

# HARRIS INTERACTIVE INC

## FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTER ENDED MARCH 31, 2012

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 000-27577



HARRIS INTERACTIVE INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization)

16-1538028
(I.R.S. Employer Identification No.)

161 Sixth Avenue, New York, New York 10013
(Address of principal executive offices)

(212) 539-9600
(Registrant's telephone number, including area code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by checkmark 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 [X] No [ ]

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

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

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

On May 11, 2012, 57,234,614 shares of the Registrant's Common Stock, \$.001 par value, were outstanding.

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FORM 10-Q  
QUARTER ENDED MARCH 31, 2012**

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**Part I: Financial Information**

**Item 1 — Financial Statements**

**HARRIS INTERACTIVE INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	March 31, 2012	June 30, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,167	\$ 14,084
Accounts receivable, net	18,673	25,046
Unbilled receivables	6,882	7,580
Prepaid expenses and other current assets	4,834	3,588
Deferred tax assets	621	306
Assets from discontinued operations	—	2,361
Total current assets	44,177	52,965
Property, plant and equipment, net	1,946	3,291
Other intangibles, net	11,615	14,041
Other assets	875	1,551
Total assets	<u>\$ 58,613</u>	<u>\$ 71,848</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,028	\$ 9,308
Accrued expenses	20,585	20,924
Current portion of long-term debt	4,794	4,794
Deferred revenue	11,467	13,397
Liabilities from discontinued operations	184	1,013
Total current liabilities	44,058	49,436
Long-term debt	2,397	5,993
Deferred tax liabilities	2,002	2,195
Other liabilities	3,398	2,752
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$.001 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2012 and June 30, 2011	—	—
Common stock, \$.001 par value, 100,000,000 shares authorized; 57,234,614 shares issued and outstanding at March 31, 2012 and 55,417,531 shares issued and outstanding at June 30, 2011	57	55
Additional paid-in capital	187,755	186,648
Accumulated other comprehensive income	4,355	5,526
Accumulated deficit	(185,409)	(180,757)
Total stockholders' equity	6,758	11,472
Total liabilities and stockholders' equity	<u>\$ 58,613</u>	<u>\$ 71,848</u>

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

**HARRIS INTERACTIVE INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Revenue from services	\$ 34,117	\$ 36,989	\$ 111,002	\$ 116,486
Operating expenses:				
Cost of services	20,791	24,401	68,799	76,640
Selling, general and administrative	12,580	12,469	35,579	36,490
Depreciation and amortization	1,136	1,490	3,602	4,478
Restructuring and other charges	(19)	448	5,348	1,127
Total operating expenses	<u>34,488</u>	<u>38,808</u>	<u>113,328</u>	<u>118,735</u>
Operating loss	(371)	(1,819)	(2,326)	(2,249)
Interest expense, net	196	235	557	932
Loss from continuing operations before income taxes	(567)	(2,054)	(2,883)	(3,181)
Provision (benefit) for income taxes	(88)	177	(85)	12
Loss from continuing operations	(479)	(2,231)	(2,798)	(3,193)
Income (loss) from discontinued operations, net of tax	156	(104)	(1,854)	(137)
Net loss	<u>\$ (323)</u>	<u>\$ (2,335)</u>	<u>\$ (4,652)</u>	<u>\$ (3,330)</u>
Basic net income (loss) per share:				
Continuing operations	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ (0.06)
Discontinued operations	0.00	(0.00)	(0.03)	(0.00)
Basic net loss per share	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>
Diluted net income (loss) per share:				
Continuing operations	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ (0.06)
Discontinued operations	0.00	(0.00)	(0.03)	(0.00)
Diluted net loss per share	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>
Weighted-average shares outstanding — basic	<u>55,572,845</u>	<u>54,658,105</u>	<u>55,287,089</u>	<u>54,516,793</u>
Weighted-average shares outstanding — diluted	<u>55,572,845</u>	<u>54,658,105</u>	<u>55,287,089</u>	<u>54,516,793</u>

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

**HARRIS INTERACTIVE INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>For the Nine Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Net loss	\$ (4,652)	\$ (3,330)
Adjustments to reconcile net loss to net cash provided by operating activities —		
Depreciation and amortization	4,398	5,715
Deferred taxes	(518)	(122)
Stock-based compensation	997	523
Amortization of deferred financing costs	52	53
Writeoff of Asian intangible assets	489	—
Loss on disposal of property, plant and equipment	336	—
(Increase) decrease in assets —		
Accounts receivable	7,351	1,133
Unbilled receivables	348	(8)
Prepaid expenses and other current assets	(2,065)	(2,019)
Other assets	641	1
(Decrease) increase in liabilities —		
Accounts payable	(2,295)	(2,442)
Accrued expenses	10	(990)
Deferred revenue	(2,256)	2,862
Other liabilities	752	(276)
Net cash provided by operating activities	<u>3,588</u>	<u>1,100</u>
Cash flows from investing activities:		
Capital expenditures	(427)	(577)
Net cash used in investing activities	<u>(427)</u>	<u>(577)</u>
Cash flows from financing activities:		
Repayment of borrowings	(3,596)	(3,596)
Proceeds from employee stock purchases and stock option exercises	133	157
Repurchases of common stock	(19)	—
Credit agreement amendment costs	(86)	—
Net cash used in financing activities	<u>(3,568)</u>	<u>(3,439)</u>
Effect of exchange rate changes on cash and cash equivalents	(650)	1,258
Net decrease in cash and cash equivalents	(1,057)	(1,658)
Cash and cash equivalents at beginning of period	14,224	14,158
Cash and cash equivalents at end of period	<u>\$13,167</u>	<u>\$12,500</u>

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

**HARRIS INTERACTIVE INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**( In thousands, except share and per share amounts )**

**1. Financial Statements**

The unaudited consolidated financial statements included herein reflect, in the opinion of the management of Harris Interactive Inc. and its subsidiaries (collectively, the "Company"), all normal recurring adjustments necessary to fairly state the Company's unaudited consolidated financial statements for the periods presented.

**2. Basis of Presentation**

***Unaudited Consolidated Financial Statements***

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The consolidated balance sheet as of June 30, 2011 has been derived from the audited consolidated financial statements of the Company.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed by the Company with the Securities and Exchange Commission ("SEC") on September 28, 2011.

***Future Liquidity Considerations***

At March 31, 2012, the Company had cash and cash equivalents of \$13,167, compared with \$14,084 at June 30, 2011. Available sources of cash to support known or reasonably likely cash requirements over the next 12 months include cash and cash equivalents on hand, additional cash that may be generated from the Company's operations, and funds to the extent available through its credit facilities discussed in Note 8, "Borrowings". While the Company believes that its available sources of cash, including funds available through its revolving line that are subject to certain requirements, including minimum cash balances, will support known or reasonably likely cash requirements over the next 12 months, including quarterly principal payments of \$1,199 and interest payments due under the Company's credit agreement, the Company's ability to generate cash from its operations is dependent upon its ability to profitably generate revenue, which requires that it continually develops new business, both for growth and to replace completed projects. Although work for no one client constitutes more than 10% of revenue, the Company has had to find significant amounts of replacement and additional revenue as client relationships and work for continuing clients change and will likely have to continue to do so in the future. The Company's ability to profitably generate revenue depends not only on execution of its business plans, but also on general market factors outside of its control. As many of the Company's clients treat all or a portion of their market research expenditures as discretionary, the Company's ability to profitably generate revenue is adversely impacted whenever there are adverse macroeconomic conditions in the markets the Company serves.

**3. Recent Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance related to fair value measurements and disclosure requirements. The amended guidance clarifies the application of existing fair value measurement requirements and is effective on a prospective basis for fiscal years beginning after December 15, 2011. The Company will adopt this amended guidance on July 1, 2012 and does not expect that adoption will have a material impact on its consolidated financial statements.

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In June 2011, the FASB issued new accounting guidance to update the presentation of comprehensive income in consolidated financial statements. Under this new guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements in its annual financial statements. This guidance is effective for fiscal years beginning after December 15, 2011. The Company will adopt this guidance on July 1, 2012 and does not expect that adoption will have a material impact on its consolidated financial statements.

### 4. Restructuring and Other Charges

#### *Restructuring*

During the nine months ended March 31, 2012, the Company continued to take actions designed to re-align the cost structure of its U.S. and U.K. operations. Specifically, the Company

- Reduced headcount at its U.K. facilities by a total of 56 full-time employees and incurred \$1,008 in one-time termination benefits, all of which involved cash payments. The reductions in staff were communicated to the affected employees in July 2011 and all actions were completed at that time. Related cash payments were completed by January 2012.
- Reduced headcount at its U.S. facilities by a total of 23 full-time employees and incurred \$389 in one-time termination benefits, all of which involved cash payments. The reductions in staff were communicated to the affected employees in July and August 2011 and all actions were completed at those respective times. Related cash payments were completed by February 2012.
- Reduced headcount at its U.S. facilities by a total of 10 full-time employees and incurred \$260 in one-time termination benefits, all of which involved cash payments. The reductions in staff were communicated to the affected employees in October and December 2011 and all actions were completed at those respective times. Related cash payments were completed by March 2012.
- Reduced its occupancy of leased office space at its Rochester, New York, Princeton, New Jersey, Brentford, United Kingdom, and Ottawa, Canada facilities. The Company incurred \$4,084 in lease exit costs associated with the remaining lease obligations, all of which involve cash payments. All actions associated with the leased office space reductions were completed by September 2011, and all cash payments will be completed by June 2020.

The following table summarizes the restructuring charges recognized in the Company's unaudited consolidated statements of operations for the three and nine months ended March 31:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Termination benefits	\$ —	\$ 270	\$ 1,657	\$ 347
Lease commitments	—	—	4,084	—
Changes in estimate	(7)	—	(48)	—
	<u>\$ (7)</u>	<u>\$ 270</u>	<u>\$ 5,693</u>	<u>\$ 347</u>

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The following table summarizes activity during the nine months ended March 31, 2012 with respect to the Company's remaining reserves for the restructuring activities described above and those undertaken in prior fiscal years:

	Balance,		Changes in			Balance,
	July 1, 2011	Costs Incurred	Estimate	Cash Payments	Non-Cash Settlements	March 31, 2012
Termination benefits	\$ 422	\$1,657	\$ (7)	\$ (2,072)	\$ —	\$ —
Lease commitments	2,212	4,084	(41)	(1,092)	—	5,163
Remaining reserve	<u>\$2,634</u>	<u>\$5,741</u>	<u>\$ (48)</u>	<u>\$ (3,164)</u>	<u>\$ —</u>	<u>\$ 5,163</u>

### Other Charges

For the nine months ended March 31, 2011, other charges reflected in the "Restructuring and other charges" line shown on the Company's unaudited consolidated statements of operations included \$331 in costs associated with reorganizing the operational structure of the Company's Canadian operations. A corresponding liability was recorded in the "Accrued expenses" line shown on the Company's unaudited consolidated balance sheet at that time. In October 2011, the Company's obligation to fund those costs lapsed and accordingly, a credit of \$331 was initially recognized at that time and is reflected in other charges for the nine months ended March 31, 2012.

### 5. Discontinued Operations

In July 2011, the Company's Board of Directors (the "Board") approved the closure of the Company's operations in Hong Kong, Singapore and Shanghai (collectively, "Harris Asia"). This decision was based on the Board's determination that Harris Asia's operations did not adequately support the Company's strategic objectives. While the operations of Harris Asia ceased as of September 30, 2011, significant future cash flows attributable to those operations as a result of collecting outstanding accounts receivable and settling accounts payable and accrued expenses at December 31, 2011 and September 30, 2011 had not yet been eliminated. As such, the Company determined that Harris Asia's operations did not qualify for treatment as discontinued operations for the fiscal quarters ended September 30, 2011 and December 31, 2011.

