>  | <b>Sep. 30,<br/>2010</b> | <b>Jun. 30,<br/>2010</b> | <b>Mar. 31,<br/>2010</b> | <b>Dec. 31,<br/>2009</b> | <b>Sep. 30,<br/>2009</b> | <b>Jun. 30,<br/>2009</b> | <b>Mar. 31,<br/>2009</b> |
| Cost of revenues           | \$ 449                    | \$ 569                   | \$ 246                   | \$ 230                   | \$ 262                   | \$ 277                   | \$ 327                   | \$ 320                   |
| Selling and marketing      | 1,882                     | 2,079                    | 1,037                    | 1,219                    | 1,044                    | 1,234                    | 1,226                    | 1,113                    |
| Research and development   | 590                       | 699                      | 315                      | 264                      | 282                      | 285                      | 306                      | 238                      |
| General and administrative | 2,938                     | 2,407                    | 1,889                    | 961                      | 886                      | 755                      | 672                      | 629                      |

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

None.

**ITEM 9A. 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 as and when required 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 fourth quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010, based on the guidelines established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Based on that evaluation, management concluded that our internal control over financial reporting was effective at December 31, 2010.

Ernst & Young LLP, an independent registered public accounting firm, which audits our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2010 included at the end of this section.

**Report of Independent Registered Public Accounting Firm**

**The Board of Directors and Shareholders of comScore, Inc.**

We have audited comScore, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). comScore, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, comScore, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of comScore, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 of comScore, Inc. and our report dated March 15, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
March 15, 2011



**ITEM 9B. OTHER INFORMATION**

On March 15, 2011, the Compensation Committee of our Board of Directors approved a policy authorizing annual performance-based stock bonuses based on executive performance during our 2011 fiscal year as well as base salary levels for our named executive officers for our 2011 fiscal year. A summary of such actions taken by the Compensation Committee is filed with this report as Exhibit 10.17 and is incorporated herein by reference.

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

The information required by Item 10 of Form 10-K is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010. Certain information required by this item concerning our executive officers is set forth in Part I, Item 1 of this Annual Report on Form 10-K under "Executive Officers of the Registrant".

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 of Form 10-K is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

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

The information required by Item 12 of Form 10-K is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

**EQUITY COMPENSATION PLANS**

The following table summarizes our equity compensation plans as of December 31, 2010:

| <b>Plan Category</b>                                   | <b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b><br><b>(a)</b> | <b>Weighted-Average Price of Outstanding Options, Warrants and Rights</b><br><b>(b)</b> | <b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b><br><b>(c)</b> |
|--|--|---|--|
| Equity compensation plans approved by security holders | 2,118,236  | \$ 9.45   | 1,477,716(1)   |



Equity compensation plans not approved by  
security holders

|       |           |    |      |           |
|-------|-----------|----|------|-----------|
| Total | 2,118,236 | \$ | 9.45 | 1,477,716 |
|-------|-----------|----|------|-----------|

- (1) Our 2007 Equity Incentive Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with our 2008 fiscal year, equal to the least of: (i) 4% of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year; (ii) 1,800,000 shares; or (iii) such other amount as our board of directors may determine.

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

The information required by Item 13 of Form 10-K is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by Item 14 of Form 10-K is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements. See Index to Consolidated Financial Statements at Item 8 of this Report on Form 10-K.

(2) All other schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements and notes thereto in Item 8 of Part II of this Annual Report on Form 10-K.

(3) Exhibits. The exhibits filed as part of this report are listed under Exhibits at subsection (b) of this Item 15.

