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VALUECLICK INC/CA

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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 000-30135

VALUECLICK, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0495335**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

30699 RUSSELL RANCH ROAD, SUITE 250
WESTLAKE VILLAGE, CALIFORNIA 91362
(Address of principal executive offices, including zip code)

(818) 575-4500
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☐

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

The number of shares of the registrant's common stock outstanding as of November 1, 2010 was 80,743,620.

VALUECLICK, INC.
INDEX TO FORM 10-Q FOR THE
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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Certification of CEO - Sarbanes-Oxley Act Section 302
Certification of CFO - Sarbanes-Oxley Act Section 302
Certification of CEO and CFO - Sarbanes-Oxley Act Section 906

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VALUECLICK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 147,494	$ 158,497
Marketable securities	16,486	—
Accounts receivable, net	71,824	68,484
Prepaid expenses and other current assets	7,075	5,246
Income taxes receivable	11,690	7,629
Deferred tax assets	7,378	7,981
Current assets held for sale	—	11,098
Total current assets	261,947	258,935
Assets held for sale, less current portion	—	25,777
Note receivable, less current portion	31,627	—
Marketable securities	—	22,026
Property and equipment, net	11,252	11,272
Goodwill	183,264	157,123
Intangible assets acquired in business combinations, net	38,844	38,718
Deferred tax assets, less current portion	54,080	51,357
Other assets	1,339	1,354
TOTAL ASSETS	$ 582,353	$ 566,562
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 89,749	$ 91,703
Income taxes payable	1,743	1,136
Deferred tax liabilities	20	9
Deferred revenue	1,184	1,150
Liabilities related to assets held for sale	—	4,406
Total current liabilities	92,696	98,404
Income taxes payable, less current portion	37,606	60,154
Deferred tax liabilities, less current portion	760	1,515
TOTAL LIABILITIES	131,062	160,073
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding at September 30, 2010 and December 31, 2009	—	—
Common stock, $0.001 par value; 500,000,000 shares authorized; 80,736,886 and 83,877,696 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	81	84
Additional paid-in capital	553,833	583,682
Accumulated other comprehensive loss	(4,651)	(9,857)
Accumulated deficit	(97,972)	(167,420)
Total stockholders' equity	451,291	406,489
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 582,353	$ 566,562

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three-month Period Ended September 30,	
	2010	2009
Revenue	$ 106,768	$ 105,166
Cost of revenue	28,502	26,146
Gross profit	78,266	79,020
Operating expenses:		
Sales and marketing (includes stock-based compensation of $257 and $394 for 2010 and 2009, respectively)	29,351	31,093
General and administrative (includes stock-based compensation of $1,261 and $1,555 for 2010 and 2009, respectively)	12,331	16,700
Technology (includes stock-based compensation of $163 and $228 for 2010 and 2009, respectively)	8,897	6,143
Amortization of intangible assets	5,376	4,991
Total operating expenses	55,955	58,927
Income from operations	22,311	20,093
Interest and other expense, net	(2,683)	(513)
Income before income taxes	19,628	19,580
Income tax benefit	(16,549)	(3,677)
Income from continuing operations	36,177	23,257
Income from discontinued operations (Note 5)	—	1,773
Net income	$ 36,177	$ 25,030
Basic net income per common share:		
Continuing operations	$ 0.45	$ 0.27
Discontinued operations	$ —	$ 0.02
Net income	$ 0.45	$ 0.29
Diluted net income per common share:		
Continuing operations	$ 0.44	$ 0.26
Discontinued operations	$ —	$ 0.02
Net income	$ 0.44	$ 0.29
Weighted-average shares used to calculate net income per common share:		
Basic	81,228	87,194
Diluted	81,814	87,790

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Nine-month Period Ended September 30,	
	2010	2009
Revenue	$ 302,051	$ 312,329
Cost of revenue	81,347	85,336
Gross profit	220,704	226,993
Operating expenses:		
Sales and marketing (includes stock-based compensation of $917 and $1,552 for 2010 and 2009, respectively)	80,963	91,229
General and administrative (includes stock-based compensation of $4,358 and $4,673 for 2010 and 2009, respectively)	39,517	45,939
Technology (includes stock-based compensation of $563 and $731 for 2010 and 2009, respectively)	25,123	18,871
Amortization of intangible assets	15,278	14,804
Total operating expenses	160,881	170,843
Income from operations	59,823	56,150
Interest and other income, net	313	478
Income before income taxes	60,136	56,628
Income tax expense	594	12,430
Income from continuing operations	59,542	44,198
(Loss) income from discontinued operations (Note 5)	(134)	8,921
Gain on sale, net of tax	10,040	—
Net income	$ 69,448	$ 53,119
Basic net income per common share:		
Continuing operations	$ 0.73	$ 0.51
Discontinued operations	$ 0.12	$ 0.10
Net income	$ 0.85	$ 0.61
Diluted net income per common share:		
Continuing operations	$ 0.72	$ 0.51
Discontinued operations	$ 0.12	$ 0.10
Net income	$ 0.84	$ 0.61
Weighted-average shares used to calculate net income per common share:		
Basic	81,884	87,032
Diluted	82,501	87,489

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(in thousands, except share data)							
Balance at December 31, 2009	—	—	83,877,696	$ 84	$ 583,682	$ (9,857)	$ (167,420)	$ 406,489
Non-cash, stock-based compensation	—	—	—	—	5,838	—	—	5,838
Shares issued in connection with employee stock programs	—	—	819,167	1	2,860	—	—	2,861
Repurchase and retirement of common stock	—	—	(3,959,977)	(4)	(38,552)	—	—	(38,556)
Tax benefit from employee stock transactions	—	—	—	—	5	—	—	5
Comprehensive income:								
Net income	—	—	—	—	—	—	69,448	69,448
Change in market value of marketable securities, net of tax	—	—	—	—	—	5,524	—	5,524
Foreign currency translation	—	—	—	—	—	(318)	—	(318)
Total comprehensive income								74,654
Balance at September 30, 2010	—	—	80,736,886	$ 81	$ 553,833	$ (4,651)	$ (97,972)	$ 451,291

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine-month Period Ended September 30,	
	2010	**2009**
Cash flows from operating activities:		
Net income	$ 69,448	$ 53,119
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,156	25,256
Provision for doubtful accounts and sales credits	1,063	4,536
Gain on disposition of business	(10,040)	—
Non-cash, stock-based compensation	5,838	7,282
Deferred income taxes	1,170	2,090
Tax benefit from stock-based awards	5	115
Excess tax benefit from stock-based awards	(480)	(164)
Loss on marketable securities	3,117	—
Changes in operating assets and liabilities	(27,184)	(2,403)
Net cash provided by operating activities	63,093	89,831
Cash flows from investing activities:		
Proceeds from the maturities and sales of marketable securities	7,947	6,377
Purchases of property and equipment	(7,117)	(3,644)
Proceeds from disposition of property and equipment	2,613	—
Notes receivable principal payments received	598	—
Acquisition of businesses and related payments	(41,673)	(62,696)
Net cash used in investing activities	(37,632)	(59,963)
Cash flows from financing activities:		
Repurchases and retirement of common stock	(38,556)	—
Proceeds from employee stock programs	2,861	2,721
Excess tax benefit from stock-based awards	480	164
Net cash (used in) provided by financing activities	(35,215)	2,885
Effect of exchange rate changes on cash and cash equivalents	(1,249)	3,801
Net increase in cash and cash equivalents	(11,003)	36,554
Cash and cash equivalents, beginning of period	158,497	122,487
Cash and cash equivalents, end of period	$ 147,494	$ 159,041

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. THE COMPANY AND BASIS OF PRESENTATION

Company Overview

ValueClick, Inc. and its subsidiaries ("ValueClick" or "the Company") offer a suite of products and services that enable marketers to advertise and sell their products through major online marketing channels including display advertising, comparison shopping, and affiliate marketing. The Company also offers technology infrastructure tools and services that enable marketers to implement and manage their online advertising across multiple channels including display, email, paid search, natural search, on-site, offline and affiliate. The broad range of products and services that the Company provides enables its customers to address all aspects of their online marketing process, from strategic planning through execution, including results measurement and campaign refinements. The Company derives its revenue from four business segments. These business segments are presented on a worldwide basis and include: Affiliate Marketing, Media, Owned & Operated Websites, and Technology.

AFFILIATE MARKETING— ValueClick's Affiliate Marketing segment, which operates under the "Commission Junction" brand name, provides the technology, network and customer service that, in combination, enable advertisers to create their own fully-commissioned online sales force comprised of third-party website publishers, also known as affiliates. Advertisers that utilize the Commission Junction platform generally are only obligated to pay affiliates when the affiliate delivers a consumer who achieves the desired result, which is typically a closed e-commerce transaction or a new customer lead. By joining the Commission Junction network, advertisers gain access to: a) the Company's proprietary technology platform that has been developed over the past decade and is completely focused on the unique needs of the affiliate marketing channel; b) a proprietary network of tens of thousands of high-quality website publishers; and c) the Company's digital marketing expertise and campaign management teams who ensure advertisers' campaigns are optimized for maximum performance. Commission Junction's revenues are driven primarily by variable compensation that is generally based on either a percentage of commissions paid by the Company's customers to affiliates or on a percentage of transaction revenue generated by the Company's customers from the programs managed with the Company's affiliate marketing platforms.

MEDIA— ValueClick's Media segment, which operates under the "ValueClick Media" brand name, provides a comprehensive suite of online marketing services and tailored programs that help marketers create and increase awareness for their products and brands, attract visitors and generate leads and sales through the Internet. ValueClick Media is able to access its customers' target audiences through the unique combination of: its proprietary broad-based network of thousands of high-quality online publishers; its vertically-focused networks in the areas of pharma/healthcare (AdRx Media), home and garden (Modern Living Media), and moms (Mom's Media); its ability to acquire inventory by bidding on a real-time basis through ad exchanges and other channels; and its ability to access inventory from ValueClick's owned and operated websites, as described below. ValueClick Media applies its proprietary data and targeting and optimization technologies to these inventory sources to ensure that the metrics that are most important to its customers are achieved. ValueClick Media's services are sold on a variety of pricing models, including cost-per-action ("CPA"), cost-per-thousand-impression ("CPM"), and cost-per-click ("CPC").

On February 1, 2010, the Company divested its promotional lead generation marketing business and has reported its results of operations as discontinued operations for all periods presented. See Note 5 for additional information on this divestiture.

OWNED & OPERATED WEBSITES— ValueClick's Owned & Operated Websites segment services are offered through a number of transaction-focused branded websites including Pricerunner, Smarter.com, Couponmountain.com and Investopedia.com. In 2009, ValueClick also launched a limited number of content websites in key online verticals such as healthcare, finance, travel, home and garden, education and business services.

The Smarter.com and Couponmountain.com websites operate primarily in the United States and, to a lesser extent, Japan and China. The Pricerunner comparison shopping destination websites operate in the United Kingdom, Sweden, Germany, France, Denmark, and Austria. The Pricerunner and Smarter.com websites enable consumers to research and compare products from among thousands of online and/or offline merchants using its proprietary technologies. The Company gathers product and merchant data and organizes it into comprehensive catalogs on its destination websites, along with relevant consumer and professional reviews. The Couponmountain.com website allows consumers to locate coupons and deals related to products and services that may be of interest to them. The Company's Investopedia.com website, which the Company acquired on August 3, 2010 as more fully described in Note 4, provides information on a broad range of financial and investment topics, including a proprietary dictionary of financial terms, and the Company's other vertical content websites offer consumers information and reference material across a variety of topics. The

Company's services in these areas are free for consumers, and revenue is generated in one of three ways: on a CPC basis for traffic delivered to the customers' websites from listings on the Company's websites; on a CPA basis when a consumer completes a purchase or other specific event; and on a CPM basis for display advertising shown on the Company's websites.

In addition to the Company's destination websites, Search123, which operates primarily in Europe, is ValueClick's self-service paid search offering that generates its traffic primarily through syndication relationships with content websites. Search syndication revenues are driven primarily on a CPC basis and are included in the Company's Owned & Operated Websites segment.

TECHNOLOGY— ValueClick's Technology segment, which operates under the brand name "Mediaplex", is an application services provider ("ASP") offering technology products and services that enable marketers to implement and manage their online advertising across multiple channels including display, email, paid search, natural search, on-site, offline and affiliate. Mediaplex's MOJO ® product suite is supported by a single proprietary technology platform, which has the ability to manage all aspects of online advertising from campaign implementation to real-time behavioral targeting to enterprise-level cross channel analysis. Revenues are primarily driven by software access and usage fees which are priced on a CPM or email-delivered basis.

Basis of Presentation and Use of Estimates

The condensed consolidated financial statements are unaudited and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period. As permitted by the Securities and Exchange Commission ("SEC") under Rule 10-01 of Regulation S-X, the accompanying condensed consolidated financial statements and related notes have been condensed and do not contain certain information that may be included in ValueClick's annual consolidated financial statements and notes thereto. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in ValueClick's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on February 26, 2010. The December 31, 2009 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including, but not limited to, those related to: i) the allowance for doubtful accounts and sales credits; ii) the assessment of other-than-temporary impairments related to the Company's marketable securities; iii) the valuation of equity instruments granted by the Company; iv) the value assigned to, recoverability and estimated useful lives of, goodwill and intangible assets acquired in business combinations; v) the Company's income tax expense, its deferred tax assets and liabilities and any valuation allowances recorded against deferred tax assets; and vi) the recognition and disclosure of contingent liabilities. These estimates and assumptions are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2010, the Financial Accounting Standards Board ("FASB") issued additional authoritative guidance to improve disclosures about fair value measurements. The guidance requires that an entity disclose separately the amounts of significant transfers in and out of Level 1 and 2 fair value measurements and describe the reasons for the transfers. Furthermore, an entity should present information about purchases, sales, issuances, and settlements for Level 3 fair value measurements. The guidance also clarifies existing disclosures for the level of disaggregation and disclosures about input and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements for the activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. On January 1, 2010, the Company adopted the disclosure amendments, except for the amendments to Level 3 fair value measurements as described above, which the Company will adopt on January 1, 2011.