In connection with the Company's closure of Harris Asia, the following charges were initially recognized in the "Restructuring and other charges" line shown on the Company's unaudited consolidated statement of operations for the fiscal quarters ended September 30, 2011 and December 31, 2011:

Writeoff of intangible assets	\$ 489
Termination benefits to former employees	390
Payments to terminate office and equipment leases	231
Professional fees	180
Writeoff of fixed assets	149
Other	(23)
	<u>\$1,416</u>

The foregoing charges have been reclassified to discontinued operations for the fiscal quarter ended March 31, 2012 since all significant future cash flows attributable to Harris Asia were eliminated during the quarter.

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The revenues and income (loss) attributable to Harris Asia and reported in discontinued operations are as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
Revenues	\$—	\$1,098	\$ 493	\$3,555
Income (loss) from discontinued operations, net of tax	156	(104)	(1,854)	(137)

The assets and liabilities attributable to Harris Asia and reported in discontinued operations are as follows:

	At March 31,	At June 30,
	2012	2011
Cash and cash equivalents	\$ —	\$ 140
Accounts receivable, net	—	1,433
Prepaid expenses and other current assets	—	32
Property, plant and equipment, net	—	156
Other intangibles, net	—	541
Other assets	—	59
Assets from discontinued operations	\$ —	\$ 2,361
Accounts payable	\$ —	\$ 213
Accrued expenses	184	325
Deferred revenue	—	475
Liabilities from discontinued operations	\$ 184	\$ 1,013

## 6. Fair Value Measurements

The hierarchy for inputs used in measuring fair value for financial assets and liabilities is designed to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset and liability, either directly or indirectly.
- Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

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The following table presents the fair value hierarchy for the Company's financial liabilities measured at fair value on a recurring basis:

	Quoted Prices in  Active Markets (Level 1)	Significant Other Observable  Inputs (Level 2)	Significant Unobservable  Inputs (Level 3)	Total
<b>At March 31, 2012</b>				
<b>Financial liabilities:</b>				
Interest rate swap contract	\$ —	\$ 243	\$ —	\$243
<b>At June 30, 2011</b>				
<b>Financial liabilities:</b>				
Interest rate swap contract	\$ —	\$ 513	\$ —	\$513

The fair value of the Company's interest rate swap was based on quotes from the respective counterparty, which the Company corroborated using discounted cash flow calculations based upon forward interest-rate yield curves obtained from independent pricing services.

## 7. Acquired Intangible Assets Subject to Amortization

At March 31, 2012 and June 30, 2011, acquired intangible assets subject to amortization consisted of the following:

	Weighted- Average Useful Amortization  Period (in years)	March 31, 2012		
		Gross Carrying Amount	Accumulated  Amortization	Net Book Value
Contract-based intangibles	3	\$ 1,768	\$ 1,768	\$ —
Internet respondent database	7	3,217	2,911	306
Customer relationships	10	21,167	12,622	8,545
Trade names	16	5,267	2,503	2,764
Total		<u>\$31,419</u>	<u>\$ 19,804</u>	<u>\$11,615</u>
	Weighted- Average Amortization  Period (In Years)	June 30, 2011		
		Gross Carrying Amount	Accumulated  Amortization	Net Book Value
Contract-based intangibles	3	\$ 1,768	\$ 1,768	\$ —
Internet respondent database	7	3,457	2,878	579
Customer relationships	10	21,779	11,271	10,508
Trade names	16	5,296	2,342	2,954
Total		<u>\$32,300</u>	<u>\$ 18,259</u>	<u>\$14,041</u>

The gross carrying amount and accumulated amortization of the Company's acquired intangible assets for the three and nine months ended March 31, 2012, as well as the related amortization expense, reflect the impact of foreign currency exchange rate fluctuations during the period.

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	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
Amortization expense	\$691	\$701	\$2,086	\$2,065

Estimated amortization expense for the fiscal years ending June 30:

2012	\$2,780
2013	\$2,613
2014	\$2,195
2015	\$1,615
2016	\$1,492
Thereafter	\$3,006

## 8. Borrowings

On June 30, 2010, the Company entered into an Amended and Restated Credit Agreement with JPMorgan Chase Bank, N.A., as Administrative Agent and Issuing Bank, and the Lenders party thereto, as further amended on August 27, 2010 (the "Credit Agreement").

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The principal terms of the Credit Agreement are described below:

<b>Credit Agreement</b>
<p><u>Availability:</u></p> <p>\$5,000 Revolving Line</p> <ul style="list-style-type: none"><li>• The Revolving Line may be used to back letters of credit.</li><li>• Requires the Company to maintain a minimum cash balance of the greater of \$5,000 and 1.2 times the outstanding amount under the Revolving Line (including outstanding letters of credit)</li></ul> <p>Term Loan – original principal, \$15,581</p>
<p><u>Interest:</u></p> <p>Company option:</p> <ul style="list-style-type: none"><li>• Base Rate (greater of Federal Funds Rate plus 0.5%, LIBOR plus 1%, or Prime) plus an Applicable Rate based on the pricing grid tied to the Company's Consolidated Total Leverage Ratio, as described below (the "Pricing Grid")</li></ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"><li>• LIBOR plus an Applicable Rate based on the Pricing Grid</li></ul> <p>The Company elected LIBOR and the interest swap agreement fixes the LIBOR-based portion of the rate at 4.32%</p> <p>Interest payments are due at end of LIBOR interest periods, but at least quarterly in arrears</p> <p>Letter of credit fees equal to 5% of outstanding face amounts until the first quarterly adjustment pursuant to the Pricing Grid, and are set under the Pricing Grid thereafter</p>
<p><u>Interest Rate Swap:</u></p> <p>Fixes the floating LIBOR interest portion of the rates on the amounts outstanding under the Term Loan at 4.32% through September 30, 2013</p> <p>Three-month LIBOR rate received on the swap matches the LIBOR base rate paid on the Term Loan</p>
<p><u>Unused Facility Fees:</u></p> <p>Fee fixed at 0.75% of unused Revolving Line amount</p>
<p><u>Principal Payments:</u></p> <p>Term Loan Maturity – September 30, 2013</p> <p>Revolving Line Maturity – September 30, 2013</p> <p>Revolving Line – payable at maturity</p>

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<b>Credit Agreement</b>	
Quarterly Term Loan Payments – \$1,199	
<b>Financial Covenants:</b>	
Minimum Consolidated Interest Coverage Ratio of at least 3.00:1.00	
Maximum Consolidated Leverage Ratio of 2.90:1.00 for quarterly periods ending through December 31, 2010, 2.70:1.00 for the quarterly period ending March 31, 2011, and 2.50:1.00 for quarterly periods ending thereafter	
Minimum cash balance of the greater of \$5,000 and 1.2 times the outstanding amount under the Revolving Line (including outstanding letters of credit)	
<b>Collateral:</b>	
Secured by all domestic assets and 66% of equity interests in first tier foreign subsidiaries	

The Pricing Grid provides for quarterly adjustment of rates and fees, and is as follows:

Pricing Level	Consolidated Total	ABR Applicable	Adjusted LIBO	Letter of Credit Applicable	Commitment
	Leverage Ratio	Rate	Applicable Rate	Rate	Fee Rate
1	< 1.0	2.50%	3.50%	3.50%	0.50%
2	≥ 1.0 but < 1.5	3.25%	4.25%	4.25%	0.75%
3	≥ 1.5 but < 2.0	3.50%	4.50%	4.50%	0.75%
4	≥ 2.0 but < 2.5	3.75%	4.75%	4.75%	0.75%
5	≥ 2.5	4.00%	5.00%	5.00%	1.00%

The Credit Agreement contains customary representations, default provisions, and affirmative and negative covenants, including among others prohibitions of dividends, sales of certain assets and mergers, and restrictions related to acquisitions, indebtedness, liens, investments, share repurchases and capital expenditures. Among others, the Company may freely transfer assets and incur obligations among its domestic subsidiaries, but limitations apply to transfers of assets and loans to foreign subsidiaries.

### **Amendment Agreement and Waiver**

On September 27, 2011, the Company entered into Amendment Agreement No. 2 and Waiver (“Amendment No. 2”) to the Credit Agreement (as amended, the “Amended Credit Agreement”).

At June 30, 2011, the Company was not in compliance with the Consolidated Total Leverage and Consolidated Interest Coverage Ratio covenants contained in the Credit Agreement largely due to the magnitude of restructuring and other charges incurred during the fiscal year ended June 30, 2011. Pursuant to Amendment No. 2, these covenant violations were permanently waived. Amendment No. 2 includes both the addition and modification of certain definitions, terms, and financial covenants in the Credit Agreement. Obligations under the Amended Credit Agreement continue to be secured by the Company’s domestic assets and 66% of the equity interests in first tier foreign subsidiaries. In accordance with ASC Topic 470, the Company evaluated the change in cash flows, determined that there was not a greater than 10% change, and concluded that Amendment No. 2 did not result in an extinguishment of debt.

The Company’s credit facilities under the Amended Credit Agreement consist of its term loan, which matures September 30, 2013, and a revolving line of credit. A maximum amount of \$5,000 remains available under the revolving line of credit, subject to the Company’s satisfaction of certain conditions. Pursuant to Amendment No. 2, until the Company achieves trailing twelve month adjusted EBITDA of \$5,000, borrowings under the revolving line of credit are limited to the lesser of \$2,000 or the Company’s net U.S. accounts receivable, defined as its U.S. accounts receivable

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plus its U.S. unbilled accounts receivable, less its deferred revenue. The principal amount outstanding under the term loan, \$10,787 at June 30, 2011, and the payment terms of the term loan remained unchanged. Pursuant to Amendment No. 2, the manner in which outstanding amounts accrue interest remains unchanged under the Amended Credit Agreement, except that the Eurodollar Applicable Rate (Adjusted LIBO Applicable Rate) and ABR Applicable Rate are fixed at 5.50% and 4.50%, respectively, through March 31, 2012.

Amendment No. 2 also impacted certain financial covenants, as follows:

- The Consolidated Interest Coverage Ratio and Consolidated Total Leverage Ratio covenants were suspended for the fiscal quarters ended September 30, 2011, December 31, 2011, and March 31, 2012. During each of those fiscal quarters, the Company was subject to a trailing twelve month adjusted EBITDA covenant of \$4,548, \$3,817 and \$4,424, respectively.
- For fiscal quarters commencing on or after April 1, 2012, the Company will again be subject to the Consolidated Interest Coverage Ratio and Consolidated Total Leverage Ratio covenants contained in the Credit Agreement.
- Cash paid to fund restructuring and other charges incurred on or before September 30, 2011 are limited to amounts agreed upon as contained in Amendment No. 2.
- The Company must maintain minimum global cash of \$7,000 and U.S. cash of \$1,000 through June 30, 2012, at which time it will again be subject to only a minimum global cash requirement of \$5,000.

At March 31, 2012, the Company was in compliance with all of the covenants under the Amended Credit Agreement.

At March 31, 2012, the required principal repayments of the term loan under the Amended Credit Agreement for the remaining three months of the fiscal year ending June 30, 2012 and the two succeeding fiscal years are as follows:

	<u>Total</u>
2012	\$1,199
2013	4,793
2014	1,199
	<u>\$7,191</u>

At March 31, 2012 and June 30, 2011, the Company had no outstanding borrowings under the revolving line of credit and \$352 and \$359, respectively, in outstanding letters of credit. The letters of credit reduce the remaining undrawn portion of the revolving line of credit that is available for future borrowings.

### ***Interest Rate Swap***

As a result of Amendment No. 2, the Company modified the terms of its interest rate swap to ensure that the notional amount of the swap matches the outstanding amount of the term loan and the three-month LIBOR rate received on the swap matches the LIBOR base rate on the term loan. The term of the interest rate swap was extended through September 30, 2013 to be consistent with the maturity date of the term loan.

At March 31, 2012 and June 30, 2011, the Company had liabilities of \$243 and \$513, respectively, in the "Other liabilities" line item of its consolidated balance sheet to reflect the fair value of the interest rate swap. The interest rate swap was not an effective cash flow hedge at June 30, 2011 as a result of the covenant violations discussed above, and the Company opted not to re-designate its interest rate swap as a cash flow hedge at September 30, 2011. As such, changes in the fair value of the interest rate swap were recorded through interest expense for both the three and nine months ended March 31, 2012 and such treatment will continue for the foreseeable future.