(b) Exhibits

**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Exhibit Document</b>   |
|--------------------|---|
| 2.1(1)             | Stock Purchase Agreement by and among the Registrant, Nexius, Inc., the Shareholders of Nexius, Inc. and Nabil Taleb, as representative of the Sellers, dated July 1, 2010. (Exhibit 2.1)*  |
| 2.2(1)             | Equity Purchase Agreement by and among the Registrant, CS Worldnet Holdings B.V., Nedstat B.V., the equity holders of Nedstat B.V. and Stichting Sellers Nedstat, as the representative of the Sellers, dated August 31, 2010. (Exhibit 2.2)* |
| 3.1(2)             | Amended and Restated Certificate of Incorporation of the Registrant (Exhibit 3.3)   |
| 3.2(2)             | Amended and Restated Bylaws of the Registrant (Exhibit 3.4)   |
| 4.1(2)             | Specimen Common Stock Certificate (Exhibit 4.1)   |
| 4.2(2)             | Fourth Amended and Restated Investor Rights Agreement by and among comScore Networks, Inc. and certain holders of preferred stock, dated August 1, 2003 (Exhibit 4.2)   |
| 4.3(2)             | Warrant to purchase 108,382 shares of Series D Convertible Preferred Stock, dated July 31, 2002 (Exhibit 4.10)  |
| 10.1(2)            | Form of Indemnification Agreement for directors and executive officers (Exhibit 10.1)   |
| 10.2(3)            | 1999 Stock Plan (Exhibit 4.2)   |
| 10.3(2)            | Form of Stock Option Agreement under 1999 Stock Plan (Exhibit 10.3)   |
| 10.4(2)            | Form of Notice of Grant of Restricted Stock Purchase Right under 1999 Stock Plan (Exhibit 10.4)   |
| 10.5(2)            | Form of Notice of Grant of Restricted Stock Units under 1999 Stock Plan (Exhibit 10.5)  |
| 10.6(4)            | 2007 Equity Incentive Plan, as amended and restated July 29, 2009 (Exhibit 10.3)  |
| 10.7(2)            | Form of Notice of Grant of Stock Option under 2007 Equity Incentive Plan (Exhibit 10.7)   |
| 10.8(2)            | Form of Notice of Grant of Restricted Stock under 2007 Equity Incentive Plan (Exhibit 10.8)   |
| 10.9(2)            | Form of Notice of Grant of Restricted Stock Units under 2007 Equity Incentive Plan (Exhibit 10.9)   |
| 10.10(2)           | Stock Option Agreement with Magid M. Abraham, dated December 16, 2003 (Exhibit 10.10)   |
| 10.11(2)           | Stock Option Agreement with Gian M. Fulgoni, dated December 16, 2003 (Exhibit 10.11)  |
| 10.12(5)           | Deed of Lease between South of Market LLC (as Landlord) and comScore, Inc. (as Tenant), dated December 21, 2007 (Exhibit 10.1)  |
| 10.13(6)           | Summary of 2008 Executive Compensation Bonus Policy   |
| 10.14(7)           | Summary of 2009 Executive Compensation Bonus Policy (Exhibit 10.22)   |
| 10.15(8)           | Letter Agreement with Kenneth J. Tarpey, dated April 1, 2009 (Exhibit 10.1)   |
| 10.16(4)           | Letter Agreement with John M. Green, dated May 20, 2009 (Exhibit 10.2)  |
| 10.17              | Summary of 2011 Executive Compensation Performance-Based Stock Bonus Policy   |
| 21.1               | List of Subsidiaries  |
| 23.1               | Consent of Ernst & Young  |
| 24.1               | Power of Attorney (see signature page)  |
| 31.1               | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                      |
| 31.2               | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                      |
| 32.1               | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 32.2               | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |



\* The Registrant has omitted certain schedules and exhibits identified therein in accordance with Item 601(b)(2) of Regulation S-K. The registrant will furnish the omitted schedules and exhibits to the Securities and Exchange Commission upon request.

- (1) Incorporated by reference to the exhibits to the Registrant's Quarterly Report on Form 10-Q, filed November 9, 2010 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 10-Q.
- (2) 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.
- (3) Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-8, as amended, dated July 2, 2007 (No. 333-144281). The number given in parentheses indicates the corresponding exhibit number in such Form S-8.
- (4) Incorporated by reference to the exhibits to the Registrant's Quarterly Report on Form 10-Q, filed August 10, 2009 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 10-Q.
- (5) Incorporated by reference to the exhibits to the Registrant's Current Report on Form 8-K, filed February 5, 2008 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.
- (6) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed December 27, 2007 (File No. 000-1158172).
- (7) Incorporated by reference to the exhibit to the Registrant's Annual Report on Form 10-K, filed March 16, 2009 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 10-K.
- (8) Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K, filed April 20, 2009 (File No. 000-1158172). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

**SIGNATURES**

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

comScore, Inc.

By: /s/ Magid M. Abraham, Ph.D.

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

March 15, 2011

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Magid M. Abraham, Ph.D. and Kenneth J. Tarpey, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, with full power of each to act alone, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitutes, may lawfully do or cause to be done by virtue hereof.

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

| <b>Signature</b>                                       | <b>Title</b>   | <b>Date</b>    |
|--|--|----------------|
| /s/ Magid M. Abraham, Ph.D.<br>Magid M. Abraham, Ph.D. | President, Chief Executive Officer and<br>Director (Principal Executive Officer) | March 15, 2011 |
| /s/ Kenneth J. Tarpey<br>Kenneth J. Tarpey             | Chief Financial Officer (Principal Financial<br>and Accounting Officer)          | March 15, 2011 |
| /s/ Gian M. Fulgoni<br>Gian M. Fulgoni                 | Executive Chairman of the Board of<br>Directors                                  | March 15, 2011 |
| /s/ Jeffrey Ganek<br>Jeffrey Ganek                     | Director   | March 15, 2011 |

/s/ Bruce Golden

Director

March 15, 2011

Bruce Golden

/s/ William J. Henderson

Director

March 15, 2011

William J. Henderson

| <b>Signature</b>                     | <b>Title</b> | <b>Date</b>    |
|--------------------------------------|--------------|----------------|
| /s/ William Katz<br>William Katz     | Director     | March 15, 2011 |
| /s/ Ronald J. Korn<br>Ronald J. Korn | Director     | March 15, 2011 |
| /s/ Jarl Mohn<br>Jarl Mohn           | Director     | March 15, 2011 |