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities. The new guidance requires a qualitative approach to identifying a controlling financial interest in a variable interest entity ("VIE"), and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. The Company adopted this guidance as of January 1, 2010 and applied this guidance to its divested Web Clients subsidiary as described in Note 5. Additionally, the Company determined that it was the primary beneficiary of a VIE that was established in China in June 2010. Accordingly, the VIE has been consolidated by the Company at September 30, 2010. The VIE's financial position, results of operations and cash flows were immaterial to the Company's consolidated financial statements contained herein.

3. STOCK-BASED COMPENSATION

In the three-month periods ended September 30, 2010 and 2009, the Company recognized stock-based compensation of $1.7 million and $2.2 million, respectively. In the nine-month periods ended September 30, 2010 and 2009, the Company recognized stock-based compensation of $5.8 million and $7.0 million, respectively. The following table summarizes, by statement of operations line item, the impact of stock-based compensation and the related income tax benefits recognized in the three- and nine-month periods ended September 30, 2010 and 2009 (in thousands):

	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
Sales and marketing	$ 257	$ 394	$ 917	$ 1,552
General and administrative	1,261	1,555	4,358	4,673
Technology	163	228	563	731
Stock-based compensation	1,681	2,177	5,838	6,956
Related income tax benefits	(669)	(745)	(2,155)	(2,235)
Stock-based compensation, net of tax benefits	$ 1,012	$ 1,432	$ 3,683	$ 4,721

4. RECENT BUSINESS COMBINATIONS

Investopedia.com. On August 3, 2010, the Company completed the acquisition of Investopedia.com ("Investopedia"), a leading financial information and investing education website. Under the terms of the agreement, the Company acquired the assets and assumed certain liabilities of Investopedia for an aggregate purchase price of $41.7 million. The Company incurred $110,000 in transaction costs, which is recorded in the "General and administrative expense" caption in the accompanying Condensed Consolidated Statements of Operations. Investopedia provides consumers with a comprehensive library of financial terms, articles, tutorials, and investing education tools.

Investopedia provides content, organic traffic and established advertiser relationships in the financial services advertising vertical, as well as an experienced team and immediate synergy opportunities with the Company's existing business units within its Media and Owned & Operated Websites segments. These factors contributed to a purchase price in excess of the fair value of Investopedia's net tangible and intangible assets acquired, and, as a result, the Company has recorded goodwill in connection with this transaction. The results of Investopedia's operations are included in the Company's consolidated financial statements beginning on August 3, 2010.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair values and the useful lives, in years, assigned to intangible assets was as follows (in thousands):

Accounts receivable and other assets		$ 1,586
Property, plant and equipment		317
	Useful life	
Amortizable intangible assets:		
Advertiser relationships	3	1,040
Trademarks, trade names and domain names	9	6,480
Developed technologies and websites	3 - 6	7,680
Goodwill		25,115
Total assets acquired		42,218
Liabilities assumed		(557)
Total		$ 41,661

The Company expects the majority of goodwill recognized of $25.1 million to be tax deductible. The Company does not consider the acquisition of Investopedia.com material for further disclosure.

5. DISCONTINUED OPERATIONS

On February 1, 2010, the Company completed the disposition of its lead generation marketing business, previously operated through its subsidiary Web Marketing Holdings LLC ("Web Clients"). The proceeds from the sale consisted of a $45 million (face amount) five year note receivable bearing interest at the rate of five percent. The estimated fair value of the note receivable was $32.8

million on the date of sale. Refer to Note 6 for additional information on the note receivable. The divestiture generated a pre-tax gain of $1.1 million, and a $10.0 million gain net of income taxes due to an $8.9 million tax benefit related to tax deductible goodwill that was realized upon the sale of Web Clients. The assets and liabilities of Web Clients were classified as held for sale as of December 31, 2009, and the historical results of Web Clients are treated as discontinued operations herein. The Company determined that Web Clients met the definition of an asset held for sale in the fourth quarter of 2009.

The following amounts related to Web Clients were derived from historical financial information and have been segregated from continuing operations and reported as discontinued operations (in thousands):

	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
Revenue	$ —	$ 24,995	$ 5,926	$ 83,237
Income (loss) before income taxes from discontinued operations	—	2,749	(222)	13,833
Income tax expense (benefit)	—	976	(88)	4,912
Income (loss) from discontinued operations, net of tax	$ —	$ 1,773	$ (134)	$ 8,921

6. NOTE RECEIVABLE

As discussed in Note 5, the Company sold its Web Clients business on February 1, 2010. The net proceeds from the sale of approximately $32.8 million consisted of the estimated fair value of a $45 million (face amount) five year note receivable bearing interest at the rate of five percent, with monthly payments amortized over a ten year period and a balloon payment at the end of the fifth year. The note is collateralized by substantially all of the assets of the buyer, consisting of Web Clients and other unrelated businesses. The collateralization of Web Clients resulted in the identification of Web Clients as a variable interest entity. However, because the Company does not have the power to direct the day-to-day operations of Web Clients and the risk of loss is limited to the amount of the note receivable, the Company is not considered the primary beneficiary and is not required to consolidate this VIE. Other than the note receivable, the Company has not, nor does it intend to, provide financial or other support to Web Clients.

The following table details the composition of the note receivable at September 30, 2010 (in thousands):

	September 30, 2010
Note receivable, gross	$ 43,243
Discount	(10,292)
Note receivable, net of discount	32,951
Less: current portion	(1,324)
Note receivable, less current portion	$ 31,627

The Company classifies the portion of the note receivable due within one year as current assets in the caption "Prepaid expenses and other current assets" in the accompanying Condensed Consolidated Balance Sheets. The total long-term portion of the note receivable as of September 30, 2010 is classified separately on the Condensed Consolidated Balance Sheet. The Company reflects interest income associated with this note in the "Interest and other income, net" caption in the accompanying Condensed Consolidated Statements of Operations. Total interest income recognized for the three- and nine-month periods ended September 30, 2010 was $1.1 million and $3.0 million, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill, by reporting unit, for the nine-month period ended September 30, 2010 were as follows (in thousands):

	Affiliate Marketing	Media	Owned & Operated Websites	Total
Balance at December 31, 2009	$ 30,177	$ 105,802	$ 21,144	$ 157,123
Foreign currency translation adjustments	299	126	601	1,026
Acquisition	—	—	25,115	25,115
Balance at September 30, 2010	$ 30,476	$ 105,928	$ 46,860	$ 183,264
Balance at September 30, 2010:				
Goodwill	$ 30,476	$ 217,928	$ 256,860	$ 505,264
Accumulated impairment losses	—	(112,000)	(210,000)	(322,000)
Goodwill, net	$ 30,476	$ 105,928	$ 46,860	$ 183,264

For the nine-month period ended September 30, 2010, the increase in goodwill for Owned & Operated Websites of $25.7 million was primarily due to the acquisition of Investopedia.com in August 2010 of $25.1 million and foreign currency translation adjustments of $601,000.

The gross balance, accumulated amortization and net carrying amount of the Company's intangible assets as of September 30, 2010 and December 31, 2009 were as follows (in thousands):

	Gross Balance	Accumulated Amortization	Net Carrying Amount
September 30, 2010:			
Advertiser and affiliate relationships	$ 48,388	$ (37,960)	$ 10,428
Trademarks, trade names and domain names	29,992	(15,964)	14,028
Developed technologies and websites	34,380	(21,544)	12,836
Covenants not to compete	7,500	(5,948)	1,552
Total intangible assets	$ 120,260	$ (81,416)	$ 38,844
December 31, 2009:			
Advertiser and affiliate relationships	$ 46,793	$ (32,246)	$ 14,547
Trademarks, trade names and domain names	23,211	(12,532)	10,679
Developed technologies and websites	26,700	(16,167)	10,533
Covenants not to compete	7,525	(4,566)	2,959
Total intangible assets	$ 104,229	$ (65,511)	$ 38,718

For the nine-month period ended September 30, 2010, the increase in the gross balances was due to the acquisition of Investopedia.com of $15.2 million and foreign currency translation adjustments totaling approximately $855,000. The Company recognized amortization expense of $5.4 million and $5.0 million on intangible assets for the three-month periods ended September 30, 2010 and 2009, respectively. Amortization expense was $15.3 million and $14.8 million for the nine-month periods ended September 30, 2010 and 2009, respectively. Estimated intangible asset amortization expense for the remainder of 2010, the succeeding five years and thereafter is as follows (in thousands):

Three months ending December 31, 2010	$	5,323
2011	$	15,361
2012	$	7,786
2013	$	2,730
2014	$	1,655
2015	$	1,655
Thereafter	$	4,334

8. ACCOUNTS RECEIVABLE

Accounts receivable are stated net of an allowance for doubtful accounts and sales credits of $4.0 million and $4.2 million at September 30, 2010 and December 31, 2009, respectively. No customers accounted for more than 10% of the accounts receivable balance at September 30, 2010 and December 31, 2009, respectively.

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2010 and December 31, 2009 (in thousands):

	September 30, 2010	December 31, 2009
Land	$ —	$ 1,470
Building	—	1,330
Computer equipment and purchased software	33,674	32,984
Furniture and equipment	4,612	4,066
Leasehold improvements	2,659	2,979
Vehicles	35	35
Property and equipment, gross	40,980	42,864
Less: accumulated depreciation and amortization	(29,728)	(31,592)
Total property and equipment, net	$ 11,252	$ 11,272

10. FAIR VALUE MEASUREMENT OF ASSETS

As of September 30, 2010, the Company held certain assets that are required to be measured at fair value on a recurring basis. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as fair value measured based on observable inputs such as quoted prices in active markets for identical assets; Level 2, defined as fair value measured based on observable inputs such as quoted prices in active markets for similar assets, and inputs other than quoted prices in active markets that are either directly or indirectly observable and for identifiable assets in less active markets; and Level 3, defined as fair value measured based on unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company’s assets required to be measured at fair value include the Company’s investment in marketable securities, which are classified as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, generally recorded in a separate component of stockholders’ equity within the accumulated other comprehensive income balance. Unrealized losses on available-for-sale securities that are related to credit losses or an other-than-temporary impairment (“OTTI”) are charged to earnings. Marketable securities consisted of auction rate securities (“ARS”) at September 30, 2010 with an aggregate cost of $18.7 million and an estimated fair value of $16.5 million and at December 31, 2009 with an aggregate cost of $27.6 million and an estimated fair value of $22.0 million.

During the three-month period ended September 30, 2010, the Company sold ARS with a total par value of $8.9 million and realized a loss of $903,000. The Company also determined that an OTTI existed for its remaining ARS holdings based upon the Company's intent to sell these ARS for less than their par values. As a result, the Company recorded a total loss of $3.1 million related to its ARS portfolio during the three-month period ended September 30, 2010, which is recorded in the "Interest and other expense, net" caption in the accompanying Condensed Consolidated Statements of Operations. The fair values of the remaining ARS were determined utilizing discounted cash flow analyses and information from sales of certain of the Company's ARS both during the period and subsequent to September 30, 2010. The discounted cash flow analyses consider, among other factors, the collateralization underlying the security investments, the creditworthiness of the counterparty, the timing of expected future cash flows, and assumptions as to the next time the ARS will have a successful auction.

The Company's assets measured at fair value on a recurring basis at September 30, 2010, were as follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:				
Auction rate securities	$ 16,486	$ —	$ —	$ 16,486

The Company's assets measured at fair value on a recurring basis at December 31, 2009, were as follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:				
Auction rate securities	$ 22,026	$ —	$ —	$ 22,026

The following table presents the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at September 30, 2010 (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Auction Rate Securities
Balance at December 31, 2009	$ 22,026
Transfers in and out of Level 3	—
Sales and redemptions	(8,850)
Realized losses on securities sold or redeemed	903
Change in unrealized losses included in other comprehensive income	2,407
Balance at September 30, 2010	$ 16,486

There were no transfers of assets between levels within the fair value hierarchy for the nine-month period ended September 30, 2010. Subsequent to September 30, 2010, the Company sold certain of its remaining ARS with an aggregate par value of $9.9 million for net proceeds of $8.7 million, which is equal to the estimated fair value of these ARS as reflected in the Company's Condensed Consolidated Balance Sheet as of September 30, 2010. As of November 5, 2010, the Company holds ARS with an aggregate par value of $8.8 million and an estimated fair value of $7.8 million. The Company believes that the remaining securities will be realized in cash within the next twelve months and therefore, has classified the estimated fair value of its remaining ARS holdings as "current" assets in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2010.

11. COMMITMENTS AND CONTINGENCIES

On April 8, 2008, Hypertouch, Inc. filed an action against the Company in the Superior Court of California, County of Los Angeles. The complaint asserts causes of action for violation of California Business & Professions Code §§ 17529.5 and 17200, et seq., arising from the plaintiff's alleged receipt of a large number of email messages allegedly transmitted by the Company "and/or (its) agents" and seeks statutory damages for each such email. The Company filed its answer to the complaint on May 28, 2008. On May 4, 2009, the court granted the Company's motion for summary judgment which ended the case in this court. Hypertouch has appealed the Court's ruling. The appeal is pending.

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third-parties. In addition, the Company has entered into indemnification agreements with its directors and certain of its officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. The Company has also agreed to indemnify certain former officers, directors and employees of acquired companies in connection with the acquisition of such companies. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and certain of its officers and employees, and former officers, directors and employees of acquired companies, in certain circumstances.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses.