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### 9. Stock-Based Compensation

The following table illustrates the stock-based compensation expense for stock options and restricted stock issued under the Company's Long-Term Incentive Plans (the "Incentive Plans"), stock options issued to new employees outside the Incentive Plans, and shares issued under the Company's Employee Stock Purchase Plans ("ESPPs") included in the Company's unaudited consolidated statements of operations for the three and nine months ended March 31:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Cost of services	\$ 8	\$ 4	\$ 17	\$ 14
Selling, general and administrative	439	169	980	509
	<u>\$ 447</u>	<u>\$ 173</u>	<u>\$ 997</u>	<u>\$ 523</u>

The Company did not capitalize stock-based compensation expense as part of the cost of an asset for any periods presented.

The following table provides a summary of the status of the Company's employee and director stock options (including options issued under the Incentive Plans and options issued outside the Incentive Plans to new employees) for the nine months ended March 31, 2012:

	Shares	Weighted- Average Exercise Price
Options outstanding at July 1	6,396,373	\$ 1.53
Granted	290,500	0.65
Forfeited	(976,539)	1.33
Exercised	(124,167)	0.38
Options outstanding at March 31	<u>5,586,167</u>	1.54

In February and March 2012, the Company modified certain performance-based stock options such that the options now vest in ten equal tranches upon the achievement of certain revised performance targets. These modifications resulted in the Company recording an additional \$202 of stock-based compensation expense for the three and nine months ended March 31, 2012.

The following table provides a summary of the status of the Company's employee and director restricted stock awards for the nine months ended March 31, 2012:

	Shares	Weighted- Average Fair Value  at Date of Grant
Restricted shares outstanding at July 1	529,021	\$ 0.79
Granted	1,610,500	1.08
Forfeited	(33,417)	0.73
Vested	(532,062)	0.81
Restricted shares outstanding at March 31	<u>1,574,042</u>	1.09

At March 31, 2012, there was \$3,331 of total unrecognized stock-based compensation expense related to non-vested stock-based compensation arrangements granted under the Incentive Plans and the ESPPs. That expense is expected to be recognized over a weighted-average period of 2.1 years.

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### 10. Income Taxes

The Company recorded an income tax benefit in continuing operations of \$88 for the three months ended March 31, 2012, compared with an income tax provision of \$177 for the same prior year period. The tax benefit for the three months ended March 31, 2012 was comprised primarily of tax benefits related to pre-tax losses in certain of the Company's international jurisdictions. For the three months ended March 31, 2011, the tax provision was comprised primarily of tax expense related to pre-tax income in certain of the Company's international jurisdictions.

The Company recorded an income tax benefit in continuing operations of \$85 for the nine months ended March 31, 2012, compared with an income tax provision of \$12 for the same prior year period. The tax benefit for the nine months ended March 31, 2012 was comprised primarily of tax benefits related to pre-tax losses in certain of the Company's international jurisdictions. For the nine months ended March 31, 2011, the tax provision was comprised primarily of an additional tax benefit of \$188 in France that was applied for and refunded during the quarter.

Income tax expense of \$130 was included in discontinued operations for the nine months ended March 31, 2012 related to the closure of the Company's operations in Asia, of which \$150 was recorded as a discrete tax provision during the three months ended September 30, 2011.

A full valuation allowance continued to be recorded at March 31, 2012 against the Company's U.S. and U.K. deferred tax assets. The Company will continue to assess the realizability of its deferred tax assets in accordance with the FASB guidance for income taxes and will adjust the valuation allowances should all or a portion of the deferred tax assets become realizable in the future.

### 11. Comprehensive Income

The following table sets forth the components of the Company's total comprehensive income for the three and nine months ended March 31:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Net loss, as reported	\$ (323)	\$ (2,335)	\$ (4,652)	\$ (3,330)
Foreign currency translation adjustments	433	724	(1,228)	2,599
Change in fair value of interest rate swap and swaplet amortization	39	76	120	237
Change in postretirement obligation	—	(51)	(63)	(153)
Unrealized loss on marketable securities	—	—	—	(1)
Total comprehensive income (loss)	<u>\$ 149</u>	<u>\$ (1,586)</u>	<u>\$ (5,823)</u>	<u>\$ (648)</u>

### 12. Share Repurchase Program

Under the share repurchase program (the "Repurchase Program") authorized by the Board on March 6, 2012, the Company repurchased 18,300 shares of its common stock at an average price per share of \$1.06 for an aggregate purchase price of \$19 during the three months ended March 31, 2012. All shares repurchased were subsequently retired.

At March 31, 2012, the Repurchase Program had \$2,981 in remaining capacity.

### 13. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares outstanding for the period. Diluted net loss per share reflects the potential dilution of securities that could share in earnings. When the impact of stock options or other stock-based compensation is anti-dilutive, they are excluded from the calculation.

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The following table sets forth the reconciliation of the basic and diluted net loss per share computations for the three and nine months ended March 31:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
<b>Numerator:</b>				
Net loss used for calculating basic and diluted net loss per share of stock	<u>\$ (323)</u>	<u>\$ (2,335)</u>	<u>\$ (4,652)</u>	<u>\$ (3,330)</u>
<b>Denominator:</b>				
Weighted average number of shares used in the calculation of basic net loss per share	55,572,845	54,658,105	55,287,089	54,516,793
Dilutive effect of outstanding stock options and restricted stock	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Shares used in the calculation of diluted net loss per share	<u>55,572,845</u>	<u>54,658,105</u>	<u>55,287,089</u>	<u>54,516,793</u>
<b>Net loss per share:</b>				
Basic	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>

Unvested restricted stock and unexercised stock options to purchase 7,160,209 and 4,467,001 shares of the Company's stock for the three and nine months ended March 31, 2012 and 2011, respectively, at weighted-average prices per share of \$1.44 and \$2.12, respectively, were not included in the computations of diluted net loss per share because their impact was anti-dilutive during the respective periods.

## 14. Enterprise-Wide Disclosures

The Company is comprised of operations in North America and Europe. Non-U.S. market research is comprised of operations in the United Kingdom, Canada, France and Germany. The Company's operations in Asia ceased as of September 30, 2011 and are classified as discontinued operations for all current and prior periods presented herein. There were no intercompany transactions that materially affected the Company's financial statements, and all intercompany sales have been eliminated upon consolidation.

The Company's business model for offering custom market research is consistent across the geographic regions in which it operates. Geographic management facilitates local execution of the Company's global strategies. The Company maintains global leaders with responsibility across all geographic regions for the majority of its critical business processes, and the most significant performance evaluations and resource allocations made by the Company's chief operating decision-maker are made on a global basis. Accordingly, the Company has concluded that it has one reportable segment.

The Company has prepared the financial results for geographic information on a basis that is consistent with the manner in which management internally disaggregates information to assist in making internal operating decisions. The Company has allocated common expenses among these geographic regions differently than it would for stand-alone information prepared in accordance with GAAP. Geographic operating income (loss) may not be consistent with measures used by other companies.

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Geographic information for the periods presented herein is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
<b>Revenue from services</b>				
United States	\$20,020	\$21,557	\$ 66,867	\$ 68,137
Canada	5,676	6,067	17,451	16,752
United Kingdom	2,991	4,231	10,602	17,072
France	3,601	3,549	10,638	9,126
Germany	1,829	1,585	5,444	5,399
Total revenue from services	<u>\$34,117</u>	<u>\$36,989</u>	<u>\$111,002</u>	<u>\$116,486</u>
<b>Operating income (loss)</b>				
United States	\$ (233)	\$ (1,167)	\$ 240	\$ 251
Canada	(71)	268	(270)	(1,126)
United Kingdom	(50)	(1,453)	(2,678)	(2,583)
France	15	584	233	917
Germany	(32)	(51)	149	292
Total operating loss	<u>\$ (371)</u>	<u>\$ (1,819)</u>	<u>\$ (2,326)</u>	<u>\$ (2,249)</u>

	At March	
	31, 2012	At June 30, 2011
<b>Long-lived assets</b>		
United States	\$ 758	\$ 1,641
Canada	334	431
United Kingdom	498	976
France	242	108
Germany	114	135
Total long-lived assets	<u>\$ 1,946</u>	<u>\$ 3,291</u>
<b>Deferred tax assets (liabilities)</b>		
United States	\$ —	\$ —
Canada	(1,423)	(1,706)
United Kingdom	—	—
France	(73)	(145)
Germany	115	(38)
Total deferred tax liabilities	<u>\$(1,381)</u>	<u>\$(1,889)</u>

## 15. Commitments and Contingencies

The Company has several non-cancelable operating leases for office space and equipment. There were no material changes to the financial obligations for such leases during the nine months ended March 31, 2012 from those disclosed in Note 19, "Commitments and Contingencies," to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed by the Company with the SEC on September 28, 2011.

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### 16. Legal Proceedings

In the normal course of business, the Company is at times subject to pending and threatened legal actions and proceedings. After reviewing any pending and threatened actions and proceedings with legal counsel, management does not expect the outcome of such actions or proceedings to have a material adverse effect on the Company's business, financial condition or results of operations.

### Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations

*The discussion in this Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding expectations, beliefs, plans, objectives, intentions or strategies regarding the future. In some cases, you can identify forward-looking statements by terminology such as, "may", "should", "expects", "plans", "anticipates", "feel", "believes", "estimates", "predicts", "potential", "continue", "consider", "possibility", or the negative of these terms or other comparable terminology. All forward-looking statements included in this document are based on the information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statement. Actual results could differ materially from the results discussed herein. Factors that might cause or contribute to such differences include but are not limited to, those discussed in the Risk Factors section set forth in reports or documents the Company files from time to time with the Securities and Exchange Commission ("SEC"), such as its Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed by the Company with the SEC on September 28, 2011. Risks and uncertainties also include quarterly variations in financial results, actions of competitors, and the Company's ability to sustain and grow its revenue base, maintain and improve cost efficient operations, develop and maintain products and services attractive to the market, maintain compliance with financial covenants under its credit agreement, obtain additional cash resources should it be necessary to do so, and maintain compliance with certain Nasdaq listing requirements.*

**Note:** Amounts shown below are in thousands of U.S. Dollars for our continuing operations, unless otherwise noted. Also, references herein to "we", "our", "us", "its", the "Company" or "Harris Interactive" refer to Harris Interactive Inc. and its subsidiaries, unless the context specifically requires otherwise.

### Overview

Harris Interactive is a leading global custom market research firm that uses web-based, telephone and other research methodologies to provide clients with information about the views, behaviors and attitudes of people worldwide.

For the three months ended March 31, 2012:

- Revenue from services was \$34,117, down 7.8% from the same prior year period. Excluding foreign exchange rate differences, revenue was down 7.9% from last fiscal year's third quarter. The decrease was driven by declines in the U.S., U.K. and Canada.
- Bookings were up 3.4% compared with the same prior year period, excluding foreign exchange rate differences. The increase was driven by increased bookings in the U.S., Canada and Germany.
- Our operating loss was \$371, compared with \$1,819 for the same prior year period. Our operating loss for the three months ended March 31, 2012 included \$(19) in restructuring and other charges, compared with \$448 for the same prior year period.
- We had \$13,167 in cash at March 31, 2012, down from \$14,084 at June 30, 2011 but up from \$12,375 at March 31, 2011.

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- Our outstanding, respectively debt at March 31, 2012 was \$7,191, down from \$10,787 and \$11,985 at June 30, 2011 and March 31, 2011, respectively, as a result of scheduled quarterly principal payments made during the first three quarters of fiscal 2012.

## Significant Events

### ***Amendment Agreement and Waiver***

On September 27, 2011, we entered into an amendment and waiver to our credit agreement.