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, except as discussed above, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

12. INCOME TAXES

As of December 31, 2009, the Company had recorded a liability of $52.0 million for unrecognized tax benefits. During the three and nine-month period ended September 30, 2010, the Company's liability for unrecognized tax benefits increased by $0.3 and $1.9 million, respectively, as a result of income tax positions taken during the period, and decreased by $21.2 million as a result of the expiration of certain statutes of limitations and audit settlements. The total liability for unrecognized tax benefits at September 30, 2010 is $32.7 million. If recognized in future periods, $32.7 million of these unrecognized tax benefits would be recorded as a reduction to income tax expense. Facts and circumstances could arise in the twelve-month period following September 30, 2010 that could cause the Company to adjust the liability for unrecognized tax benefits, including, but not limited to, settlement of income tax positions or expiration of the statutes of limitations. Other than certain statutes of limitations that expired in October 2010, which will reduce the Company's unrecognized tax benefits by $1.4 million in the fourth quarter of 2010, the Company is not able to reasonably estimate the range of all other potential changes in the liability for unrecognized tax benefits or the timing of such changes, since the ultimate resolution of uncertain tax positions depends on many factors and assumptions.

The Company's policy is to recognize interest and penalties expense, if any, related to unrecognized tax benefits as a component of income tax expense. The Company recognized $0.4 million and $0.7 million in gross interest and penalties expense related to unrecognized tax benefits in each of the three-month periods ended September 30, 2010 and 2009, respectively, offset by a reversal of prior accrued interest of $4.4 million and $3.0 million, respectively, as a result of the expiration of certain statutes of limitations. During the nine-month periods ended September 30, 2010 and 2009, the Company recognized $1.7 million and $2.4 million, respectively, offset by a reversal of prior accrued interest of $4.4 million and $3.0 million, respectively, as a result of the expiration of certain statutes of limitations. The Company had an accrual for interest and penalties in the amount of $5.6 million and $8.3 million at September 30, 2010 and December 31, 2009, respectively, related to unrecognized tax benefits. These amounts are included in non-current income taxes payable.

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. These include the 2007 through 2009 tax years for federal purposes, 1999 and 2004 through 2009 tax years for various state jurisdictions, and 2004 through 2009 tax years for various foreign jurisdictions. The Company is currently under Internal Revenue Service audit examination for the 2007 tax year, as well as various state and foreign jurisdictions for various tax years.

13. STOCKHOLDERS' EQUITY

In September 2001, the Company's board of directors authorized a stock repurchase program (the "Program") to allow for the repurchase of shares of the Company's common stock at prevailing market prices in the open market or through unsolicited negotiated transactions. Since the inception of the Program and through December 31, 2009, the Company's board of directors authorized a total of $479.1 million for repurchases under the Program and the Company had repurchased a total of 50.7 million shares of its common stock for approximately $409.2 million. The Company repurchased 1.3 million shares for $13.2 million and 4.0 million shares for $38.6 million for the three- and nine-month periods ended September 30, 2010, respectively. As of September 30, 2010, up to an additional $31.4 million of the Company's capital was available to be used to repurchase shares of the Company's outstanding common stock under the Program. In October 2010, the Company's board of directors increased this authorization to $100 million.

Repurchases have been funded from available working capital, and all shares have been retired subsequent to their repurchase. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue repurchases at any time that management or the Company's board of directors determines additional repurchases are not warranted. The amounts authorized by the Company's board of directors exclude broker commissions.

14. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per common share for the periods indicated (in thousands, except per share data):

	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
Net income	$ 36,177	$ 25,030	$ 69,448	$ 53,119
Weighted-average common shares outstanding - basic	81,228	87,194	81,884	87,032
Dilutive effect of stock options and employee benefit plans	586	596	617	457
Number of shares used to compute net income per common share — diluted	81,814	87,790	82,501	87,489
Net income per common share:				
Basic	$ 0.45	$ 0.29	$ 0.85	$ 0.61
Diluted	$ 0.44	$ 0.29	$ 0.84	$ 0.61

Employee stock-based awards totaling 1,879,000 and 2,604,000 shares during the three-month periods ended September 30, 2010 and 2009, respectively, were excluded from the computation of diluted net income per common share because their effect would have been antidilutive under the treasury stock method. For the nine-month periods ended September 30, 2010 and 2009, the number of these antidilutive shares excluded from the diluted net income per common share computation was 2,259,000 and 2,987,000, respectively.

15. LINE OF CREDIT

In November 2008, the Company obtained a line of credit with a bank group which allows for borrowings of up to $100 million through November 14, 2011 (“Line of Credit”). The Line of Credit was amended on February 1, 2010. Advances under the Line of Credit bear interest at either (i) the Base Rate, which is equal to the highest of (a) the Agent’s prime rate, (b) the federal funds rate plus 1.50%, and (c) the one month reserve adjusted daily LIBOR rate plus 1.50%, or (ii) the London Interbank Offered Rate (“LIBOR”), in each case plus an applicable margin as in effect at each interest calculation date. The applicable margin in effect from time to time is based on the Company’s total leverage ratio. The applicable margins range from 1.50% to 2.25% for LIBOR loans and from 0.50% to 1.25% for Base Rate loans.

Certain of the Company’s domestic subsidiaries have guaranteed the obligations of the Company and all future domestic subsidiaries of the Company also are required to guarantee the obligations of the Company under the Line of Credit. The Company’s obligations are secured by a lien on substantially all of its present and future assets pursuant to a separate security agreement (the “Security Agreement”). In addition, the obligations of each subsidiary guarantor are secured by a lien on substantially all of such subsidiary’s present and future assets pursuant to a separate guaranty agreement (the “Guaranty Agreement”). The subsidiary guarantees and the collateral under the Security Agreement are subject to release upon fulfillment of certain conditions specified in the Line of Credit, Security Agreement and the Guaranty Agreement.

The Line of Credit is available to be used by the Company, among other things, to fund its working capital needs and for other general corporate purposes, including acquisitions and stock repurchases. The Company will pay a commitment fee on unused amounts that ranges, based on the Company’s total leverage ratio, from 0.35% to 0.50% of the unused portion of the Line of Credit. The agreement also contains customary events of default such as failure to pay interest or principal when due, material inaccuracy of representations or warranties, bankruptcy events, change of control, a material adverse change in financial condition or operations, or a default of covenant. Upon the occurrence of an event of default, the principal and accrued interest under the Line of Credit then outstanding may be declared due and payable. At September 30, 2010 and December 31, 2009, no amount was outstanding on the Line of Credit.

The Company has provided various representations and agreed to certain financial covenants including a total leverage ratio, minimum trailing-twelve month EBITDA (defined as earnings before interest income, income taxes, depreciation, amortization, stock-based compensation, and certain other non-cash or non-recurring income or expenses) of $100 million, and minimum unrestricted, unencumbered liquid asset requirements. At September 30, 2010 and December 31, 2009, the Company was in compliance with all of the covenants of the Line of Credit.

16. SEGMENTS, GEOGRAPHIC INFORMATION AND SIGNIFICANT CUSTOMERS

The Company derives its revenue from four business segments. These business segments are presented on a worldwide basis and include: Affiliate Marketing, Media, Owned & Operated Websites, and Technology. The following table provides revenue and segment income from continuing operations for each of the Company's four business segments. Segment income from continuing operations, as shown below, is the performance measure used by management to assess segment performance and excludes the effects of stock-based compensation, amortization of intangible assets and corporate expenses. Corporate expenses consist of those costs not directly attributable to a business segment, and include: salaries and benefits for the Company's executive, finance, legal, corporate governance, human resources, and facilities organizations; fees for professional service providers including audit, tax, Sarbanes-Oxley compliance and certain legal fees; insurance; and, other corporate expenses.

	Revenue		Segment Income from Continuing Operations	
	Three-month Periods Ended September 30,			
(in thousands)	2010	2009	2010	2009
Affiliate Marketing	$ 29,841	$ 26,342	$ 16,540	$ 13,145
Media	33,321	30,946	7,825	7,315
Owned & Operated Websites	35,913	41,536	7,133	11,168
Technology	7,901	6,638	4,188	2,823
Inter-segment revenue	(208)	(296)	—	—
Total	$ 106,768	$ 105,166	$ 35,686	$ 34,451

	Revenue		Segment Income from Continuing Operations	
	Nine-month Periods Ended September 30,			
(in thousands)	2010	2009	2010	2009
Affiliate Marketing	$ 87,938	$ 80,359	$ 47,863	$ 39,826
Media	95,761	94,937	23,057	21,420
Owned & Operated Websites	95,796	117,828	17,527	27,895
Technology	23,405	20,179	12,051	9,085
Inter-segment revenue	(849)	(974)	—	—
Total	$ 302,051	$ 312,329	$ 100,498	$ 98,226

A reconciliation of total segment income from operations to consolidated income from operations is as follows for each period (in thousands):

	Income from Operations			
	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
Segment income from operations	$ 35,686	$ 34,451	$ 100,498	$ 98,226
Corporate expenses	(6,318)	(7,190)	(19,559)	(20,316)
Stock-based compensation	(1,681)	(2,177)	(5,838)	(6,956)
Amortization of intangible assets	(5,376)	(4,991)	(15,278)	(14,804)
Consolidated income from operations	$ 22,311	$ 20,093	$ 59,823	$ 56,150

Depreciation and leasehold amortization expense included in the determination of segment income from operations as presented above for the Affiliate Marketing, Media, Owned & Operated Websites, and Technology segments is as follows for each period (in thousands):

	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
Affiliate Marketing	$ 271	$ 253	$ 778	$ 818
Media	623	513	1,686	1,647
Owned & Operated Websites	405	490	1,162	1,443
Technology	203	257	640	767
Corporate	162	352	612	1,092
Total	$ 1,664	$ 1,865	$ 4,878	$ 5,767

The Company's operations are domiciled in the United States with operations internationally in Europe, China and Japan through wholly-owned subsidiaries. Revenue is attributed to a geographic region based upon the country from which the customer relationship is maintained. The Company's operations in China primarily support the revenue generated in the United States and, therefore, the costs associated with these operations are attributed to the United States in the determination of geographic income from operations shown below.

The Company's geographic information was as follows (in thousands):

	Revenue			
	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
United States	$ 86,899	$ 85,918	$ 239,941	$ 253,066
United Kingdom	12,001	9,861	34,754	30,105
Other Countries	9,851	10,429	31,621	32,807
Inter-regional eliminations	(1,983)	(1,042)	(4,265)	(3,649)
Total	$ 106,768	$ 105,166	$ 302,051	$ 312,329

	Income (loss) from Operations			
	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
United States	$ 19,613	$ 18,396	$ 50,668	$ 50,518
United Kingdom	2,408	1,936	6,936	4,629
Other Countries	290	(239)	2,219	1,003
Total	$ 22,311	$ 20,093	$ 59,823	$ 56,150

For the three-month period ended September 30, 2010, one customer, Google, accounted for 17% of total revenue. For the nine-month period ended September 30, 2010, one customer, Google, accounted for 15% of total revenue. For the three-month period ended September 30, 2009, two customers, Yahoo and Google, accounted for 21% and 11%, respectively, of total revenue. For the nine-month period ended September 30, 2009, two customers, Yahoo and Google, accounted for 20% and 11%, respectively, of total revenue. The revenue from these customers is recorded in the Company's Owned & Operated Websites segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT

This report contains forward-looking statements based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. The section entitled "Risk Factors" in this Form 10-Q and similar discussions in our Annual Report on Form 10-K for the year ended December 31, 2009, and in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. You should carefully consider those risks, in addition to the other information in this report, and in our other filings with the SEC, before deciding to invest in our company or to maintain or increase your investment. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. The information contained in this Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that discuss our business in greater detail and advise interested parties of certain risks, uncertainties and other factors that may affect our business, results of operations or financial condition.

OVERVIEW

ValueClick, Inc. and its subsidiaries (collectively "ValueClick" or the "Company" or in the first person, "we", "us" and "our") is one of the world's largest and most comprehensive online marketing services companies. We sell targeted and measurable

online advertising campaigns and programs for advertisers and advertising agency customers, generating qualified customer leads, online sales and increased brand recognition on their behalf with large numbers of online consumers.

Our customers are primarily direct marketers, brand advertisers and the advertising agencies that service these groups. The proposition we offer our customers includes: one of the industry's broadest online marketing services portfolios—including performance-based campaigns and programs where marketers only pay for advertising when it generates a customer lead or product sale; our ability to use our technology and anonymous consumer data to target campaigns to reach the online consumers our customers are most interested in; our ability to provide the technology that serves ads across all online marketing channels and provides detailed reporting and analytics on the results of such ads; and the scale at which we can deliver results for online advertising campaigns. Additionally, our networks of online publishers and our access to additional consumer traffic from ad exchanges and other sources, provide advertisers with a cost-effective and complementary source of online consumers relative to online portals and other large website publishers. Through this approach we have become an industry leader in generating qualified customer leads and online sales for advertisers.

We believe that the effectiveness of our online marketing services is dependent on the quality of our networks and our publisher partner relationships. As such, we have established stringent quality standards that include publisher rejection from our networks due to inappropriate content, illegal activity and fraudulent clicking activity, among other criteria. We enforce these quality standards using a combination of manual and automated auditing processes that continually monitor and review both website content and adherence to advertiser campaign specifications.

We derive our revenue from four business segments. These business segments are presented on a worldwide basis and include Affiliate Marketing, Media, Owned & Operated Websites, and Technology, which are described in more detail below.

AFFILIATE MARKETING

ValueClick's Affiliate Marketing segment, which operates under the "Commission Junction" brand name, provides the technology, network and customer service that, in combination, enable advertisers to create their own fully-commissioned online sales force comprised of third-party website publishers, also known as affiliates. Advertisers that utilize the Commission Junction platform generally are only obligated to pay affiliates when the affiliate delivers a consumer who achieves the desired result, which is typically a closed e-commerce transaction or a new customer lead. By joining the Commission Junction network, advertisers gain access to: a) the Company's proprietary technology platform that has been developed over the past decade and is completely focused on the unique needs of the affiliate marketing channel; b) a proprietary network of tens of thousands of high-quality online publishers; and c) the Company's digital marketing expertise and campaign management teams who ensure advertisers' campaigns are optimized for maximum performance. Commission Junction's revenues are driven primarily by variable compensation that is generally based on either a percentage of commissions paid by the Company's customers to affiliates or on a percentage of transaction revenue generated by the Company's customers from the programs managed with the Company's affiliate marketing platforms.

MEDIA

ValueClick's Media segment, which operates under the "ValueClick Media" brand name, provides a comprehensive suite of online marketing services and tailored programs that help marketers create and increase awareness for their products and brands, attract visitors and generate leads and sales through the Internet. ValueClick Media is able to access its customers' target audiences through the unique combination of: its proprietary broad-based network of thousands of high-quality online publishers; its vertically-focused networks in the areas of pharma/healthcare (AdRx Media), home and garden (Modern Living Media), and moms (Mom's Media); its ability to acquire inventory by bidding on a real-time basis through ad exchanges and other channels; and its ability to access inventory from ValueClick's owned and operated websites, as described below. ValueClick Media applies its proprietary data and targeting and optimization technologies to these inventory sources to ensure that the metrics that are most important to its customers are achieved. ValueClick Media's services are sold on a variety of pricing models, including cost-per-action ("CPA"), cost-per-thousand-impression ("CPM"), and cost-per-click ("CPC").

On February 1, 2010, the Company divested its promotional lead generation marketing business and has reported its results of operations as discontinued operations for all periods presented. See Note 5 to our condensed consolidated financial statements contained in this quarterly report on Form 10-Q for additional information on this divestiture.

OWNED & OPERATED WEBSITES

ValueClick's Owned & Operated Websites segment services are offered through a number of transaction-focused branded websites including Pricerunner, Smarter.com, Couponmountain.com and Investopedia.com. In 2009, ValueClick also launched a limited number of content websites in key online verticals such as healthcare, finance, travel, home and garden, education and business services.

The Smarter.com and Couponmountain.com websites operate primarily in the United States and, to a lesser extent, Japan and China. The Pricerunner comparison shopping destination websites operate in the United Kingdom, Sweden, Germany, France, Denmark, and Austria. The Pricerunner and Smarter.com websites enable consumers to research and compare products from among thousands of online and/or offline merchants using its proprietary technologies. The Company gathers product and merchant data and organizes it into comprehensive catalogs on its destination websites, along with relevant consumer and professional reviews. The Couponmountain.com website allows consumers to locate coupons and deals related to products and services that may be of interest to them. The Company's Investopedia.com website, which the Company acquired on August 3, 2010, provides information on a broad range of financial and investment topics, including a proprietary dictionary of financial terms, and the Company's other vertical content websites offer consumers information and reference material across a variety of topics. The Company's services in these areas are free for consumers, and revenue is generated in one of three ways: on a CPC basis for traffic delivered to the customers' websites from listings on the Company's websites; on a CPA basis when a consumer completes a purchase or other specific event; and on a CPM basis for display advertising shown on the Company's websites.

In addition to the Company's destination websites, Search123, which operates primarily in Europe, is ValueClick's self-service paid search offering that generates its traffic primarily through syndication relationships with content websites. Search syndication revenues are driven primarily on a CPC basis and are included in the Company's Owned & Operated Websites segment.

TECHNOLOGY

ValueClick's Technology segment, which operates under the brand name "Mediaplex", is an application services provider ("ASP") offering technology products and services that enable marketers to implement and manage their online advertising across multiple channels including display, email, paid search, natural search, on-site, offline and affiliate. Mediaplex's MOJO ® product suite is supported by a single proprietary technology platform, which has the ability to manage all aspects of online advertising from campaign implementation to real-time behavioral targeting to enterprise-level cross channel analysis. Revenues are primarily driven by software access and usage fees which are priced on a CPM or email-delivered basis.

SEGMENT OPERATING RESULTS

The following table provides revenue, cost of revenue, gross profit, operating expenses, and income from operations information for each of our four business segments. Segment income from operations, as shown below, is the performance measure used by management to assess segment performance and excludes the effects of: stock-based compensation, amortization of intangible assets and corporate expenses. Corporate expenses consist of those costs not directly attributable to a business segment, and include: salaries and benefits for our executive, finance, legal, corporate governance, human resources, and facilities organizations; fees for professional service providers including audit, legal, tax, and Sarbanes-Oxley compliance; insurance; and, other corporate expenses. A reconciliation of segment income from operations to consolidated income from operations, and a reconciliation of segment revenue to consolidated revenue are also provided in the following table.

	Three-month Period Ended September 30,		Nine-month Period Ended September 30,	
	2010	2009	2010	2009
	(in thousands)		(in thousands)	
Affiliate Marketing				
Revenue	$ 29,841	$ 26,342	$ 87,938	$ 80,359
Cost of revenue	4,111	3,692	12,548	11,612
Gross profit	25,730	22,650	75,390	68,747
Operating expenses	9,190	9,505	27,527	28,921
Segment income from operations	$ 16,540	$ 13,145	$ 47,863	$ 39,826
Media				
Revenue	$ 33,321	$ 30,946	$ 95,761	$ 94,937
Cost of revenue	18,239	16,393	51,000	50,307
Gross profit	15,082	14,553	44,761	44,630
Operating expenses	7,257	7,238	21,704	23,210
Segment income from operations	$ 7,825	$ 7,315	$ 23,057	$ 21,420
Owned & Operated Websites				
Revenue	$ 35,913	$ 41,536	$ 95,796	$ 117,828
Cost of revenue	5,473	5,366	15,990	21,287
Gross profit	30,440	36,170	79,806	96,541
Operating expenses	23,307	25,002	62,279	68,646
Segment income from operations	$ 7,133	$ 11,168	$ 17,527	$ 27,895
Technology				
Revenue	$ 7,901	$ 6,638	$ 23,405	$ 20,179
Cost of revenue	826	933	2,451	2,815
Gross profit	7,075	5,705	20,954	17,364
Operating expenses	2,887	2,882	8,903	8,279
Segment income from operations	$ 4,188	$ 2,823	$ 12,051	$ 9,085
Reconciliation of segment income from operations to consolidated income from operations:				
Total segment income from operations	$ 35,686	$ 34,451	$ 100,498	$ 98,226
Corporate expenses	(6,318)	(7,190)	(19,559)	(20,316)
Stock-based compensation	(1,681)	(2,177)	(5,838)	(6,956)
Amortization of intangible assets	(5,376)	(4,991)	(15,278)	(14,804)
Consolidated income from operations	$ 22,311	$ 20,093	$ 59,823	$ 56,150
Reconciliation of segment revenue to consolidated revenue:				
Affiliate Marketing	$ 29,841	$ 26,342	$ 87,938	$ 80,359
Media	33,321	30,946	95,761	94,937
Owned & Operated Websites	35,913	41,536	95,796	117,828
Technology	7,901	6,638	23,405	20,179
Inter-segment revenue	(208)	(296)	(849)	(974)
Consolidated revenue	$ 106,768	$ 105,166	$ 302,051	$ 312,329

RESULTS OF OPERATIONS—THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 COMPARED TO SEPTEMBER 30, 2009

Revenue. Consolidated revenue for the three-month period ended September 30, 2010 was $106.8 million compared to $105.2 million for the same period in 2009, representing a 1.5% increase, or $1.6 million.

Affiliate Marketing segment revenue increased to $29.8 million for the three-month period ended September 30, 2010 compared to $26.3 million in the same period in 2009. This increase of $3.5 million, or 13.3%, was primarily due to an increase in the number of customers and an increase in transaction volumes associated with existing customers, particularly in our domestic operations.

Media segment revenue increased to $33.3 million for the three-month period ended September 30, 2010 compared to $30.9 million for the same period in 2009. The increase of $2.4 million, or 7.7%, in Media segment revenue was due to an increase in the number of customers for which we ran media campaigns as compared to the prior year period, particularly within our vertically-focused networks, AdRx Media and Mom's Media.

Owned & Operated Websites segment revenue decreased by $5.6 million to $35.9 million for the three-month period ended September 30, 2010 compared to $41.5 million in the same period in 2009. $13.2 million of the decrease was attributable to a decrease in the volume of revenue we were able to generate from a major customer, Yahoo, due to changes made by this customer in the fourth quarter of 2009. Beginning in the fourth quarter of 2009, Yahoo informed us that they were increasing the conversion requirements across their partner network, including our owned and operated websites. As a result, it was no longer economically viable for us to acquire online consumer traffic to our owned and operated websites that did not meet Yahoo's new higher-converting online consumer traffic requirements. As we were not able to monetize the lower-converting online consumer traffic with other advertisers, beginning in the fourth quarter of 2009, we significantly reduced the amount of lower-converting online consumer traffic to our owned and operated websites, which had a significant negative impact on the revenue of our Owned & Operated Websites segment. Due to the timing of the change in Yahoo's requirements, our Owned & Operated Websites segment revenue was lower in each of the first three quarters of 2010 as compared to the prior year quarters. However, as we generated minimal revenue from lower-converting online consumer traffic with Yahoo in the fourth quarter of 2009, the comparison for this segment's fourth quarter 2010 revenue will not be negatively impacted by the change that Yahoo made in their online consumer traffic conversion requirements. Excluding the reduction in revenue from Yahoo, the revenue in our Owned & Operated Websites segment increased by $7.6 million, with the majority of this increase coming from higher revenue earned with Google as compared to the year-ago period. Even after the change we experienced with the customer noted above, the Owned & Operated Websites segment revenue is concentrated with two major customers, Google and Yahoo. A loss of, or reduction of revenue from, one or both of these customers could have a significant negative impact on the revenue and profitability of this segment and the Company.

Technology segment revenue was $7.9 million for the three-month period ended September 30, 2010 compared to $6.6 million for the same period in 2009, an increase of $1.3 million, or 19.0%. The increase in revenue was due to new customer wins and higher volumes of ad serving, particularly in our international operations. Technology segment revenue is concentrated with a limited number of customers. A loss of, or reduction of revenue from, one or more of these customers could have a significant negative impact on the revenue of this segment.

Cost of Revenue and Gross Profit. Cost of revenue for the Media and Owned & Operated Websites segments consists primarily of amounts that we pay to website publishers and distribution partners that are directly related to a revenue-generating event. We pay these entities on a CPC, CPA, CPL, or CPM basis. Cost of revenue for all segments also includes labor costs, depreciation on revenue-producing technologies and Internet access costs. Our consolidated cost of revenue was $28.5 million for the three-month period ended September 30, 2010 compared to $26.1 million for the same period in 2009, an increase of $2.4 million, or 9.0%. Our consolidated gross margin was 73.3% and 75.1% for the three-month periods ended September 30, 2010 and 2009, respectively.

Cost of revenue for the Affiliate Marketing segment increased $419,000, or 11.3%, to $4.1 million for the three-month period ended September 30, 2010 compared to $3.7 million for the same period in 2009 due to the increase in revenue. Our Affiliate Marketing segment gross margin remained relatively flat at 86.2% for the third quarter of 2010 compared to 86.0% for the same period in 2009.

Cost of revenue for the Media segment increased $1.8 million, or 11.3%, to $18.2 million for the three-month period ended September 30, 2010 compared to $16.4 million for the same period in 2009. Our Media segment gross margin decreased to 45.3% for the third quarter of 2010 compared to 47.0% for the same period in 2009 primarily due to higher costs to secure sufficient online advertising inventory to fulfill targeted advertiser campaigns.

Cost of revenue for the Owned & Operated Websites segment increased $107,000 to $5.5 million for the three-month period ended September 30, 2010 compared to $5.4 million for the same period in 2009. Our Owned & Operated Websites segment gross margin decreased to 84.8% for the third quarter of 2010 compared to 87.1% for the same period in 2009 due to the significant reduction in revenue from a large customer as described above.

Technology segment cost of revenue decreased $107,000, or 11.5%, to $826,000 for the three-month periods ended September 30, 2010 compared to $933,000 for the same period in 2009. The decrease was primarily due to the elimination of third party vendor costs associated with services we now perform internally. Our Technology segment gross margin increased to 89.5% for the three-month period ended September 30, 2010 from 85.9% for the same period in 2009 due to these lower costs and the operating leverage associated with the higher revenue. As the gross margin for the Technology segment is highly dependent upon revenue due to the existing operating leverage, any increases or decreases in segment revenue may have a significant impact on segment gross margin.

Operating Expenses:

Sales and Marketing. Sales and marketing expenses consist primarily of compensation and employee benefits of sales and marketing and related support teams, certain online and offline advertising costs, travel, trade shows, and marketing materials. Online advertising costs included in sales and marketing expenses are comprised primarily of amounts that we pay to website publishers and distribution partners that are not directly associated with a revenue-generating event. In periods prior to January 1, 2010, sales and marketing expenses also included certain network development-related expenses. However, in periods beginning on or after January 1, 2010, all network development-related expenses are recorded as a technology expense. This change in classification was made to achieve internal consistency amongst the Company's various divisions and has no impact on the overall profitability of any particular segment or on the Company's overall profitability. Total sales and marketing expenses for the three-month period ended September 30, 2010 were $29.4 million compared to $31.1 million for the same period in 2009, a decrease of $1.7 million, or 5.6%. Sales and marketing expenses decreased primarily due to the reclassification of $2.1 million of certain network development-related expenses to technology expense as noted above. Our sales and marketing expenses as a percentage of revenue decreased to 27.5% for the three-month period ended September 30, 2010 compared to 29.6% for the same period in 2009.