At June 30, 2011, we were not in compliance with the leverage and interest coverage ratio covenants contained in our credit agreement largely due to the magnitude of restructuring and other charges incurred during the fiscal year ended June 30, 2011. Pursuant to the amendment agreement and waiver, these covenant violations were permanently waived. The amendment and waiver includes both the addition and modification of certain definitions, terms, and financial covenants. Obligations under our credit agreement continue to be secured by our domestic assets and 66% of the equity interests in first tier foreign subsidiaries. In accordance with ASC Topic 470, we evaluated the change in cash flows, determined that there was not a greater than 10% change, and concluded that the amendment and waiver did not result in an extinguishment of debt.

The credit facilities under our credit agreement consist of our term loan, which matures September 30, 2013, and a revolving line of credit. A maximum amount of \$5,000 remains available under the revolving line of credit, subject to our satisfaction of certain conditions. Pursuant to the amendment agreement and waiver, until we achieve trailing twelve month adjusted EBITDA of \$5,000, borrowings under the revolving line of credit are limited to the lesser of \$2,000 or our net U.S. accounts receivable, defined as our U.S. accounts receivable plus our U.S. unbilled accounts receivable, less our deferred revenue. The amendment agreement and waiver did not change the principal amount outstanding under, or the payment terms of, the term loan. Pursuant to the amendment agreement and waiver, the manner in which outstanding amounts accrue interest remained unchanged, except that the Eurodollar Applicable Rate (Adjusted LIBO Applicable Rate) and ABR Applicable Rate were fixed at 5.50% and 4.50%, respectively, through March 31, 2012.

The amendment agreement and waiver impacted certain financial covenants, as follows:

- The consolidated interest coverage ratio and consolidated total leverage ratio covenants contained in our credit agreement were suspended for the fiscal quarters ended September 30, 2011, December 31, 2011, and March 31, 2012. During each of those fiscal quarters, we were subject to a trailing twelve month adjusted EBITDA covenant of \$4,548, \$3,817 and \$4,424, respectively.
- For fiscal quarters commencing on or after April 1, 2012, we will again be subject to the consolidated interest coverage ratio and consolidated total leverage ratio covenants contained in our credit agreement.
- Cash paid to fund restructuring and other charges incurred on or before September 30, 2011 are limited to amounts agreed upon as contained in the amendment and waiver.
- We are required to maintain minimum global cash of \$7,000 and U.S. cash of \$1,000 through June 30, 2012, at which time we will again be subject to only a minimum global cash requirement of \$5,000.

At March 31, 2012, we were in compliance with all of the covenants under our credit agreement, as amended by the amendment agreement and waiver.

### ***Restructuring and Other Charges***

During the nine months ended March 31, 2012, we continued to take actions designed to re-align the cost structure of our U.S. and U.K. operations. Specifically, we

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- Reduced headcount at our U.K. facilities by a total of 56 full-time employees and incurred \$1,008 in one-time termination benefits, all of which involved cash payments. The reductions in staff were communicated to the affected employees in July 2011 and all actions were completed at that time. Related cash payments were completed by January 2012.
- Reduced headcount at our U.S. facilities by a total of 23 full-time employees and incurred \$389 in one-time termination benefits, all of which involved cash payments. The reductions in staff were communicated to the affected employees in July and August 2011 and all actions were completed at those respective times. Related cash payments were completed by February 2012.
- Reduced headcount at our U.S. facilities by a total of 10 full-time employees and incurred \$260 in one-time termination benefits, all of which involved cash payments. The reductions in staff were communicated to the affected employees in October and December 2011 and all actions were completed at those respective times. Related cash payments were completed by March 2012.
- Reduced our occupancy of leased office space at our Rochester, New York, Princeton, New Jersey, Brentford, United Kingdom, and Ottawa, Canada facilities. We incurred \$4,084 in lease exit costs associated with the remaining lease obligations, all of which involve cash payments. All actions associated with the leased office space reductions were completed by September 2011, and all cash payments will be completed by June 2020.

The following table summarizes the restructuring charges recognized in our unaudited consolidated statements of operations for the three and nine months ended March 31:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Termination benefits	\$ —	\$ 270	\$ 1,657	\$ 347
Lease commitments	—	—	4,084	—
Changes in estimate	(7)	—	(48)	—
	<u>\$ (7)</u>	<u>\$ 270</u>	<u>\$ 5,693</u>	<u>\$ 347</u>

The following table summarizes activity during the nine months ended March 31, 2012 with respect to our remaining reserves for the restructuring activities described above and those undertaken in prior fiscal years:

	Balance,		Changes in			Balance,
	July 1, 2011	Costs Incurred	Estimate	Cash Payments	Non-Cash Settlements	March 31, 2012
Termination benefits	\$ 422	\$ 1,657	\$ (7)	\$ (2,072)	\$ —	\$ —
Lease commitments	2,212	4,084	(41)	(1,092)	—	5,163
Remaining reserve	<u>\$ 2,634</u>	<u>\$ 5,741</u>	<u>\$ (48)</u>	<u>\$ (3,164)</u>	<u>\$ —</u>	<u>\$ 5,163</u>

### Other Charges

For the nine months ended March 31, 2011, other charges reflected in the “Restructuring and other charges” line shown on our unaudited consolidated statements of operations included \$331 in costs associated with reorganizing the operational structure of our Canadian operations. A corresponding liability was recorded in the “Accrued expenses” line shown in our unaudited consolidated balance sheet at that time. In October 2011, our obligation to fund those costs lapsed and accordingly, a credit of \$331 was initially recognized at that time and is reflected in other charges for the nine months ended March 31, 2012.

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### Discontinued Operations

In July 2011, our Board of Directors approved the closure of our operations in Hong Kong, Singapore and Shanghai (collectively, "Harris Asia"). This decision was based on the Board's determination that Harris Asia's operations did not adequately support our strategic objectives. While the operations of Harris Asia ceased as of September 30, 2011, significant future cash flows attributable to those operations as a result of collecting outstanding accounts receivable and settling accounts payable and accrued expenses at December 31, 2011 and September 30, 2011 had not yet been eliminated. As such, we determined that Harris Asia's operations did not qualify for treatment as discontinued operations for the fiscal quarters ended September 30, 2011 and December 31, 2011.

In connection with our closure of Harris Asia, the following charges were initially recognized in the "Restructuring and other charges" line shown on our unaudited consolidated statement of operations for the fiscal quarters ended September 30, 2011 and December 31, 2011:

Writeoff of intangible assets	\$ 489
Termination benefits to former employees	390
Payments to terminate office and equipment leases	231
Professional fees	180
Writeoff of fixed assets	149
Other	(23)
	<u>\$1,416</u>

The foregoing charges have been reclassified to discontinued operations for the fiscal quarter ended March 31, 2012 since all significant future cash flows attributable to Harris Asia were eliminated during the quarter.

The revenues and income (loss) attributable to Harris Asia and reported in discontinued operations are as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
Revenues	\$—	\$1,098	\$ 493	\$3,555
Income (loss) from discontinued operations, net of tax	156	(104)	(1,854)	(137)

The assets and liabilities of the discontinued operations were as follows:

	At March 31,	At June 30,
	2012	2011
Cash and cash equivalents	\$ —	\$ 140
Accounts receivable, net	—	1,433
Prepaid expenses and other current assets	—	32
Property, plant and equipment, net	—	156
Other intangibles, net	—	541
Other assets	—	59
Assets from discontinued operations	<u>\$ —</u>	<u>\$2,361</u>
Accounts payable	\$ —	213
Accrued expenses	184	325
Deferred revenue	—	475
Liabilities from discontinued operations	<u>\$ 184</u>	<u>\$1,013</u>

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### Critical Accounting Policies and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. The most significant of these areas involving difficult or complex judgments made by management with respect to the preparation of our consolidated financial statements in fiscal 2012 include:

- Revenue recognition,
- Impairment of other intangible assets,
- Income taxes,
- Stock-based compensation,
- Hlpoints loyalty program, and
- Contingencies and other accruals.

In each situation, management is required to make estimates about the effects of matters or future events that are inherently uncertain.

During the nine months ended March 31, 2012, there were no changes to the items that we disclosed as our critical accounting policies and estimates in management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed by us with the SEC on September 28, 2011.

### Results of Operations

#### *Three Months Ended March 31, 2012 Versus Three Months Ended March 31, 2011*

The following table sets forth the results of our continuing operations, expressed both as a dollar amount and as a percentage of revenue from services, for the three months ended March 31, 2012 and 2011, respectively:

	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Revenue from services	\$34,117	100.0%	\$36,989	100.0%
Operating expenses:				
Cost of services	20,791	60.9	24,401	66.0
Selling, general and administrative	12,580	36.9	12,469	33.7
Depreciation and amortization	1,136	3.3	1,490	4.0
Restructuring and other charges	(19)	(0.1)	448	1.2
Operating loss	(371)	(1.1)	(1,819)	(4.9)
Interest expense, net	196	0.6	235	0.6
Loss from continuing operations before income taxes	(567)	(1.7)	(2,054)	(5.6)
Provision (benefit) for income taxes	(88)	(0.3)	177	0.5
Loss from continuing operations	(479)	(1.4)	(2,231)	(6.0)
Income (loss) from discontinued operations	156	0.5	(104)	(0.3)
Net loss	<u>\$ (323)</u>	<u>(0.9)</u>	<u>\$ (2,335)</u>	<u>(6.3)</u>

**Revenue from services.** Revenue from services decreased by \$2,872, or 7.8%, to \$34,117 for the three months ended March 31, 2012 compared with the same prior year period. Excluding foreign currency exchange rate differences, revenue from services for the three months ended March 31, 2012 decreased by 7.9% compared with the same prior year period. As more fully described below, revenue from services was impacted by several factors.

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North American revenue decreased by \$1,928 to \$25,696 for the three months ended March 31, 2012 compared with the same prior year period, a decrease of 7.0%. By country, North American revenue for the three months ended March 31, 2012 was comprised of:

- Revenue from U.S. operations of \$20,020, down 7.1% compared with \$21,557 for the same prior year period. The decrease was primarily due to the revenue impact from the bookings declines in our U.S. operations during the first half of fiscal 2012.
- Revenue from Canadian operations of \$5,676, down 6.4% compared with \$6,067 for the same prior year period. In local currency (Canadian Dollar), Canadian revenue for the three months ended March 31, 2012 decreased 5.0% compared with the same prior year period. The decrease was primarily due to the revenue impact of the bookings decline in our Canadian operation during the three months ended December 31, 2011.

European revenue decreased by \$944 to \$8,421 for the three months ended March 31, 2012 compared with the same prior year period, a decrease of 10.1%. By country, European revenue for the three months ended March 31, 2012 was comprised of:

- Revenue from U.K. operations of \$2,991, down 29.3% compared with \$4,231 for the same prior year period. In local currency (British Pound), U.K. revenue for the three months ended March 31, 2012 decreased by 30.2% compared with the same prior year period. The decrease was primarily due to the expected effects of our U.K. restructuring actions discussed above under "Restructuring and Other Charges", which were designed to scale back our U.K. business to focus on core markets and key solutions areas.
- Revenue from French operations of \$3,601, up 1.5% compared with \$3,549 for the same prior year period. In local currency (Euro), French revenue for the three months ended March 31, 2012 increased by 5.5% compared with the same prior year period. The increase was primarily due to the French management team's continued focus on and success in selling to new and existing clients across several industry sectors during the first half of fiscal 2012.
- Revenue from German operations of \$1,829, up 15.4% compared with \$1,585 for the same prior year period. In local currency (Euro), German revenue for the three months ended March 31, 2012 was essentially flat compared with the same prior year period.

**Cost of services.** Cost of services was \$20,791 or 60.9% of total revenue for the three months ended March 31, 2012, compared with \$24,401 or 66.0% of total revenue for the same prior year period. Cost of services for the three months ended March 31, 2012 was principally impacted by direct labor savings derived from the restructuring actions discussed above under "Restructuring and Other Charges".

**Selling, general and administrative.** Selling, general and administrative expense for the three months ended March 31, 2012 was \$12,580 or 36.9% of total revenue, compared with \$12,469 or 33.7% of total revenue for the same prior year period. The increase in selling, general and administrative expense for the three months ended March 31, 2012 was principally impacted by a \$274 increase in stock-based compensation expense, of which \$202 was attributable to modifications to certain performance-based stock options during the quarter.