General and Administrative. General and administrative expenses consist primarily of facilities costs, executive and administrative compensation and employee benefits, depreciation, professional services fees, insurance costs, and other general overhead costs. General and administrative expenses decreased to $12.3 million, or 11.5% of revenue, for the three-month period ended September 30, 2010 compared to $16.7 million, or 15.9% of revenue, for the same period in 2009, a decrease of $4.4 million, or 26.2%. General and administrative expenses decreased primarily due to a decrease in legal fees, lower bad debt expense and lower fees for various professional services providers.

Technology. Technology expenses include costs associated with the maintenance of our technology platforms and network development, including compensation and employee benefits for our engineering and network operations departments, as well as costs for contracted services and supplies. Technology expenses for the three-month period ended September 30, 2010 were $8.9 million, or 8.3% of revenue, compared to $6.1 million, or 5.8% of revenue, for the same period in 2009, an increase of $2.8 million, or 44.8%. The increase in technology expenses was primarily due to the $2.1 million reclassification of certain network development-related expenses from sales and marketing expense into technology expense as described above.

Segment Income from Operations. Affiliate Marketing segment income from operations for the three-month period ended September 30, 2010 increased 25.8% to $16.5 million, from $13.1 million in the same period of the prior year, and represented 55.4% and 49.9% of Affiliate Marketing segment revenue in these respective periods. The increase in Affiliate Marketing segment income from operations and the higher operating margin were attributable to the operating leverage associated with the higher revenue as described above and lower operating expenses.

Media segment income from operations for the three-month period ended September 30, 2010 increased 7.0%, or $510,000, to $7.8 million, from $7.3 million in the same period of the prior year. Segment operating margin remained consistent at 23.5% and 23.6% of Media segment revenue in these respective periods.

Owned & Operated Websites segment income from operations for the three-month period ended September 30, 2010 decreased to $7.1 million from $11.2 million in the same period of the prior year. The operating margin for this segment decreased to 19.9% in the third quarter of 2010 from 26.9% for the same period in the prior year. The decrease in segment income from operations and operating margin were due to the negative operating leverage associated with the lower revenue as discussed above.

Technology segment income from operations for the three-month period ended September 30, 2010 increased 48.4% to $4.2 million, from $2.8 million in the same period of the prior year, and represented 53.0% and 42.5% of Technology segment revenue in these respective periods. The increase in Technology segment income from operations and higher operating margin were attributable to the operating leverage associated with the higher revenue as described above.

Stock-Based Compensation. Stock-based compensation for the three-month period ended September 30, 2010 was $1.7 million compared to $2.2 million for the same period in 2009. The decrease of $496,000 was primarily due to certain stock options becoming fully vested in 2009. We currently anticipate stock-based compensation to be approximately $8 million for the year ending December 31, 2010. Such amounts may change as a result of higher or lower than anticipated equity award grants to new and existing employees, differences between actual and estimated forfeitures of stock options, fluctuations in the market value of our common stock, modifications to our existing stock option programs, additions of new stock-based compensation programs, or other factors.

Amortization of Intangible Assets. Amortization of intangible assets increased to $5.4 million for the three-month period ended September 30, 2010 compared to $5.0 million for the same period of the prior year. The increase in amortization is due to the amortization of intangibles associated with the acquisition of Investopedia in August 2010. We currently anticipate amortization expense of approximately $20.6 million for the year ending December 31, 2010.

Interest and Other Expense, Net. Interest and other expense, net, was $2.7 million for the three-month period ended September 30, 2010 compared to $513,000 for the same period in 2009. The increase in net expense is primarily due to $3.1 million in realized losses and other-than-temporary impairment charges taken on our auction rate securities portfolio as described in Note 10 to our condensed consolidated financial statements contained in this quarterly report on Form 10-Q.

Income Tax Benefit. For the three-month period ended September 30, 2010, we recorded an income tax benefit of $16.5 million compared to a tax benefit of $3.7 million for the same period in 2009. The Company generated income before income taxes of $19.6 million for both the three-month periods ended September 30, 2010 and 2009. The tax impact of the $23.4 million reversal of a contingency reserve associated with the expiration of certain statutes of limitations resulted in a greater tax benefit recognized for the three-month period ended September 30, 2010 as compared to the income tax benefit recognized for the same period in 2009. We currently anticipate an effective income tax rate for the three-month period ending December 31, 2010 of approximately 40%.

RESULTS OF OPERATIONS—NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 COMPARED TO SEPTEMBER 30, 2009

Revenue. Consolidated revenue for the nine-month period ended September 30, 2010 was $302.1 million compared to $312.3 million for the same period in 2009, representing a 3.3% decrease.

Affiliate Marketing segment revenue increased to $87.9 million for the nine-month period ended September 30, 2010 compared to $80.4 million in the same period in 2009. This increase of $7.6 million, or 9.4%, was primarily due to an increase in the number of customers and an increase in transaction volumes associated with existing customers, particularly in our domestic operations.

Media segment revenue increased slightly to $95.8 million for the nine-month period ended September 30, 2010 compared to $94.9 million for the same period in 2009.

Owned & Operated Websites segment revenue decreased to $95.8 million for the nine-month period ended September 30, 2010 compared to $117.8 million in the same period in 2009. The decrease of $22.0 million, or 18.7%, was attributable to a change in the volume of revenue by one major customer as discussed above.

Technology segment revenue was $23.4 million for the nine-month period ended September 30, 2010 compared to $20.2 million for the same period in 2009, an increase of $3.2 million, or 16.0%. The increase in revenue was due to new customer wins and higher volumes of ad serving, particularly in our international operations.

Cost of Revenue and Gross Profit. Our consolidated cost of revenue was $81.3 million for the nine-month period ended September 30, 2010 compared to $85.3 million for the same period in 2009, a decrease of $4.0 million, or 4.7%. Our consolidated gross margin was 73.1% and 72.7% for the nine-month periods ended September 30, 2010 and 2009, respectively.

Cost of revenue for the Affiliate Marketing segment increased $936,000, or 8.1%, to $12.5 million for the nine-month period ended September 30, 2010 compared to $11.6 million for the same period in 2009. Our Affiliate Marketing gross margin remained relatively flat at 85.7% for the third quarter of 2010 compared to 85.5% for the same period in 2009.

Cost of revenue for the Media segment increased $693,000, or 1.4%, to $51.0 million for the nine-month period ended September 30, 2010 compared to $50.3 million for the same period in 2009. Our Media segment gross margin remained relatively flat at 46.7% for the nine-month period ended September 30, 2010 compared to 47.0% for the same period in 2009.

Cost of revenue for the Owned & Operated Websites segment decreased $5.3 million to $16.0 million for the nine-month period ended September 30, 2010 compared to $21.3 million for the same period in 2009. Our Owned & Operated Websites segment gross margin increased to 83.3% for the third quarter of 2010 from 81.9% for the same period in 2009 due primarily to a mix shift in this segment's traffic acquisition strategies, which reduced the mix of consumer traffic coming from distribution partners with a revenue-share relationship.

Technology segment cost of revenue decreased $364,000, or 12.9%, to $2.5 million for the nine-month period ended September 30, 2010 compared to $2.8 million for the same period in 2009. The decrease was primarily due to the elimination of third party vendor costs associated with services we now perform internally. Our Technology segment gross margin increased to 89.5% for the nine-month period ended September 30, 2010 from 86.0% for the same period in 2009 due to these lower costs and the operating leverage associated with the higher revenue. As the gross margin for the Technology segment is highly dependent upon revenue due to the existing operating leverage, any increases or decreases in segment revenue may have a significant impact on segment gross margin.

Operating Expenses:

Sales and Marketing. Total sales and marketing expenses for the nine-month period ended September 30, 2010 were $81.0 million compared to $91.2 million for the same period in 2009, a decrease of $10.3 million, or 11.3%. Sales and marketing expenses decreased primarily due to the reclassification of $6.2 million of certain network development-related expenses to technology expense and decreased salaries and wages. Our sales and marketing expenses as a percentage of revenue decreased to 26.8% for the nine-month period ended September 30, 2010 compared to 29.2% for the same period in 2009.

General and Administrative. General and administrative expenses decreased to $39.5 million, or 13.1% of revenue, for the nine-month period ended September 30, 2010 compared to $45.9 million, or 14.7% of revenue, for the same period in 2009, a decrease of $6.4 million, or 14.0%. General and administrative expenses decreased primarily due to a decrease in legal fees and bad debt expense.

Technology. Technology expenses for the nine-month period ended September 30, 2010 were $25.1 million, or 8.3% of revenue, compared to $18.9 million, or 6.0% of revenue, for the same period in 2009, an increase of $6.3 million, or 33.1%. The increase in technology expenses was primarily due to the $6.2 million reclassification of certain network development-related expenses from sales and marketing expense into technology expense as described above.

Segment Income from Operations. Affiliate Marketing segment income from operations for the nine-month period ended September 30, 2010 increased 20.2% to $47.9 million, from $39.8 million in the same period of the prior year, and represented 54.4% and 49.6% of Affiliate Marketing segment revenue in these respective periods. The increase in Affiliate Marketing segment income from operations and the higher operating margin were attributable to the operating leverage associated with the higher revenue as described above.

Media segment income from operations for the nine-month period ended September 30, 2010 increased 7.6%, or $1.6 million, to $23.1 million, from $21.4 million in the same period of the prior year, and represented 24.1% and 22.6% of Media segment revenue in these respective periods. The increase in Media segment income from operations was due to lower operating expenses, primarily legal fees.

Owned & Operated Websites segment income from operations for the nine-month period ended September 30, 2010 decreased to $17.5 million from $27.9 million in the same period of the prior year, and represented 18.3% and 23.7% of Owned & Operated Websites segment revenue in these respective periods. The decrease in Owned & Operated Websites income from operations and lower operating margin were attributable to the decline in revenue from one major customer as discussed above.

Technology segment income from operations for the nine-month period ended September 30, 2010 increased 32.6% to $12.1 million, from $9.1 million in the same period of the prior year, and represented 51.5% and 45.0% of Technology segment revenue in these respective periods. The increase in Technology segment income from operations and higher operating margin were attributable to the operating leverage associated with the higher revenue as described above.

Stock-Based Compensation. Stock-based compensation for the nine-month period ended September 30, 2010 was $5.8 million compared to $7.0 million for the same period in 2009. The decrease of $1.1 was primarily due to stock options that became fully vested in 2009.

Amortization of Intangible Assets. Amortization of intangible assets increased to $15.3 million for the nine-month period ended September 30, 2010 compared to $14.8 million for the same period in 2009. The increase in amortization is due to the amortization of intangibles associated with the acquisition of Investopedia in early August.

Interest and Other Income, Net. Interest and other income, net decreased to $313,000 for the nine-month period ended September 30, 2010 compared to $478,000 for the same period in 2009. The net decrease is due to a $3.0 million increase in interest income primarily related to the note receivable from the sale of Web Clients, offset by $3.1 million in realized and other-than-temporary impairment losses on our auction rate securities, as described in Note 10 to our condensed consolidated financial statements contained in this quarterly report on Form 10-Q.

Income Tax Expense. For the nine-month period ended September 30, 2010, we recorded income tax expense of $0.6 million compared to $12.4 million for the same period in 2009. The decrease in the effective income tax rate for the nine-month period ended September 30, 2010 to 1.0% from 22.0% in the same period of the prior year was primarily due to the recognition of $23.4 million in tax benefits related to the reversal of a contingency reserve associated with the expiration of certain statutes of limitations.

Liquidity and Capital Resources

Since our inception and through the third quarter of 2010, we have financed our operations through working capital generated from operations, equity financing and cash acquired in business combinations. At September 30, 2010, our combined cash, cash equivalents and liquid marketable securities balances totaled $164.0 million.

Net cash provided by operating activities totaled $63.1 million for the nine months ended September 30, 2010 compared to $89.8 million in the same period of 2009. The decrease from 2009 was due primarily to cash generated from discontinued operations in the year ago period and the effect of working capital changes on cash.

The net cash used in investing activities for the nine-month period ended September 30, 2010 of $37.6 million was the result of the use of $41.7 million for the acquisition of Investopedia.com and $7.1 million for equipment purchases, offset by proceeds from the net sales of marketable securities of $8.0 million and $2.6 million in cash received from the disposition of fixed assets. The net cash used in investing activities for the nine months ended September 30, 2009 of $60.0 million was the result of the use of $62.7 million for the payment of the contingent consideration related to the acquisition of MeziMedia and $3.6 million used for equipment purchases, offset by proceeds from the net sales and maturities of marketable securities of $6.4 million.

Net cash used in financing activities of $35.2 million for the nine months ended September 30, 2010 was primarily due to common stock repurchases of $38.6 million, offset by $2.9 million in proceeds received from our employee stock programs. Net cash provided by financing activities of $2.9 million for the nine months ended September 30, 2009 was primarily due to proceeds of $2.7 million received from our employee stock programs.

Marketable Securities

Marketable securities as of September 30, 2010 consisted of auction rate securities (“ARS”) collateralized by student loan portfolios that are government supported or privately insured. Our marketable securities portfolio includes ARS with a par value of $18.7 million and an estimated fair value of $16.5 million. ARS were designed to provide liquidity via a dutch auction process that resets the applicable interest rate at predetermined calendar intervals (usually every seven to thirty-five days) and historically have allowed existing investors to either rollover their holdings, whereby they would continue to own their respective interest in the ARS, or gain immediate liquidity by selling such ARS at par. Beginning in February 2008, the auctions for our ARS began failing due to insufficient demand for these securities and no successful auctions have occurred to date.

During the three-month period ended September 30, 2010, we sold ARS with a total par value of $8.9 million and realized a loss of $903,000. We also determined that an other-than-temporary impairment (“OTTI”) existed for our remaining ARS holdings based upon our intent to sell these ARS for less than their par values. As a result, we recorded an impairment loss of $2.2 million against our remaining ARS, which represents the difference between their par values and fair values. Subsequent to September 30, 2010, we sold certain of our remaining ARS with an aggregate par value of $9.9 million for net proceeds of $8.7 million. As of November 5, 2010, we hold ARS with an aggregate par value of $8.8 million and an estimated fair value of $7.8 million. We believe that the remaining securities will be realized in cash within the next twelve months and therefore, have classified the estimated fair value of our remaining ARS holdings as “current” assets in the accompanying condensed consolidated balance sheet as of September 30, 2010.

We have determined that we utilize unobservable (Level 3) inputs in establishing the estimated fair value of the ARS of $16.5 million at September 30, 2010. Due to the events discussed above which resulted in the lack of an active market for ARS, and due to the lack of other observable market data with similar characteristics to our ARS holdings, we have estimated the fair values of these ARS at September 30, 2010 utilizing discounted cash flow analyses and information from recent sales of certain of our other ARS as described above. The discounted cash flow analyses consider, among other factors, the collateralization underlying the security, the creditworthiness of the counterparty, the timing of expected future cash flows, and expectations of when the ARS are expected to have successful auctions.

Line of Credit

In November 2008, we entered into a $100 million line of credit with a bank group. The line of credit has a term of three years and the availability under the line of credit is subject to our meeting certain financial and non-financial covenants, as more fully described in Note 15 to our condensed consolidated financial statements contained in this quarterly report on Form 10-Q. The line of credit provides us with additional financial flexibility for pursuing acquisitions, repurchasing our common stock, and for general corporate purposes. We have not borrowed against the line of credit, and thus no amount was outstanding against the line of credit at September 30, 2010 and December 31, 2009, respectively.

Stock Repurchase Program

In September 2001, the Company’s board of directors authorized a stock repurchase program (the “Program”) to allow for the repurchase of shares of the Company’s common stock at prevailing market prices in the open market or through unsolicited negotiated transactions. Since the inception of the Program and through December 31, 2009, the Company’s board of directors authorized a total of $479.1 million for repurchases under the Program and the Company had repurchased a total of 50.7 million shares of its common

stock for approximately $409.2 million. The Company repurchased 1.3 million shares for $13.2 million and 4.0 million shares for $38.6 million for the three- and nine-month periods ended September 30, 2010, respectively. As of September 30, 2010, up to an additional $31.4 million of the Company's capital was available to be used to repurchase shares of the Company's outstanding common stock under the Program. In October 2010, the Company's board of directors increased this authorization to $100 million.

Repurchases have been funded from available working capital, and all shares have been retired subsequent to their repurchase. There is no guarantee as to the exact number of shares that will be repurchased by us, and we may discontinue repurchases at any time that management or our board of directors determines additional repurchases are not warranted. The amounts authorized by our board of directors exclude broker commissions.

Commitments and Contingencies

There were no significant changes to our commitments and contingencies during the nine-month period ended September 30, 2010.

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third-parties. In addition, we have entered into indemnification agreements with our directors and certain of our officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. We have also agreed to indemnify certain former officers, directors and employees of acquired companies in connection with the acquisition of such companies. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and certain of our officers, employees and former officers, and directors and employees of acquired companies, in certain circumstances.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses.

Capital Resources

We believe that the combination of: our existing cash and cash equivalents; our $100 million line of credit; and our expected future cash flows from operations, will provide us with sufficient liquidity to fund our operations and capital requirements for at least the next twelve months. However, it is possible that we may need or elect to raise additional funds to fund our activities beyond the next year or to consummate acquisitions of other businesses, products or technologies. We could raise such funds by selling more stock to the public or to selected investors, or by borrowing, whether under the existing line of credit or a new facility. In addition, even though we may not need additional funds, we may still elect to sell additional equity securities for other reasons. We cannot assure you that we will be able to obtain additional funds on commercially favorable terms, or at all. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders may be reduced. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock.

Although we believe we have sufficient capital to fund our activities for at least the next twelve months, our future capital requirements may vary materially from those now planned. The amount of capital that we will need in the future will depend on many factors, including:

- the macroeconomic environment;
- the market acceptance of our products and services;
- the levels of promotion and advertising that will be required to launch our new products and services and achieve and maintain a competitive position in the marketplace;
- our business, product, capital expenditures and technology plans, and product and technology roadmaps;
- technological advances;
- our competitors' responses to our products and services;

- our pursuit of strategic transactions, including mergers and acquisitions;
- the extent of dislocations in the credit markets in the United States and the related impact on the liquidity of our marketable securities;
- the timing and outcome of examinations by tax authorities; and
- our stock repurchase program.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including, but not limited to, those related to revenue recognition, allowance for doubtful accounts and sales credits, investments, stock-based compensation, income taxes, goodwill and other intangible assets, and contingencies and litigation. We base our estimates and assumptions on historical experience and on various other estimates and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

There have been no material changes to the critical accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Recently Issued Accounting Standards

In January 2010, the Financial Accounting Standards Board ("FASB") issued additional authoritative guidance to improve disclosures about fair value measurements. The guidance requires that an entity disclose separately the amounts of significant transfers in and out of Level 1 and 2 fair value measurements and describe the reasons for the transfers. Furthermore, an entity should present information about purchases, sales, issuances, and settlements for Level 3 fair value measurements. The guidance also clarifies existing disclosures for the level of disaggregation and disclosures about input and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements for the activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. On January 1, 2010, the Company adopted the disclosure amendments, except for the amendments to Level 3 fair value measurements as described above, which the Company will adopt on January 1, 2011.

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities. The new guidance requires a qualitative approach to identifying a controlling financial interest in a variable interest entity ("VIE"), and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. The Company adopted this guidance as of January 1, 2010. The adoption of this guidance did not have a material impact on the Company's financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

We do not believe that our current investment activities subject us to significant interest rate risks that could have a material impact on our financial position or results of operations.

FOREIGN CURRENCY RISK

We transact business in various foreign countries and are thus subject to exposure from adverse movements in foreign currency exchange rates. This exposure is primarily related to revenue and operating expenses of our foreign subsidiaries, which denominate their transactions primarily in British Pounds, Euros, Swedish Kronor, Japanese Yen, and Chinese Yuan Renminbi. The effect of foreign currency exchange rate fluctuations for the three- and nine-month periods ended September 30, 2010 was not material to the consolidated results of operations. If there were an adverse change of 10% in overall foreign currency exchange rates over an entire year, the result of translations would be an estimated reduction of revenue of approximately $9.0 million, an estimated reduction

of income before income taxes of approximately $2.1 million and an estimated reduction of net assets, excluding intercompany balances, of approximately $8.0 million. While we perform certain hedging activities related to exposures associated with certain intercompany balances with our foreign subsidiaries, we do not hedge all of the foreign exchange related exposures faced by our operations. Accordingly, we may experience economic loss and a negative impact on earnings, cash flows or equity as a result of foreign currency exchange rate fluctuations. As of September 30, 2010, we had $49.4 million in cash and cash equivalents and $12.5 million in total current liabilities denominated in foreign currencies, including British Pounds, Euros, Swedish Kronor, Japanese Yen, and Chinese Yuan Renminbi.

Our international business is subject to risks typical of an international business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign currency exchange rate volatility. Accordingly, our future results could be materially and adversely affected by changes in these or other factors.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934, as amended (“Exchange Act”), Rules 13a-15(e) and 15d-15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

Additionally, our Chief Executive Officer and Chief Financial Officer have determined that there have been no changes to our internal control over financial reporting during the three-month period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION AND SIGNATURES

ITEM 1. LEGAL PROCEEDINGS

On April 8, 2008, Hypertouch, Inc. filed an action against us in the Superior Court of California, County of Los Angeles. The complaint asserts causes of action for violation of California Business & Professions Code §§ 17529.5 and 17200, et seq., arising from the plaintiff’s alleged receipt of a large number of email messages allegedly transmitted by us “and/or (our) agents” and seeks statutory damages for each such email. We filed our answer to the complaint on May 28, 2008. On May 4, 2009, the court granted our motion for summary judgment which ended the case in this court. Hypertouch has appealed the Court’s ruling. The appeal is pending.

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, except as discussed above, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company’s business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks before you decide to buy shares of our common stock. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties, including those risks set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below, may also adversely impact and impair our business. If any of the following risks actually occur, our business, results of operations or financial condition would likely suffer. In such case, the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy our stock.

This report on Form 10-Q contains forward-looking statements based on the current expectations, assumptions, estimates, and projections about us and our industry. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements as a result of certain factors, as more fully described in this section and elsewhere in this report on Form 10-Q. We undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OUR PROFITABILITY MAY NOT REMAIN AT CURRENT LEVELS

We face risks that could prevent us from achieving our current profitability levels in future periods. These risks include, but are not limited to, our ability to:

- adapt our products, services and cost structure to changing macroeconomic conditions;
- maintain and increase our inventory of advertising space on publisher websites, ad exchanges and other sources;
- maintain and increase the number of advertisers that use our products and services;
- continue to expand the number of products and services we offer and the capacity of our systems;
- adapt to changes in Web advertisers' promotional needs and policies, and the technologies used to generate Web advertisements;
- respond to challenges presented by the large and increasing number of competitors in the industry;
- respond to challenges presented by the continuing consolidation within our industry;
- adapt to changes in legislation, taxation or regulation regarding Internet usage, advertising and e-commerce; and
- adapt to changes in technology related to online advertising filtering software.

If we are unsuccessful in addressing these or other risks and uncertainties, our business, results of operations and financial condition could be materially and adversely affected.

IF ADVERTISING ON THE INTERNET LOSES ITS APPEAL, OUR REVENUE COULD DECLINE.

Our business models may not continue to be effective in the future for a number of reasons, including the following: click and conversion rates have always been low and may decline as the number of advertisements and ad formats on the Web increases; Web users can install "filter" software programs which allow them to prevent advertisements from appearing on their computer screens or in their email boxes; Internet advertisements are, by their nature, limited in content relative to other media; companies may be reluctant or slow to adopt online advertising that replaces, limits or competes with their existing direct marketing efforts; companies may prefer other forms of Internet advertising we do not offer, including certain forms of search engine placements and social media; companies may not utilize online advertising due to concerns of "click-fraud", particularly related to search engine placements; regulatory actions may negatively impact certain business practices that we currently rely on to generate a portion of our revenue and profitability; and, perceived lead quality. If the number of companies who purchase online advertising from us does not grow, we may experience difficulty in attracting publishers, and our revenue could decline.

OUR REVENUE COULD DECLINE IF WE FAIL TO EFFECTIVELY MANAGE OUR EXISTING ADVERTISING SPACE AND OUR GROWTH COULD BE IMPEDED IF WE FAIL TO ACQUIRE NEW ADVERTISING SPACE.

Our success depends in part on our ability to effectively manage our existing advertising space as well as successfully access advertising space available on ad exchanges and through ad network optimization service providers. The Web publishers that list their unsold advertising space with us are not bound by long-term contracts that ensure us a consistent supply of advertising space, which we refer to as inventory. In addition, Web publishers can change the amount of inventory they make available to us at any time. If a Web publisher decides not to make advertising space from its websites available to us, we may not be able to replace this advertising space with advertising space from other Web publishers that have comparable traffic patterns and user demographics quickly enough to fulfill our advertisers' requests. This would result in lost revenue.

We expect that our advertiser customers' requirements will become more sophisticated as the Web continues to mature as an advertising medium. If we fail to manage our existing advertising space effectively to meet our advertiser customers' changing requirements, our revenue could decline. Our growth depends, in part, on our ability to expand our advertising inventory within our networks and to have access to new sources of advertising inventory such as ad exchanges. To attract new customers, we must maintain a consistent supply of attractive advertising space. Our success relies in part on expanding our advertising inventory by selectively adding new Web publishers to our networks that offer attractive demographics, innovative and quality content and growing Web user traffic and email volume. Our ability to attract new Web publishers to our networks and to retain Web publishers currently in our networks will depend on various factors, some of which are beyond our control. These factors include, but are not limited to: our ability to introduce new and innovative products and services, our ability to efficiently manage our existing advertising inventory, our pricing policies, and the cost-efficiency to Web publishers and email list owners of outsourcing their advertising sales. In addition, the number of competing intermediaries that purchase advertising inventory from Web publishers continues to increase. We cannot assure you that the size of our advertising inventory will increase or remain constant in the future.

OUR OWNED & OPERATED WEBSITES SEGMENT REVENUE IS SUBJECT TO CUSTOMER CONCENTRATION RISKS. THE LOSS OF ONE OR MORE OF THE MAJOR CUSTOMERS IN OUR OWNED & OPERATED WEBSITES SEGMENT COULD SIGNIFICANTLY AND NEGATIVELY IMPACT THE REVENUE AND PROFITABILITY LEVELS OF THIS SEGMENT.

Our Owned & Operated Websites business generates revenue through a combination of: sponsored search listings placed on our destination websites, merchant relationships, affiliate marketing networks and display advertising on our destination websites. The majority of the revenue in our Owned & Operated Websites segment is generated via sponsored search listings from major search engines. Factors that could cause these relationships to cease or become significantly reduced in scale include, but are not limited to: the non-renewal of our distribution agreement with one or more of the major search engines; the determination by one or more of the major search engines that consumer traffic received from us does not meet their quality standards (in other words, the traffic is not converting at appropriate rates); and changes in the competitive environment, such as industry consolidation. If our relationships with one or more of the major search engines were to cease or become significantly reduced in scale, our revenue and profitability levels could be significantly and negatively impacted. In the fourth quarter of 2009, our largest customer in our Owned & Operated Websites segment made changes that negatively impacted the amount of traffic that we could monetize with them. This change had a significant negative impact on the revenue levels of this segment beginning in the fourth quarter of 2009. As a result of this change, our revenue from the Owned & Operated Websites segment in the third quarter of 2010 was much lower than the same period of the prior year

CHANGES IN HOW WE GENERATE ONLINE CONSUMER TRAFFIC FOR OUR DESTINATION WEBSITES COULD NEGATIVELY IMPACT OUR ABILITY TO MAINTAIN OR GROW THE REVENUE AND PROFITABILITY LEVELS OF OUR OWNED & OPERATED WEBSITES SEGMENT.