**Depreciation and amortization.** Depreciation and amortization expense was \$1,136 or 3.3% of total revenue for the three months ended March 31, 2012, compared with \$1,490 or 4.0% of total revenue for the same prior year period. The decrease in depreciation and amortization expense for the three months ended March 31, 2012 when compared with the same prior year period is the result of fixed and intangible assets that became fully depreciated or amortized during fiscal 2011 and the first nine months of fiscal 2012, combined with decreased capital spending as part of our overall focus on controlling costs.

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**Restructuring and other charges.** See above under “Restructuring and Other Charges” for details regarding restructuring and other charges for the three months ended March 31, 2012 and 2011.

**Interest expense, net.** Interest expense, net, was \$196 or less than 1% of total revenue for the three months ended March 31, 2012, compared with \$235 or less than 1% of total revenue for the same prior year period. Interest expense for the three months ended March 31, 2012 reflects the impact of the decline in our outstanding debt as we continue to make required principal payments.

**Income taxes.** We recorded an income tax benefit in continuing operations of \$88 for the three months ended March 31, 2012, compared with an income tax provision of \$177 for the same prior year period. The tax benefit for the three months ended March 31, 2012 was comprised primarily of tax benefits related to pre-tax losses in certain of our international jurisdictions. For the three months ended March 31, 2011, the tax provision was comprised primarily of tax expense related to pre-tax income in certain of our international jurisdictions.

Based upon management’s assessment of the realizability of the Company’s deferred tax assets in the U.S. and U.K., a full valuation allowance continued to be recorded at March 31, 2012.

### **Nine Months Ended March 31, 2012 Versus Nine Months Ended March 31, 2011**

The following table sets forth the results of our continuing operations, expressed both as a dollar amount and as a percentage of revenue from services, for the nine months ended March 31, 2012 and 2011, respectively:

	2012	%	2011	%
Revenue from services	\$111,002	100.0%	\$116,486	100.0%
Operating expenses:				
Cost of services	68,799	62.0	76,640	65.8
Selling, general and administrative	35,579	32.1	36,490	31.3
Depreciation and amortization	3,602	3.2	4,478	3.8
Restructuring and other charges	5,348	4.8	1,127	1.0
Operating loss	(2,326)	(2.1)	(2,249)	(1.9)
Interest expense, net	557	0.5	932	0.8
Loss from continuing operations before income taxes	(2,883)	(2.6)	(3,181)	(2.7)
Provision (benefit) for income taxes	(85)	(0.1)	12	0.0
Loss from continuing operations	(2,798)	(2.5)	(3,193)	(2.7)
Loss from discontinued operations	(1,854)	(1.7)	(137)	(0.1)
Net loss	\$ (4,652)	(4.2)	\$ (3,330)	(2.9)

**Revenue from services.** Revenue from services decreased by \$5,484, or 4.7%, to \$111,002 for the nine months ended March 31, 2012 compared with the same prior year. Excluding foreign currency exchange rate differences, revenue from services for the nine months ended March 31, 2012 decreased by 5.4% compared with the same prior year period. As more fully described below, revenue from services was impacted by several factors.

North American revenue decreased by \$571 to \$84,318 for the nine months ended March 31, 2012 compared with the same prior year period, an decrease of 0.7%. By country, North American revenue for the nine months ended March 31, 2012 was comprised of:

- Revenue from U.S. operations of \$66,867, down 1.9% compared with \$68,137 for the same prior year period. The decrease was primarily due to the revenue impact from the bookings declines in our U.S. operations during the first half of fiscal 2012.
- Revenue from Canadian operations of \$17,451, up 4.2% compared with \$16,752 for the same prior year period. On a local currency basis (Canadian Dollar), Canadian revenue for the nine months ended March 31, 2012 increased by 2.5% compared with the same prior year period. The increase in Canadian revenue was mainly as a result of the revenue impact from a large financial services tracking study booked during the second quarter of last fiscal year.

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European revenue decreased by \$4,912 to \$26,684 for the nine months ended March 31, 2012 compared with the same prior year period, a decrease of 15.5%. By country, European revenue for the nine months ended March 31, 2012 was comprised of:

- Revenue from U.K. operations of \$10,602, down 37.9% compared with \$17,072 for the same prior year period. In local currency (British Pound), U.K. revenue for the nine months ended March 31, 2012 decreased by 38.3% compared with the same prior year period. The decrease was primarily due to the expected effects of our U.K. restructuring actions discussed above under “Restructuring and Other Charges”, which were designed to scale back our U.K. business to focus on core markets and key solutions areas.
- Revenue from French operations of \$10,638, up 16.6% compared with \$9,126 for the same prior year period. In local currency (Euro), French revenue for the nine months ended March 31, 2012 increased by 14.7% compared with the same prior year period. The increase was primarily due to the French management team’s continued focus on and success in selling to new and existing clients across several industry sectors during the first half of fiscal 2012.
- Revenue from German operations of \$5,444, up 0.9% compared with \$5,398 for the same prior year period. In local currency (Euro), German revenue for the nine months ended March 31, 2012 decreased by 5.5% compared with the same prior year period. The decrease was primarily due to the revenue impact of the bookings decline in our German operations during the first half of fiscal 2012.

**Cost of services.** Cost of services was \$68,799 or 62.0% of total revenue for the nine months ended March 31, 2012, compared with \$76,640 or 65.8% of total revenue for the same prior year period. Cost of services for the nine months ended March 31, 2012 was principally impacted by direct labor savings derived from the restructuring actions discussed above under “Restructuring and Other Charges”.

**Selling, general and administrative.** Selling, general and administrative expense for the nine months ended March 31, 2012 was \$35,579 or 32.1% of total revenue, compared with \$36,490 or 31.3% of total revenue for the same prior year period. The decrease in selling, general and administrative expense was principally impacted by a \$911 decrease in rent expense, which was driven by space reductions taken during fiscal 2011 and 2012.

**Depreciation and amortization.** Depreciation and amortization expense was \$3,602 or 3.2% of total revenue for the nine months ended March 31, 2012, compared with \$4,478 or 3.8% of total revenue for the same prior year period. The decrease in depreciation and amortization expense for the nine months ended March 31, 2012 when compared with the same prior year period is the result of fixed and intangible assets that became fully depreciated or amortized during fiscal 2011 and the first nine months of fiscal 2012, combined with decreased capital spending as part of our overall focus on controlling costs.

**Restructuring and other charges.** See above under “Restructuring and Other Charges” for details regarding restructuring and other charges for the nine months ended March 31, 2012 and 2011.

**Interest expense, net.** Interest expense, net, was \$557 or less than 1% of total revenue for the nine months ended March 31, 2012, compared with \$932 or less than 1% of total revenue for the same prior year period. Interest expense for the nine months ended March 31, 2012 reflects the impact of the decline in our outstanding debt as we continue to make required principal payments.

**Income taxes.** We recorded an income tax benefit in continuing operations of \$85 for the nine months ended March 31, 2012, compared with an income tax provision of \$12 for the same prior year period. The tax benefit for the nine months ended March 31, 2012 was comprised primarily of tax benefits related to pre-tax losses in certain of our international jurisdictions. For the nine months ended March 31, 2011, the tax provision was comprised primarily of an additional tax benefit of \$188 in France that was applied for and refunded during the quarter.

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Income tax expense of \$130 was included in discontinued operations for the nine months ended March 31, 2012 related to the closure of our Asian operations, of which \$150 was recorded as a discrete tax provision during the three months ended September 30, 2011.

Based upon management's assessment of the realizability of our deferred tax assets in the U.S. and U.K., a full valuation allowance continued to be recorded at March 31, 2012.

### Significant Factors Affecting our Performance

#### Key Operating Metrics

We closely track certain key operating metrics, specifically bookings and secured revenue. These key operating metrics enable us to measure the current and forecasted performance of our business relative to historical trends.

Key operating metrics for continuing operations for the three months ended March 31, 2012 and the four preceding fiscal quarters were as follows (U.S. Dollar amounts in millions):

	Q3 FY2011	Q4 FY2011	Q1 FY2012	Q2 FY2012	Q3 FY2012
Bookings	\$ 39.0	\$ 34.0	\$ 32.1	\$ 45.2	\$ 39.5
Secured revenue	\$ 54.9	\$ 44.7	\$ 39.0	\$ 45.1	\$ 50.5

Additional information regarding each of the key operating metrics noted above is as follows:

**Bookings** are defined as the contract value of revenue-generating projects that are anticipated to take place during the next four fiscal quarters for which a firm client commitment was received during the current period, less any adjustments to prior period bookings due to contract value adjustments or project cancellations during the current period.

Bookings for the three months ended March 31, 2012 were \$39.5 million, an increase of 1.4% compared with \$39.0 million for the same prior year period. Excluding foreign exchange rate differences, bookings were up 3.4% over the same prior year period. Bookings in local currency compared with the same prior year period were principally impacted by the following:

- a 3.9% increase in U.S. bookings, mainly as a result of timing differences;
- a 4.1% increase in Canadian bookings, mainly as a result of timing differences;
- a 13.3% decrease in U.K. bookings, mainly as a result of the expected effects of our restructuring actions discussed above under "Restructuring and Other Charges", which were designed to scale back our U.K. business to focus on core markets and key solutions areas;
- an 8.4% decrease in French bookings, mainly as a result of a large, one-time research project booked during the three months ended March 31, 2011; and
- a 10.0% increase in German bookings, mainly as a result of winning certain projects during the quarter that had been deferred as a result of delays in spending by certain of our German clients during the first half of fiscal 2012.

Monitoring bookings enhances our ability to forecast long-term revenue and to measure the effectiveness of our marketing and sales initiatives. However, we also are mindful that bookings often vary significantly from quarter to quarter.

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Information concerning our new bookings is not comparable to, nor should it be substituted for, an analysis of our revenue over time. There are no third-party standards or requirements governing the calculation of bookings. New bookings involve estimates and judgments regarding new contracts and renewals, as well as extensions and additions to existing contracts. Subsequent cancellations, suspensions and other matters may affect the amount of bookings previously reported.

**Secured Revenue** (formerly referred to as ending sales backlog) is defined as prior period secured revenue plus current period bookings, less revenue recognized on outstanding projects as of the end of the period.

Secured revenue helps us manage our future staffing levels more accurately and is also an indicator of the effectiveness of our marketing and sales initiatives. Based on our experience, projects included in secured revenue at the end of a fiscal period generally convert to revenue from services during the following twelve months.

Secured revenue for the three months ended March 31, 2012 was \$50.5 million, a decrease of 8.0% compared with \$54.9 million for the same prior year period. Excluding foreign exchange rate differences, secured revenue was down 7.0% over the same prior year period. The decrease in secured revenue was mainly impacted by the bookings declines we experienced during the first half of fiscal 2012.

## Financial Condition, Liquidity and Capital Resources

### Cash and Cash Equivalents

The following table sets forth net cash provided by operating activities, net cash used in investing activities, and net cash used in financing activities, for the nine months ended March 31:

	2012	2011
Net cash provided by operating activities	\$ 3,588	\$ 1,100
Net cash used in investing activities	(427)	(577)
Net cash used in financing activities	(3,568)	(3,439)

**Net cash provided by operating activities.** Net cash provided by operating activities was \$3,588 for the nine months ended March 31, 2012, compared with \$1,100 provided by operating activities for the same prior year period. The change was primarily due to our improved efforts in closely managing our cash, which resulted in improved working capital during the nine months ended March 31, 2012 compared with the same prior year period.

**Net cash used in investing activities.** Net cash used in investing activities was \$427 for the nine months ended March 31, 2012, compared with \$577 for the same prior year period. Investing activities for the nine months ended March 31, 2012 and 2011 consisted solely of capital expenditures.

**Net cash used in financing activities.** Net cash used in financing activities was \$3,568 for the nine months ended March 31, 2012, compared with \$3,439 for the same prior year period. Cash used during both periods was for required principal payments on our outstanding debt, offset by cash received from the purchase of shares by employees through our Employee Stock Purchase Plan and the exercise of employee stock options. Additionally, net cash used in financing activities included \$19 used during the three months ended March 31, 2012 in connection with repurchases of our common stock made under our share repurchase program.

### Working Capital

At March 31, 2012, we had cash and cash equivalents of \$13,167 compared with \$14,084 at June 30, 2011. Available sources of cash to support known or reasonably likely cash requirements over the next 12 months include cash and cash equivalents on hand, additional cash that may be generated from our operations, and funds to the extent available through our credit facilities discussed below. While we believe that our available sources of cash, including funds available through our revolving line that are subject to certain minimum cash balance requirements, will support known or reasonably likely cash requirements over the next 12 months, including quarterly principal payments of \$1,199 and

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interest payments due under our credit agreement, our ability to generate cash from our operations is dependent upon our ability to profitably generate revenue, which requires that we continually develop profitable new business, both for growth and to replace completed projects. Although work for no one client constitutes more than 10% of our revenue, we have had to find significant amounts of replacement and additional revenue as client relationships and work for continuing clients change and will likely have to continue to do so in the future. Our ability to profitably generate revenue depends not only on our execution of our business plans, but also on general market factors outside of our control. As many of our clients treat all or a portion of their market research expenditures as discretionary, our ability to profitably generate revenue is adversely impacted whenever there are adverse macroeconomic conditions in the markets we serve.

Our capital requirements depend on numerous factors, including but not limited to, market acceptance of our products and services, the resources we allocate to the continuing development of new products and services, our technology infrastructure and online panels, and the marketing and selling of our products and services. We are able to control or defer certain capital and other expenditures in order to help preserve cash if necessary. We expect to incur capital expenditures of between \$500 and \$1,000 during the fiscal year ending June 30, 2012.

### ***Credit Facilities***

The required principal repayments under our credit agreement for the remaining three months of the fiscal year ending June 30, 2012 and each of the two succeeding fiscal years are set forth in Note 8, "Borrowings", to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. At March 31, 2012, we had no outstanding borrowings under our revolving line of credit and \$347 of outstanding letters of credit. The letters of credit reduce the remaining undrawn portion of the revolving line of credit that is available for future borrowings.

At June 30, 2011, we were not in compliance with certain financial covenants under our credit agreement largely due to the magnitude of restructuring and other charges incurred during fiscal 2011. On September 27, 2011, these covenant violations were permanently waived through an amendment agreement and waiver, as more fully described above under "Significant Events – Amendment Agreement and Waiver" and in Note 8, "Borrowings", to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

At March 31, 2012, the Company was in compliance with all of the covenants under the credit agreement, as amended by the amendment agreement and waiver.

### ***Interest Rate Swap***

The principal terms of our interest rate swap are described in Note 8, "Borrowings", to our unaudited consolidated financial statements contained in this Quarterly Report on Form 10-Q.

### **Off-Balance Sheet Arrangements and Contractual Obligations**

At March 31, 2012, we did not have any transaction, agreement, or other contractual arrangement constituting an "off-balance sheet arrangement" as defined in Item 303(a)(4) of Regulation S-K.

There have been no material changes outside the ordinary course of business during the three months ended March 31, 2012 to our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed by us with the SEC on September 28, 2011.

### **Recent Accounting Pronouncements**

See Note 3, "Recent Accounting Pronouncements", to our unaudited consolidated financial statements contained in this Quarterly Report on Form 10-Q for a discussion of the impact of recently issued accounting pronouncements on our unaudited consolidated financial statements at March 31, 2012 and for the nine months then ended, as well as the expected impact on our consolidated financial statements for future periods.

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### Item 3 — *Quantitative and Qualitative Disclosures about Market Risk*

We have two kinds of market risk exposures, interest rate exposure and foreign currency exposure. We have no market risk sensitive instruments entered into for trading purposes.

In light of current economic conditions, we reviewed the cash equivalents held by us. We do not believe that our holdings have a material liquidity risk under current market conditions.

#### Interest Rate Exposure

At March 31, 2012, we had outstanding debt under our credit facilities of \$7,191. The debt matures September 30, 2013 and bears interest at the floating adjusted LIBOR plus an applicable margin. Our interest rate swap fixes the floating adjusted LIBOR portion of the interest rate at 4.32% through September 30, 2013. The additional applicable margin is set at 5.50% through March 31, 2012, resulting in an effective interest rate of 9.82% on our outstanding debt at March 31, 2012.

#### Foreign Currency Exposure

As a result of operating in foreign markets, our financial results could be affected by significant changes in foreign currency exchange rates. We have international operations in North America and Europe. Therefore, we are subject to foreign currency rate exposure. Non-U.S. transactions are denominated in the functional currencies of the respective countries in which our foreign subsidiaries reside. Our consolidated assets and liabilities are translated into U.S. Dollars at the applicable exchange rates in effect as of the balance sheet date. Consolidated income and expense items are translated into U.S. Dollars at the average exchange rates for each period presented. Accumulated net translation adjustments are recorded in the accumulated other comprehensive income component of stockholders' equity. We measure our risk related to foreign currency rate exposure on two levels, the first being the impact of operating results on the consolidation of foreign subsidiaries that are denominated in the functional currencies of their home countries, and the second being the extent to which we have instruments denominated in foreign currencies.

Foreign exchange translation gains and losses are included in our results of operations since we consolidate the results of our international operations, which are denominated in each country's functional currency, with our U.S. results. The impact of translation gains or losses on net income from consolidating foreign subsidiaries was not material for the periods presented. We have historically had low exposure to changes in foreign currency exchange rates upon consolidating the results of our foreign subsidiaries with our U.S. results due to the size of our foreign operations in comparison to our consolidated operations. However, if the operating profits of our international operations increase as a percentage of our consolidated operations, our exposure to the appreciation or depreciation in the U.S. Dollar could have a more significant impact on our net income (loss) and cash flows. Thus, we evaluate our exposure to foreign currency fluctuation risk on an ongoing basis.

Since our foreign operations are conducted using foreign currencies, we bear additional risk of fluctuations in exchange rates because of instruments denominated in foreign currencies. We have historically had low exposure to changes in foreign currency exchange rates with regard to instruments denominated in foreign currencies, given the amount and short-term nature of the maturity of these instruments. The carrying values of financial instruments denominated in foreign currencies, including cash, cash equivalents, accounts receivable and accounts payable, approximate fair value because of the short-term nature of the maturity of these instruments.

We performed a sensitivity analysis at March 31, 2012. Holding all other variables constant, we have determined that the impact of a near-term 10% appreciation or depreciation of the U.S. Dollar would have an insignificant effect on our financial condition, results of operations and cash flows.

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### Item 4 — Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures as of March 31, 2012 (the end of the period covered by this Quarterly Report on Form 10-Q) were effective. Further, there have been no changes in our internal control over financial reporting identified in connection with management's evaluation thereof during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II: Other Information

### Item 1 — Legal Proceedings

In the normal course of business, we are at times subject to pending and threatened legal actions and proceedings. After reviewing with legal counsel any pending and threatened actions and proceedings, management does not expect the outcome of such actions or proceedings to have a material adverse effect on our business, financial condition, results of operations, or cash flows.

### Item 1A — Risk Factors

There are no material changes from the risk factors related to our business as disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed by us with the SEC on September 28, 2011.

### Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows the monthly activity for our Repurchase Program for the three months ended March 31, 2012:

#### ISSUER PURCHASES OF EQUITY SECURITIES

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
March 1, 2012 through March 31, 2012	18,300	\$ 1.06	18,300	\$ 2,981
Total	18,300	\$ 1.06	18,300	\$ 2,981

### Item 3 — Defaults Upon Senior Securities

None.

### Item 4 — Mine Safety Disclosures

None.

### Item 5 — Other Information

None.

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### Item 6 — Exhibits

#### Exhibit Index

- 10.1\* Termination Agreement, dated February 29, 2012, by and among Harris Interactive Inc., Angrisani Turnarounds, LLC and AI Angrisani (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 1, 2012 and incorporated herein by reference).
- 10.2\* Employment Agreement Amendment No. 1, dated February 29, 2012, by and between Harris Interactive Inc. and AI Angrisani (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 1, 2012 and incorporated herein by reference).
- 10.3\* Restricted Stock Agreement, dated February 29, 2012, by and between Harris Interactive Inc. and AI Angrisani (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 1, 2012 and incorporated herein by reference).
- 10.4\* Incentive Stock Option Agreement Amendment No. 1, dated February 29, 2012, by and between Harris Interactive Inc. and AI Angrisani (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed March 1, 2012 and incorporated herein by reference).
- 10.5\* Non-Qualified Stock Option Agreement Amendment No. 1, dated February 29, 2012, by and between Harris Interactive Inc. and AI Angrisani (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed March 1, 2012 and incorporated herein by reference).
- 10.6 Letter Agreement, dated March 9, 2012, by and between Harris Interactive Inc. and JPMorgan Chase Bank, National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 12, 2012 and incorporated herein by reference).
- 10.7\* Settlement Agreement between Harris Interactive Inc. and Kimberly Till dated March 19, 2012.
- 10.8\* Employment Agreement, dated March 27, 2012, by and between Harris Interactive Inc. and Eric W. Narowski (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference).
- 10.9\* Form of Non-Qualified Stock Option Agreement Amendment No. 1 between Harris Interactive Inc. and certain employees (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference).
- 10.10\* Form of Restricted Stock Agreement between Harris Interactive Inc. and certain employees (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference).
- 10.11\* Employment Agreement, dated March 27, 2012, by and between Harris Interactive Inc. and Marc H. Levin (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference).

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- 10.12\* Employment Agreement, dated March 27, 2012, by and between Harris Interactive Inc. and Michael de Vere (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference).
- 10.13\* Employment Agreement, dated March 27, 2012, by and between Harris Interactive Inc. and Todd Myers (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference).
- 31.1 Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certificate of the Chief Executive Officer pursuant to 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 32.2 Certificate of the Chief Financial Officer pursuant to 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

\* Denotes management contract or arrangement

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 15, 2012

**Harris Interactive Inc.**

By: \_\_\_\_\_  
/s/ Eric W. Narowski  
Eric W. Narowski  
*Chief Financial Officer*  
(On Behalf of the Registrant and as  
Principal Financial and Accounting Officer)

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### Exhibit Index

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- 31.2 Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certificate of the Chief Executive Officer pursuant to 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 32.2 Certificate of the Chief Financial Officer pursuant to 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

\* Denotes management contract or arrangement

## AGREEMENT

This Agreement (this "**Agreement**") is made and entered into as of this 19th day of March, 2012, by and between Kimberly Till ( "**Till** ") and Harris Interactive Inc., a Delaware corporation (the "**Company**").

## RECITALS

- A. Till and the Company entered into a "Separation from Employment" agreement, dated June 9, 2011 (the "**Separation Agreement**"), a true and correct copy of which is annexed hereto as Exhibit "A".
- B. In connection with the Separation Agreement, Till's employment as President and Chief Executive Officer of the Company was terminated by mutual agreement, effective June 7, 2011.
- C. Pursuant to Section 19 of the Separation Agreement, the Effective Date of the Separation Agreement was June 17, 2011.
- D. Section "3(a)" of the Separation Agreement provided for payments to Till in the total amount of Nine Hundred Thousand Dollars (\$900,000.00), with payments as follows: (i) on the date six (6) months after the Effective Date of the Separation Agreement, a payment of One Hundred Twenty Thousand Dollars (\$120,000.00) (the "**Initial Severance Payment**"); (ii) commencing in January 2012, nineteen (19) equal monthly installments of Forty Thousand Dollars (\$40,000.00); and (iii) in August 2013, a single final installment of Twenty Thousand Dollars (\$20,000.00), all of which required payments were subject to all applicable deductions and withholdings.
- E. Section "3(b)" of the Separation Agreement provided that Till would be entitled to the

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equivalent of twelve (12) months of the Company's share of health and medical premiums at Till's active employee rate (in the aggregate, approximately \$5,500.00) on the date six (6) months after the Effective Date of the Separation Agreement.