We generate online consumer traffic for our destination websites using various methods, including: search engine marketing (SEM), search engine optimization (SEO), organic traffic, email campaigns, and distribution agreements with other website publishers, The current revenue and profitability levels of our Owned & Operated Websites segment are dependent upon our continued ability to use a combination of these methods to generate online consumer traffic to our websites in a cost-efficient manner. Our SEM and SEO techniques have been developed to work with the existing search algorithms utilized by the major search engines. The major search engines frequently modify their search algorithms. Future changes in these search algorithms could change the mix of the methods we use to generate online consumer traffic for our destination websites and could negatively impact our ability to generate such traffic in a cost-efficient manner, which could result in a significant reduction to the revenue and profitability of our Owned & Operated Websites segment. There can be no assurances that we will be able to maintain the current mix of online consumer traffic sources for our destination websites or that we will be able to modify our SEM and SEO techniques to address any future search algorithm changes made by the major search engines.

WE MAY FACE INTELLECTUAL PROPERTY ACTIONS THAT ARE COSTLY OR COULD HINDER OR PREVENT OUR ABILITY TO DELIVER OUR PRODUCTS AND SERVICES.

We may be subject to legal actions alleging intellectual property infringement (including patent infringement), unfair competition or similar claims against us. Companies may apply for or be awarded patents or have other intellectual property rights covering aspects of our technologies or businesses. Defending ourselves against intellectual property infringement or similar claims is expensive and diverts management's attention.

IF THE TECHNOLOGY THAT WE CURRENTLY USE TO TARGET THE DELIVERY OF ONLINE ADVERTISEMENTS AND TO PREVENT FRAUD ON OUR NETWORKS IS RESTRICTED OR BECOMES SUBJECT TO REGULATION, OUR EXPENSES COULD INCREASE AND WE COULD LOSE CUSTOMERS OR ADVERTISING INVENTORY.

Websites typically place small files of non-personalized (or "anonymous") information, commonly known as cookies, on an Internet user's hard drive. Cookies generally collect information about users on a non-personalized basis to enable websites to provide users with a more customized experience. Cookie information is passed to the website through an Internet user's browser software. We currently use cookies, along with other technologies, as set forth in our privacy policies, for purposes that include, without limitation, improving the experience Web users have when they see Web advertisements, advertising campaign reporting, website reporting and to monitor and prevent fraudulent activity on our networks. Most currently available Internet browsers allow Internet users to modify their browser settings to prevent cookies from being stored on their hard drive, and some users currently do so. Internet users can also delete cookies from their hard drives at any time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and legislation has been introduced in some jurisdictions to regulate the use of cookie technology. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies were limited, we expect that we would need to switch to other technologies to gather demographic and behavioral information. While such technologies currently exist, they may be less effective than cookies. We also expect that we would need to develop or acquire other technology to monitor and prevent fraudulent activity on our networks. Replacement of cookies could require reengineering time and resources, might not be completed in time to avoid losing customers or advertising inventory, and might not be commercially feasible. Our use of cookie technology or any other technologies designed to collect Internet usage information may subject us to litigation or investigations in the future. Any litigation or government action against us could be costly and time consuming, could require us to change our business practices and could divert management's attention.

IF WE FAIL TO COMPETE EFFECTIVELY AGAINST OTHER INTERNET ADVERTISING COMPANIES, WE COULD LOSE CUSTOMERS OR ADVERTISING INVENTORY AND OUR REVENUE AND RESULTS OF OPERATIONS COULD DECLINE.

The Internet advertising markets are characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products and services obsolete and unmarketable or require unanticipated technology or other investments. Our failure to adapt successfully to these changes could harm our business, results of operations and financial condition.

The market for Internet advertising and related products and services is highly competitive. We expect this competition to continue to increase, in part because there are no significant barriers to entry to our industry. Increased competition may result in price reductions for advertising space, reduced margins and loss of market share. Our principal competitors include other companies that provide advertisers with performance-based Internet advertising solutions and companies that offer pay-per-click search services. We compete in the performance-based marketing segment with CPL and CPA performance-based companies, and with other large Internet display advertising networks. In addition, we compete in the online comparison shopping market with focused comparison shopping websites, and with search engines and portals such as Yahoo!, Google and MSN, and with online retailers such as Amazon.com and eBay. Large websites with brand recognition, such as Yahoo!, Google, AOL and MSN, have direct sales personnel and substantial proprietary online advertising inventory that may provide competitive advantages compared to our networks, and they have a significant impact on pricing for online advertising overall. These companies have longer operating histories, greater name recognition and have greater financial, technical, sales, and marketing resources than we have. Further, Google, Yahoo! and Microsoft have made acquisitions to put them in direct competition with a number of our offerings.

Competition for advertising placements among current and future suppliers of Internet navigational and informational services, high-traffic websites and Internet service providers ("ISPs"), as well as competition with other media for advertising placements, could result in significant price competition, declining margins and reductions in advertising revenue. In addition, as we continue our efforts to expand the scope of our Web services, we may compete with a greater number of Web publishers and other

media companies across an increasing range of different Web services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. If existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over those offered by us, our business, results of operations and financial condition could be negatively affected. We also compete with traditional advertising media, such as direct mail, television, radio, cable, and print, for a share of advertisers' total advertising budgets. Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales, and marketing resources. As a result, we may not be able to compete successfully. If we fail to compete successfully, we could lose customers or advertising inventory and our revenue and results of operations could decline.

WE DEPEND ON KEY PERSONNEL, THE LOSS OF WHOM COULD HARM OUR BUSINESS.

Our success depends in part on the retention of personnel critical to our combined business operations due to, for example, unique technical skills, management expertise or key business relationships. We may be unable to retain existing management, finance, engineering, sales, customer support, and operations personnel that are critical to the success of the Company, which may result in disruption of operations, loss of key business relationships, information, expertise or know-how, unanticipated additional recruitment and training costs, and diminished anticipated benefits of acquisitions, including loss of revenue and profitability.

Our future success is substantially dependent on the continued service of our key senior management. Our employment agreements with our key personnel are short-term and on an at-will basis. We do not have key-person insurance on any of our employees. The loss of the services of any member of our senior management team, or of any other key employees, could divert management's time and attention, increase our expenses and adversely affect our ability to conduct our business efficiently. Our future success also depends on our continuing ability to attract, retain and motivate highly skilled employees. We may be unable to retain our key employees or attract, retain and motivate other highly qualified employees in the future. We have experienced difficulty from time to time in attracting or retaining the personnel necessary to support the growth of our business, and may experience similar difficulties in the future.

DELAWARE LAW AND OUR STOCKHOLDER RIGHTS PLAN CONTAIN ANTI-TAKEOVER PROVISIONS THAT COULD DETER TAKEOVER ATTEMPTS THAT COULD BE BENEFICIAL TO OUR STOCKHOLDERS.

Provisions of Delaware law could make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our stockholders. Section 203 of the Delaware General Corporation Law may make the acquisition of our company and the removal of incumbent officers and directors more difficult by prohibiting stockholders holding 15% or more of our outstanding voting stock from acquiring us, without our board of directors' consent, for at least three years from the date they first hold 15% or more of the voting stock. In addition, our Stockholder Rights Plan has significant anti-takeover effects by causing substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

SYSTEM FAILURES COULD SIGNIFICANTLY DISRUPT OUR OPERATIONS, WHICH COULD CAUSE US TO LOSE CUSTOMERS OR ADVERTISING INVENTORY.

Our success depends on the continuing and uninterrupted performance of our systems. Sustained or repeated system failures that interrupt our ability to provide services to customers, including failures affecting our ability to deliver advertisements quickly and accurately and to process visitors' responses to advertisements, would reduce significantly the attractiveness of our solutions to advertisers and Web publishers. Our business, results of operations and financial condition could also be materially and adversely affected by any systems damage or failure that impacts data integrity or interrupts or delays our operations. Our computer systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious or accidental human acts, and natural disasters. We lease data center space in various locations in northern and southern California; Virginia; Stockholm, Sweden; and Shanghai, China. Therefore, any of the above factors affecting any of these areas could substantially harm our business. Moreover, despite network security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems in part because we cannot control the maintenance and operation of our third-party data centers. Despite the precautions taken, unanticipated problems affecting our systems could cause interruptions in the delivery of our solutions in the future and our ability to provide a record of past transactions. Our data centers and systems incorporate varying degrees of redundancy. All data centers and systems may not automatically switch over to their redundant counterpart. Our insurance policies may not adequately compensate us for any losses that may occur due to any failures in our systems.

IT MAY BE DIFFICULT TO PREDICT OUR FINANCIAL PERFORMANCE BECAUSE OUR QUARTERLY OPERATING RESULTS MAY FLUCTUATE.

Our revenue and operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. You should not rely on period-to-period comparisons of our results of operations as an indication of our future performance. Our results of operations have fallen below the expectations of market analysts and our own forecasts in the past and may also do so in some future periods. If this happens, the market price of our common stock may fall significantly. The factors that may affect our quarterly operating results include, but are not limited to, the following:

- macroeconomic conditions in the United States and Europe;
- fluctuations in demand for our advertising solutions or changes in customer contracts;
- fluctuations in click, lead, action, impression, and conversion rates;
- fluctuations in the amount of available advertising space, or views, on our networks;
- the timing and amount of sales and marketing expenses incurred to attract new advertisers;
- fluctuations in sales of different types of advertising; for example, the amount of advertising sold at higher rates rather than lower rates;
- fluctuations in the cost of online advertising;
- seasonal patterns in Internet advertisers' spending;
- fluctuations in our stock price which may impact the amount of stock-based compensation we are required to record;
- changes in our pricing and publisher compensation policies, the pricing and publisher compensation policies of our competitors, the pricing and publisher compensation policies of our advertiser customers, or the pricing policies for advertising on the Internet generally;
- changes in the regulatory environment, including regulation of advertising on the Internet, that may negatively impact our marketing practices;
- possible impairments of the recorded amounts of goodwill, intangible assets, or other long-lived assets;
- the timing and amount of expenses associated with litigation, regulatory investigations or restructuring activities, including settlement costs and regulatory penalties assessed related to government enforcement actions;
- the adoption of new accounting pronouncements, or new interpretations of existing accounting pronouncements, that impact the manner in which we account for, measure or disclose our results of operations, financial position or other financial measures;
- the loss of, or a significant reduction in business from, large customers resulting from, among other factors, the exercise of a cancellation clause within a contract, the non-renewal of a contract or an advertising insertion order, or shifting business to a competitor when the lack of an exclusivity clause exists;
- fluctuations in levels of professional services fees or the incurrence of non-recurring costs;
- deterioration in the credit quality of our accounts receivable and an increase in the related provision;
- impairments on our marketable securities due to, among other factors, issuer-specific difficulties or dislocations in the credit markets in the United States;
- changes in tax laws or our interpretation of tax laws, changes in our effective income tax rate or the settlement of certain tax positions with tax authorities as a result of a tax audit; and
- costs related to acquisitions of technologies or businesses.

Expenditures by advertisers also tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. Any decline in the economic prospects of advertisers or the economy generally may alter advertisers' current or prospective spending priorities, or may increase the time it takes us to close sales with advertisers, and could materially and adversely affect our business, results of operations and financial condition.

OUR EXPANDING INTERNATIONAL OPERATIONS SUBJECT US TO ADDITIONAL RISKS AND UNCERTAINTIES AND WE MAY NOT BE SUCCESSFUL WITH OUR STRATEGY TO CONTINUE TO EXPAND SUCH OPERATIONS.

We initiated operations, through wholly-owned subsidiaries or divisions, in the United Kingdom in 1999, France and Germany in 2000, Sweden in 2004, Japan and China in 2007, Spain and Ireland in 2008, and Korea, South Africa and Canada in 2010. Our international expansion and the integration of international operations present unique challenges and risks to our company, and require management attention. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions and could interfere with our ability to offer our products and services to one or more countries or expose us or our employees to fines and penalties. These laws and regulations include, but are not limited to, content requirements, tax laws, data privacy and filtering requirements, U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to governmental officials. Violations of these laws and regulations could result in monetary damages, criminal sanctions against us, our officers, or our employees, and prohibitions on the conduct of our business. Our continued international expansion also subjects us to additional foreign currency exchange rate risks and will require additional management attention and resources. We cannot assure you that we will be successful in our international expansion. Our international operations and expansion subject us to other inherent risks, including, but not limited to:

- the impact of recessions in economies outside of the United States;
- changes in and differences between regulatory requirements between countries;
- U.S. and foreign export restrictions, including export controls relating to encryption technologies;
- reduced protection for and enforcement of intellectual property rights in some countries;
- potentially adverse tax consequences;
- difficulties and costs of staffing and managing foreign operations;
- political and economic instability;
- tariffs and other trade barriers; and
- seasonal reductions in business activity.

Our failure to address these risks adequately could materially and adversely affect our business, revenue, results of operations and financial condition.

WE MAY NOT BE ABLE TO PROTECT OUR INTELLECTUAL PROPERTY FROM UNAUTHORIZED USE, WHICH COULD DIMINISH THE VALUE OF OUR PRODUCTS AND SERVICES, WEAKEN OUR COMPETITIVE POSITION AND REDUCE OUR REVENUE.