F. The Company did not pay Till the Initial Severance Payment when due, and a dispute between the parties arose over the Company's obligation to make payment under the Separation Agreement due to the Company's allegations concerning Till's conduct while she was employed by the Company.

G. Following the Company's refusal to make the Initial Severance Payment to Till, Till filed a Verified Complaint dated January 9, 2012 in the Supreme Court of the State of New York, County of New York, Index Number 650063/2012, against the Company, asserting causes of action for breach of the Separation Agreement, anticipatory breach of the Separation Agreement, and attorneys' fees (the "**Litigation**"). As of the date hereof, the Company has not filed its response to the Verified Complaint.

H. Subsequent to the commencement of the Litigation, the Company paid the Initial Settlement Payment to Till on February 22, 2012, but did not make any of the other payments to Till called for in the Separation Agreement.

I. The parties hereto desire to terminate the Litigation and to fully and finally resolve all disputes and claims arising out of the Separation Agreement and out of Till's employment and service as the Company's President and Chief Executive Officer, on the following terms and conditions.

**NOW, THEREFORE**, the parties hereto agree as follows:

1. Till acknowledges and affirms that (a) in connection with the Separation Agreement,

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her employment as President and Chief Executive Officer of the Company terminated by mutual agreement, effective June 7, 2011, and (b) by reason of this Agreement, she will not be entitled to any severance compensation or benefits from the Company beyond that which is provided for under this Agreement. (For the sake of clarity, Till confirms that effective June 7, 2011, she ceased to be a participant in any of the Company's benefit plans and programs (other than her eligibility to participate in COBRA for medical insurance for a period of up to 18 months which eligibility continues as specified in subparagraph "2c." of the Separation Agreement) including (but not limited to) the Company's 401(k) plan, and any entitlements thereunder continue to be governed by the terms of such plans and programs. Any amounts payable hereunder shall not be taken into account in determining any such entitlements.)

2. In satisfaction of all severance and other consideration due to Till by the Company under the Separation Agreement (or otherwise), the Company agrees to pay Till the further sum of SIX HUNDRED AND SEVENTY-FIVE THOUSAND DOLLARS (\$675,000.00), subject to all applicable deductions and withholdings, which sum shall be *in addition to* the Initial Severance Payment in the amount of \$120,000.00 that the Company paid to Till on February 22, 2012 (the \$675,000.00 to be paid hereunder and the \$120,000.00 paid by the Company to Till on February 22, 2012 being referred to herein, collectively, as the "**Settlement Amount**").

3. Both Till and the Company acknowledge that the Settlement Amount represents a compromise and reduction from the consideration to Till originally contemplated by the Separation Agreement, and that Till's agreement to accept the Settlement Amount in full satisfaction of all claims asserted by her in the Litigation is conditioned upon the Company's performance of all payment obligations assumed by the Company hereunder.

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4. The Settlement Amount shall be paid by the Company to Till as follows:

- (i) \$325,000.00 (the “**Upfront Payment**”) upon the execution and delivery by the parties of this Agreement, the three Affidavits of Confession of Judgment in the forms annexed hereto as Exhibits “B”, “C” and “D”, respectively (as required by Paragraph “5(b)” below), and the releases in the forms annexed hereto as Exhibits “E” and “F”, respectively (as required by Paragraphs “7” and “8” below);
- (ii) \$125,000.00 on July 2, 2012 ( “**Deferred Payment #1**” );
- (iii) \$125,000.00 on October 1, 2012 ( “**Deferred Payment #2**” ); and
- (iv) \$100,000.00 on December 17, 2012 ( “**Deferred Payment #3**” , and, collectively with Deferred Payment #1 and Deferred Payment #2, the “ **Deferred Payments** ”).

Each of the four payments required to be made by the Company to Till pursuant to this Paragraph “4” shall be subject to all applicable deductions and withholdings, and the net amount of each such payment due Till shall be made by the Company to Till either by certified check, wire transfer, or direct deposit into the bank account into which Till’s salary payments were made while she was employed by the Company (or such other account as Till shall direct by written notice to the Company. In the event that all of the assets of the Company are sold in a cash transaction, any remaining payments under this Paragraph “4” shall become due on the closing date of the sale.

5. (a) In the event that the Company shall fail to pay any of the Deferred Payments when due, which failure shall remain uncured for five (5) calendar days following written notice of such failure by Till to the Company (in accordance with Paragraph “13” below), then the full amount originally due Till under the Separation Agreement ( *i.e.* , \$905,500.00) shall be reinstated (the “ **Reinstated Amount** ” ) and become immediately due and payable (less the amount of the

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Initial Severance Payment and all other payments actually made by the Company to Till pursuant to this Agreement).

(b) The Company's obligation to pay Till the Reinstated Amount (against which the Initial Severance Payment and the Upfront Payment shall be applied) in the event of any uncured failure by the Company to pay Till any of the Deferred Payments when due shall be secured by the Company's delivery to Till's counsel, Stanley L. Lane, Jr. (Otterbourg, Steindler, Houston & Rosen, P.C.) of three alternative Affidavits of Confession of Judgment in the forms annexed hereto as Exhibits "B", "C", and "D", respectively (each a "**Confession**" and collectively, the "**Confessions**"), to be held by Till's counsel subject to Paragraphs "5(c)", "5(d)" and "5(e)" below), contemporaneously with the execution and delivery of this Agreement (and as a material condition hereof).

(c) In the event that the Company fails to pay Deferred Payment #1 to Till when due, which failure remains uncured for five (5) calendar days following written notice thereof by Till (or her counsel) to the Company, *and only in such event*, Till's counsel may file on her behalf the Confession in the form annexed hereto as Exhibit "B" ("**Confession #1**"), and enter judgment thereon against the Company in the Supreme Court of the State of New York, New York County. If the Company pays Till a portion of Deferred Payment #1, but not the entire amount thereof, which failure remains uncured for five (5) calendar days following written notice thereof by Till (or her counsel) to the Company, Till's counsel may file Confession #1 on her behalf and enter judgment thereon against the Company in the Supreme Court of the State of New York, New York County, however, Till shall be required after the entry of judgment against the Company pursuant to Confession #1, to promptly file a Partial Satisfaction of such judgment in the amount of any portion of Deferred Payment #1 actually paid by the Company to Till prior

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to the entry of Till's judgment pursuant to Confession #1. Unless vacated, the entry of judgment on Confession #1 shall preclude the subsequent entry of judgment on Confession #2 or Confession #3, which shall be returned to the Company's counsel. In the event the Company pays Deferred Payment #1, Till shall promptly return the executed original Confession #1 to the Company's counsel.

(d) In the event that the Company fails to pay Deferred Payment #2 to Till when due, which failure remains uncured for five (5) calendar days following written notice thereof by Till (or her counsel) to the Company, *and only in such event*, Till's counsel may file on her behalf the Confession in the form annexed hereto as Exhibit "C" ( "**Confession #2**" ), and enter judgment thereon against the Company in the Supreme Court of the State of New York, New York County. If the Company pays Till a portion of Deferred Payment #2, but not the entire amount thereof, which failure remains uncured for five (5) calendar days following written notice thereof by Till (or her counsel) to the Company, Till's counsel may file Confession #2 on her behalf and enter judgment thereon against the Company in the Supreme Court of the State of New York, New York County, however, Till shall be required after the entry of judgment against the Company pursuant to Confession #2, to promptly file a Partial Satisfaction of such judgment in the amount of any portion of Deferred Payment #2 actually paid by the Company to Till prior to the entry of Till's judgment pursuant to Confession #2. Unless vacated, the entry of judgment on Confession #2 shall preclude the subsequent entry of judgment on Confession #1 or Confession #3, which shall be returned to the Company's counsel. In the event the Company pays Deferred Payment #2, Till shall promptly return the executed original Confession #2 to the Company's counsel.

(e) In the event that the Company fails to pay Deferred Payment #3 to Till when

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due, which failure remains uncured for five (5) calendar days following written notice thereof by Till (or her counsel) to the Company, *and only in such event*, Till's counsel may file on her behalf the Confession in the form annexed hereto as Exhibit "D" (**"Confession #3"**), and enter judgment thereon against the Company in the Supreme Court of the State of New York, New York County. If the Company pays Till a portion of Deferred Payment #3, but not the entire amount thereof, which failure remains uncured for five (5) calendar days following written notice thereof by Till (or her counsel) to the Company, Till's counsel may file Confession #3 on her behalf and enter judgment thereon against the Company in the Supreme Court of the State of New York, New York County, however, Till shall be required after the entry of judgment against the Company pursuant to Confession #3, to promptly file a Partial Satisfaction of such judgment in the amount of any portion of Deferred Payment #3 actually paid by the Company to Till prior to the entry of Till's judgment pursuant to Confession #3. Unless vacated, the entry of judgment on Confession #3 shall preclude the subsequent entry of judgment on Confession #1 or Confession #2, which shall be returned to the Company's counsel. In the event the Company pays Deferred Payment #3, Till shall promptly return the executed original Confession #3 to the Company's counsel.

(f) Should Till file any Confession, the Company's counsel shall promptly be so notified in writing no more than five (5) calendar days after such filing. All payments made by the Company pursuant to such entered judgment shall be subject to all applicable deductions and withholdings, and any amounts paid by the Company to federal, state or local taxing authorities on account of such applicable deductions and withholdings shall be counted towards the amount required to satisfy such entered judgment in full. Should Till receive any amounts in enforcement of such entered judgment that include amounts that should otherwise have been

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subject to applicable deductions and withholdings, she shall indemnify the Company to the extent of such amounts received by her in respect of otherwise applicable deductions and withholdings against any duplicate liability therefor as may be imposed on the Company by such governmental authorities as the result of such amounts having been received by Till directly. Till shall not sell, assign or transfer any judgment pursuant to a Confession to a third party without first (i) notifying such third-party purchaser(s), assignee(s) or transferee(s) in writing of the contents of this subparagraph 5(f), and (ii) informing the Company of the name and contact information of the third-party purchaser(s), assignee(s) or transferee(s) in writing at least five (5) calendar days prior to such sale, assignment or transfer.

6. Contemporaneously with the execution and delivery by the parties of this Agreement, and as a material condition hereof, Till shall deliver to the Company's counsel, John P. Doherty, Esq. (Alston & Bird LLP), a Stipulation of Discontinuance With Prejudice in the form annexed hereto as Exhibit "G" (the "**Dismissal Stipulation**"), which stipulation the Company shall be permitted to file in the Litigation upon (i) the Company's delivery to Till's counsel of hand-signed originals of each of the Confessions, and (ii) confirmation that Till has received the Upfront Payment (or, in the event of a wire transfer or direct deposit by the Company, that the proceeds of the Upfront Payment have been received by Till's bank and credited to her account).

7. In consideration of the mutual promises and obligations agreed to by the parties pursuant to this Agreement, Till agrees that upon (i) the Company's execution and delivery of this Agreement and a General Release in the form annexed hereto as Exhibit "F"; (ii) the Company's payment of the Upfront Payment in accordance with subparagraph "4(i)" above; and (iii) the Company's delivery to Till's counsel of hand-signed originals of each of the Confessions, Till and all of her agents, attorneys, representatives, heirs, executors, successors

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and assigns (collectively, the “ **Till Releasors** ”) shall be deemed to have released (i) the Company and all of its present and former affiliates, divisions, associates, owners, predecessors, principals, agents, servants, employees, shareholders, members, partners, officers and directors, attorneys, representatives, successors, assigns, heirs, executors and administrators (collectively, the “ **Harris Releasees** ”) of and from any and all claims, demands, causes of action, indebtedness and obligations of any kind, nature or description, whether known or unknown, liquidated or unliquidated, at law or in equity, whether sounding in tort or contract, that the Till Releasors ever had, now have, or hereafter can, shall, or may have, against any of the Harris Releasees, from the beginning of time through the effective date of this Agreement. WITHOUT IN ANY WAY LIMITING THE FOREGOING, IT IS SPECIFICALLY ACKNOWLEDGED THAT THIS RELEASE INCLUDES, WITHOUT LIMITATION, THE RELEASE OF ANY AND ALL RIGHTS AND CLAIMS UNDER TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED, THE CIVIL RIGHTS ACT OF 1991, THE CIVIL RIGHTS ACT OF 1866 (42 U.S.C. § 1981), THE EMPLOYEE RETIREMENT INCOME SECURITY ACT, AS AMENDED, THE AMERICANS WITH DISABILITIES ACT, THE FAMILY AND MEDICAL LEAVE ACT, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE SARBANES-OXLEY ACT OF 2002, THE NEW YORK STATE HUMAN RIGHTS LAW AND THE NEW YORK LABOR LAW; and all other federal, state or local fair employment practices statutes, ordinances, regulations or constitutional provisions; provided, however, that this release shall not prohibit Till from enforcing her rights under this Agreement. Till shall confirm such release by her execution and delivery of a separate “General Release” in the form annexed hereto as Exhibit “E”, it being understood that any failure by Till to execute or deliver such separate release shall not diminish the effectiveness of the release granted by the Till Releasors to the Harris Releasees pursuant to this Paragraph “7”.

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8. In consideration of the mutual promises and obligations agreed to by the parties hereto, the Company agrees that upon (i) Till's execution and delivery of this Agreement and a General Release in the form annexed hereto as Exhibit "E", (ii) the delivery of the Dismissal Stipulation to the Company's counsel as contemplated by Paragraph "6" above, the Company and all of its present and former affiliates, divisions, associates, owners, predecessors, principals, agents, servants, employees, shareholders, members, partners, officers and directors, attorneys, representatives, successors, assigns, heirs, executors and administrators (collectively, the "**Harris Releasors**") shall be deemed to have released Till and all of her agents, attorneys, representatives, heirs, executors, successors and assigns (collectively, the "**Till Releasees**") of and from any and all claims, demands, causes of action, indebtedness and obligations of any kind, nature or description, whether known or unknown, liquidated or unliquidated, at law or in equity, whether sounding in tort or contract, that the Company ever had, now has, or hereafter can, shall, or may have, against the Till Releasees, from the beginning of time through the effective date of this Agreement; provided however that this release shall not prevent the Company from enforcing its rights under this Agreement. The Company shall confirm such release by its execution and delivery of a separate "General Release" in the form annexed hereto as Exhibit "F", it being understood that any failure by the Company to execute or deliver such separate release shall not diminish the effectiveness of the release granted by the Harris Releasors to the Till Releasees pursuant to this Paragraph "8".

9. Till shall not issue, authorize, or condone any disparaging comments or statements to present or former employees of the Company (or of its subsidiaries or affiliates), or to any individual or entity with whom or which the Company or any of its subsidiaries or affiliates has a

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business relationship, or to others, which could have a material adverse effect on the conduct of the Company's business or its reputation or the conduct of the business or reputation of any of the Company's current or former subsidiaries, affiliates, officers, directors, or employees. Likewise, neither the Company nor any of its executive officers or directors shall issue, authorize or condone any disparaging comments or statements about Till that could have a material adverse effect on her reputation. Nothing herein shall prevent Till or the Company from making such truthful disclosures as shall be required by law.

10. (a) Nothing in this Agreement shall prohibit or restrict Till or the Company from (i) making any disclosure of information required by law or legal process; (ii) providing information to, or testifying or otherwise participating in or assisting in any investigation or proceeding brought by, any federal or state regulatory or law enforcement agency or legislative body, or any self-regulatory organization; or (iii) testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of the Sarbanes-Oxley Act or any federal, state, or municipal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

(b) To the extent permitted by law, Till agrees to give the Company timely and prompt written notice (in the manner provided for herein) of the receipt of any subpoena, court order or other legal process compelling the disclosure of any information and/or documents described so as to allow the Company reasonable opportunity to take such action as may be necessary in order to protect such information and/or documents from disclosure.

11. Till agrees to reasonably cooperate with the Company and its counsel in connection with any investigation, administrative proceeding or litigation relating to any matter in which she was involved or of which she has knowledge as a result of her employment by the Company. Pre-approved expenses incurred in connection with such cooperation by Till shall be reimbursed by the Company.

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12. This Agreement may be specifically enforced in court and may be used as evidence in a subsequent proceeding in which any of the parties allege a breach of this Agreement. In the event any action, suit or other proceeding is brought to interpret, enforce or obtain relief from a breach of this Agreement, the prevailing party shall recover all such party's costs, expenses and attorneys' fees incurred in each and every such action, suit or proceeding, including any and all appeals or petitions therefrom.

13. All notices in connection with, or contemplated by, this Agreement shall be validly given or made only if made in writing and delivered personally, or by registered or certified mail, return receipt requested, postage prepaid, or by Federal Express (or other overnight courier) to the party entitled to (or required to) receive such notice, as follows:

If to Till, addressed to:

Kimberly Till

(with a copy by e-mail to Stanley L. Lane, Jr., Otterbourg, Steindler, Houston & Rosen, P.C. at slane@oshr.com)

If to the Company, addressed to:

Harris Interactive Inc.

60 Corporate Woods

Rochester, NY 14623

Attention: General Counsel

(with a copy by e-mail to John P. Doherty, Esq., Alston & Bird LLP at John.Doherty@alston.com)

or to such other address as either party may designate to the other by notice similarly given. Notice shall be deemed to have been given upon receipt in the case of personal delivery and upon the date of receipt indicated on the return receipt in case of mail.

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14. Till and the Company each acknowledge and represent to each other that she or it (as the case may be) has been fully advised by her or its respective legal counsel of her or its rights and responsibilities under this Agreement, that she or it has read and understands completely its contents, and that she or it has voluntarily executed it (or instructed that it be executed on her or its behalf).

15. Till and the Company each acknowledge that she or it (as the case may be) has participated through her or its counsel in the drafting of this Agreement, and that this Agreement is the product of arms'-length negotiations. Accordingly, it is mutually agreed by each of the parties hereto that the language of this Agreement shall not be presumptively construed either in favor of, or against, any party on the grounds that such party is the "drafter" of this Agreement. Additionally, no prior drafts of this Agreement, any of the exhibits annexed hereto, or any of the various documents to be executed and delivered by the parties pursuant to this Agreement, shall be admissible in any dispute or proceeding to construe the intent or the meaning of any provision herein or of any of the documents (including the releases) that the parties have agreed to execute and pursuant hereto.

16. Each of the parties hereto expressly agrees that she or it (as the case may be) will execute and deliver such additional documents as may reasonably be requested in the future by the other party hereto in order to effectuate the intent and purpose of this Agreement.

17. This Agreement shall be interpreted, construed, and enforced in accordance with the laws of the State of New York, without regards to conflicts of law principles. Any action to enforce the terms of this Agreement, or involving this Agreement, shall be filed in the Supreme Court of the State of New York, County of New York, which jurisdiction and venue both Till and the Company hereby irrevocably and absolutely consent to, and with respect to which each

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waives any and all defenses or objections based on jurisdiction, venue, or inconvenient forum. Notwithstanding the foregoing, and without admitting that Till has any rights under 8 Delaware Code § 145, nothing contained herein (or in the releases being executed and delivered by the parties pursuant hereto) shall be construed as a waiver of any rights of indemnification that Till may have under and pursuant to 8 Delaware Code § 145 with respect to any claims that may be asserted against her in the future (whether by the Company or not) as a result of her prior employment by the Company, which rights Till shall be permitted to seek enforcement of in the Court of Chancery of the State of Delaware, or in any other Court of competent jurisdiction.

18. This Agreement, and the rights of the respective parties hereto, shall inure to the benefit of the respective parties hereto, their heirs, successors, and assigns. Any assignment of the obligations imposed on the respective parties by this Agreement shall be ineffective, and shall not release the original obligor of such obligations, unless such assignment and release of obligations is consented to in writing by the party to whom such obligations are owed.

19. This Agreement has been negotiated and entered into as a settlement and compromise that shall inure to the benefit of all parties hereto, but shall not constitute or be construed as an admission by any party hereto as to the validity, invalidity or extent of any claims that existed prior to the parties entering into this Agreement, or as a waiver or admission by any party as to any other matter.

20. The parties hereto shall each bear her or its (as the case may be) own costs and expenses in connection with the negotiation and execution of this Agreement.

21. Except as provided for in Paragraph "22" below, this Agreement, together with the documents to be executed and delivered by the parties pursuant to this Agreement, represent the sole and entire agreement between the parties with respect to the subject matter hereof, and

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supersede all prior agreements, negotiations and discussions between the parties hereto and/or their respective counsel with respect to the subject matter covered hereby. No party to this Agreement has relied in any way upon any prior representations or statements of any kind not found in this Agreement.

22. Notwithstanding anything to the contrary in this Agreement, or in the releases to be executed and delivered pursuant hereto, it is hereby understood, agreed and acknowledged by the parties hereto that Paragraphs "5.1", "5.2", "5.3", "5.4" and "6.9" of Till's Employment Agreement with the Company dated as of October 21, 2008, as amended (the "Employment Agreement"), shall remain in full force and effect to the full extent set forth in said provisions, and that the mutual obligations imposed on the parties by this Agreement shall constitute separate and additional consideration for the continued application of Paragraphs "5.1", "5.2", "5.3", "5.4" and "6.9" of the Employment Agreement.

23. Till represents and warrants that she has fully complied with Paragraph "7" of the Separation Agreement, and has previously returned to the Company all documents and other items as required thereby.

24. This Agreement may not be changed orally, and no modification, amendment or waiver of any of the provisions contained in this Agreement, nor any future representation, promise or condition in connection with the subject matter of this Agreement, shall be binding upon any party hereto unless made in writing and signed by such party.

25. If, at any time after the effective date of this Agreement, any provision of this Agreement shall be held by any court or other forum of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect. The illegality or unenforceability of such provision, however, shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement.

26. Each of the parties hereto represents and warrants that she or it (as the case may be) has all necessary power and authority to enter into this Agreement, and to perform the obligations required hereunder, and that no other action, consent, resolution or authority is necessary to either enter into this agreement or have all of the obligations hereunder be enforceable against such party

27. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, and all of which, when taken together, shall constitute a single agreement. This Agreement, the Dismissal Stipulation and each of the General Releases contemplated hereby may be executed by facsimile transmission, the parties hereto agreeing that their fax (or email in .pdf) signature shall constitute original signatures. It shall, however, be a material condition of this Agreement that hand-signed originals of each of the Confessions be executed and delivered by the Company's counsel to Till's counsel in order for this Agreement to become effective.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement, or caused their authorized representatives to execute this Agreement on their behalf, this 19th day of March, 2012.

**HARRIS INTERACTIVE INC.**

/s/ Kimberly Till

**KIMBERLY TILL**

Executed this 19th day of March, 2012

By: /s/ Howard Shecter

Name: Howard Shecter

Title: Chairman of the Board of Directors

Executed this 19th day of March, 2012

**CERTIFICATION**

I, Al Angrisani, certify that:

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

Date: May 15, 2012

Signature:           /s/ Al Angrisani          

Al Angrisani  
*President and Chief Executive Officer*  
 (Principal Executive Officer)

**CERTIFICATION**

I, Eric W. Narowski, certify that:

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

Date: May 15, 2012

Signature:           /s/ Eric W. Narowski          

Eric W. Narowski  
*Chief Financial Officer*  
 (Principal Financial Officer)

Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Harris Interactive Inc. (the "Company") for the three months ended March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Al Angrisani, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Signature:           /s/ Al Angrisani          

Al Angrisani  
*President and Chief Executive Officer*  
(Principal Executive Officer)

Dated: May 15, 2012

Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Harris Interactive Inc. (the "Company") for the three months ended March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric W. Narowski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Signature:           /s/ Eric W. Narowski            
Eric W. Narowski  
*Chief Financial Officer*  
(Principal Financial Officer)

Dated: May 15, 2012