Our success depends in large part on our proprietary technologies, including tracking management software, our affiliate marketing technologies, our display advertising technologies, our technology, including SEM technology that runs our owned and operated websites, and our MOJO platform. In addition, we believe that our trademarks are key to identifying and differentiating our products and services from those of our competitors. We may be required to spend significant resources to monitor and police our intellectual property rights. If we fail to successfully enforce our intellectual property rights, the value of our products and services could be diminished and our competitive position may suffer.

We rely on a combination of copyright, trademark and trade secret laws, confidentiality procedures and licensing arrangements to establish and protect our proprietary rights. Third-party software providers could copy or otherwise obtain and use our technologies without authorization or develop similar technologies independently, which may infringe upon our proprietary rights. We may not be able to detect infringement and may lose competitive position in the market before we do so. In addition, competitors may design around our technologies or develop competing technologies. Intellectual property protection may also be unavailable or limited in some foreign countries.

We generally enter into confidentiality or license agreements with our employees, consultants, vendors, customers, and corporate partners, and generally control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, unauthorized parties may attempt to disclose, obtain or use our products and services or technologies. Our precautions may not prevent misappropriation of our products, services or technologies, particularly in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States.

GOVERNMENT ENFORCEMENT ACTIONS, CHANGES IN GOVERNMENT REGULATION AND INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, SPYWARE, PRIVACY AND EMAIL MATTERS, COULD DECREASE DEMAND FOR OUR PRODUCTS AND SERVICES AND INCREASE OUR COSTS OF DOING BUSINESS.

Laws and regulations that apply to Internet communications, commerce and advertising are becoming more prevalent. These regulations could affect the costs of communicating on the Web and could adversely affect the demand for our advertising solutions or otherwise harm our business, results of operations and financial condition. The United States Congress has enacted Internet legislation regarding children's privacy, copyrights, sending of commercial email (e.g., the Federal CAN-SPAM Act of 2003), and taxation. The United States Congress has passed legislation regarding spyware (i.e., H.R. 964, the "Spy Act of 2007") and the New York Attorney General's office has also pursued enforcement actions against companies in this industry. In addition, the FTC issued a report and a revised set of "Self-Regulatory Principles for Online Behavioral Advertising" which promotes principles designed to encourage meaningful self-regulation with regard to online behavioral advertising within the industry, however its message strongly encourages that industry participants come up with more meaningful and rigorous self-regulation or invite legislation by states, Congress or a more regulatory approach by the FTC. On May 3, 2010, Congressman Rick Boucher, Chairman of the Subcommittee on Communications, Technology and the Internet, and Congressman Rick Stearns, Ranking Member of the Subcommittee introduced draft discussion legislation addressing the privacy of information of individuals both on the Internet and offline. On July 19, 2010, Congressman Bobby Rush, Chairman of the Subcommittee on Commerce, Trade and Consumer Protection, introduced the Best Practices Act of 2010, H.R. 5777 also addressing the privacy of information of individuals both on the Internet and offline, but based on fair information principles. Such legislation by Congress or increased regulatory approach by the FTC that may require consumers to "opt-in" before any data is collected about their web viewing behavior, may adversely affect our ability to grow our company and our behavioral targeting platform. Other laws and regulations have been adopted and may be adopted in the future, and may address issues such as user privacy, spyware, "do not email" lists, pricing, intellectual property ownership and infringement, copyright, trademark, trade secret, export of encryption technology, click-fraud, acceptable content, search terms, lead generation, behavioral targeting, taxation, and quality of products and services. This legislation could hinder growth in the use of the Web generally and adversely affect our business. Moreover, it could decrease the acceptance of the Web as a communications, commercial and advertising medium. We do not use any form of spam or spyware and has policies to prohibit abusive Internet behavior, including prohibiting the use of spam and spyware by our Web publisher partners.

Due to the global nature of the Web, it is possible that, although our transmissions originate in California, Virginia, Sweden, and China, the governments of other states or foreign countries might attempt to regulate our transmissions or levy sales or other taxes relating to our activities. In addition, the growth and development of the market for Internet commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose additional burdens on companies conducting business over the Internet. The laws governing the Internet remain largely unsettled, even in areas where there has been some legislative action. It may take years to determine how existing laws, including those governing intellectual property, privacy, libel and taxation, apply to the Internet and Internet advertising. Our business, results of operations and financial condition could be materially and adversely affected by the adoption or modification of industry standards, laws or regulations relating to the Internet, or the application of existing laws to the Internet or Internet-based advertising.

WE COULD BE SUBJECT TO LEGAL CLAIMS, GOVERNMENT ENFORCEMENT ACTIONS AND DAMAGE TO OUR REPUTATION AND HELD LIABLE FOR OUR OR OUR CUSTOMERS' FAILURE TO COMPLY WITH FEDERAL, STATE AND FOREIGN LAWS, REGULATIONS OR POLICIES GOVERNING CONSUMER PRIVACY, WHICH COULD MATERIALLY HARM OUR BUSINESS.

Recent growing public concern regarding privacy and the collection, distribution and use of information about Internet users has led to increased federal, state and foreign scrutiny and legislative and regulatory activity concerning data collection and use practices. The United States Congress currently has pending legislation regarding privacy and data security measures, such as S. 495, the "Personal Data Privacy and Security Act of 2007", the discussion draft legislation introduced by Congressman Boucher and Stearns, and H.R. 5777, the Best Practices Act, introduced by Congressman Bobby Rush. Any failure by us to comply with applicable federal, state and foreign laws and the requirements of regulatory authorities may result in, among other things, indemnification liability to our customers and the advertising agencies we work with, administrative enforcement actions and fines, class action lawsuits, cease and desist orders, and civil and criminal liability. Recently, class action lawsuits have been filed alleging violations of privacy laws by ISPs. The European Union's directive addressing data privacy limits our ability to collect and use information

regarding Internet users. These restrictions may limit our ability to target advertising in most European countries. Our failure to comply with these or other federal, state or foreign laws could result in liability and materially harm our business.

In addition to government activity, privacy advocacy groups and the technology and direct marketing industries are considering various new, additional or different self-regulatory standards. This focus, and any legislation, regulations or standards promulgated, may impact us adversely. Governments, trade associations and industry self-regulatory groups may enact more burdensome laws, regulations and guidelines, including consumer privacy laws, affecting our customers and us. Since many of the proposed laws or regulations are just being developed, and a consensus on privacy and data usage has not been reached, we cannot yet determine the impact these proposed laws or regulations may have on our business. However, if the gathering of profiling information were to be curtailed, Internet advertising would be less effective, which would reduce demand for Internet advertising and harm our business.

Third parties may bring class action lawsuits against us relating to online privacy and data collection. We disclose our information collection and dissemination policies, and we may be subject to claims if we act or are perceived to act inconsistently with these published policies. Any claims or inquiries could be costly and divert management's attention, and the outcome of such claims could harm our reputation and our business.

Our customers are also subject to various federal and state laws concerning the collection and use of information regarding individuals. These laws include the Children's Online Privacy Protection Act, the Federal Drivers Privacy Protection Act of 1994, the privacy provisions of the Gramm-Leach-Bliley Act, the Federal CAN-SPAM Act of 2003, as well as other laws that govern the collection and use of consumer credit information. We cannot assure you that our customers are currently in compliance, or will remain in compliance, with these laws and their own privacy policies. We may be held liable if our customers use our technologies in a manner that is not in compliance with these laws or their own stated privacy policies.

OUR STOCK PRICE IS LIKELY TO BE VOLATILE AND COULD DROP UNEXPECTEDLY.

Our common stock has been publicly traded since March 30, 2000. The market price of our common stock has been subject to significant fluctuations since the date of our initial public offering.

The stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices of securities, particularly securities of technology companies. As a result, the market price of our common stock may materially decline, regardless of our operating performance. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. We were involved in this type of litigation, which arose shortly after our stock price dropped significantly during the third quarter of 2007. Litigation of this type is often expensive and diverts management's attention and resources.

SEVERAL STATES HAVE IMPLEMENTED OR PROPOSED REGULATIONS THAT IMPOSE SALES TAX ON CERTAIN E-COMMERCE TRANSACTIONS INVOLVING THE USE OF AFFILIATE MARKETING PROGRAMS.

In 2008, the state of New York implemented regulations that require advertisers to collect and remit sales taxes on sales made to residents of New York if the affiliate/publisher that facilitated that sale is a New York-based entity. In addition, several other states, including California, have proposed similar regulations, although most of the regulations proposed by these other states have not passed. While the New York sales tax requirement has not had a material impact on our Affiliate Marketing segment results of operations, we are unable to determine the impact on our Affiliate Marketing business if other states adopt similar requirements.

WE MAY BE REQUIRED TO RECORD A SIGNIFICANT CHARGE TO EARNINGS IF OUR GOODWILL OR AMORTIZABLE INTANGIBLE ASSETS BECOME IMPAIRED.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, we recorded an impairment charge as of December 31, 2008 related to our goodwill and amortizable intangible assets totaling $269.5 million. As of September 30, 2010, we have $183.3 million and $38.8 million of goodwill and amortizable intangible assets, respectively, remaining.

We perform our annual impairment analysis of goodwill as of December 31 of each year, or sooner if we determine there are indicators of impairment, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under GAAP, the impairment analysis of goodwill must be based on estimated fair values. The determination of fair values requires assumptions and estimates of many critical factors, including, but not limited to: expected operating results; macroeconomic conditions; our stock price; earnings multiples implied in acquisitions in the online marketing industry; industry analyst expectations; and the discount rates used in the discounted cash flow analysis. We are required to perform our next goodwill impairment analysis at December 31, 2010. If macroeconomic conditions deteriorate further in 2010 or our stock price experiences declines, we may be required to record additional impairment charges in the future.

We are also required under GAAP to review our amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of such assets may not be recoverable. We may be required to record a significant charge to earnings in a period in which any impairment of our goodwill or amortizable intangible assets is determined.

WE MAY INCUR LIABILITIES TO TAX AUTHORITIES IN EXCESS OF AMOUNTS THAT HAVE BEEN ACCRUED WHICH MAY ADVERSELY IMPACT OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

As more fully described in Note 12 to our consolidated financial statements, we have recorded significant income tax liabilities. The preparation of our consolidated financial statements requires estimates of the amount of income tax that will become payable in each of the jurisdictions in which we operate. We may be challenged by the taxing authorities in these jurisdictions and, in the event that we are not able to successfully defend our position, we may incur significant additional income tax liabilities and related interest and penalties which may have an adverse impact on our results of operations and financial condition.

IF WE FAIL TO MAINTAIN AN EFFECTIVE SYSTEM OF INTERNAL CONTROLS, WE MAY NOT BE ABLE TO ACCURATELY REPORT OUR FINANCIAL RESULTS OR PREVENT FRAUD AND OUR BUSINESS MAY BE HARMED AND OUR STOCK PRICE MAY BE ADVERSELY IMPACTED.

Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. Any inability to provide reliable financial reports or to prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management to evaluate and assess the effectiveness of our internal control over financial reporting. We determined that our internal control over financial reporting was effective as of December 31, 2009. In order to continue to comply with the requirements of the Sarbanes-Oxley Act, we are required to continuously evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls, we could be subject to litigation or regulatory scrutiny and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that in the future we will be able to fully comply with the requirements of the Sarbanes-Oxley Act or that management will conclude that our internal control over financial reporting is effective. If we fail to fully comply with the requirements of the Sarbanes-Oxley Act, our business may be harmed and our stock price may decline.

DECREASED EFFECTIVENESS OF EQUITY COMPENSATION COULD ADVERSELY AFFECT OUR ABILITY TO ATTRACT AND RETAIN EMPLOYEES AND HARM OUR BUSINESS.

We have historically used equity compensation as a key component of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention, and provide competitive compensation packages. Volatility or lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom have been granted equity awards, or to attract additional highly-qualified personnel. As of September 30, 2010, many of our outstanding employee stock options have exercise prices in excess of the stock price on that date. To the extent this continues to occur, our ability to retain employees may be adversely affected. Moreover, applicable NASDAQ listing standards relating to obtaining stockholder approval of equity compensation plans could make it more difficult or expensive for us to grant stock options or other stock-based awards to employees in the future. As a result, we may incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, any of which could materially, adversely affect our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities — The table below summarizes the Company's repurchases of common stock during the three months ended September 30, 2010.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2010 through July 31, 2010	—	$ —	—	$ 44.6 million
August 1, 2010 through August 31, 2010	1,269,977	10.40	1,269,977	$ 31.4 million
September 1, 2010 through September 30, 2010	—	—	—	$ 31.4 million
Total	**1,269,977**	**$ 10.40**	**1,269,977**	**$ 31.4 million**

(1) In September 2001, the Company's board of directors authorized a stock repurchase program (the "Program") to allow for the repurchase of shares of the Company's common stock at prevailing market prices in the open market or through unsolicited negotiated transactions. Since the inception of the Program and through December 31, 2009, the Company's board of directors authorized a total of $479.1 million for repurchases under the Program and the Company had repurchased a total of 50.7 million shares of its common stock for approximately $409.2 million. The Company repurchased 1.3 million shares for $13.2 million and 4.0 million shares for $38.6 million for the three- and nine-month periods ended September 30, 2010, respectively. As of September 30, 2010, up to an additional $31.4 million of the Company's capital was available to be used to repurchase shares of the Company's outstanding common stock under the Program. In October 2010, the Company's board of directors increased this authorization to $100 million. Repurchases have been funded from available working capital and all shares have been retired subsequent to their repurchase. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue repurchases at any time that management or the Company's board of directors determines additional repurchases are not warranted. The amounts authorized by the Company's board of directors exclude broker commissions.

(2) Includes commissions paid.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits:

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2010.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2010.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 U.S.C. § 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 8, 2010.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

SIGNATURES

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

VALUECLICK, INC. (Registrant)

By: /s/ JOHN PITSTICK
John Pitstick
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: November 8, 2010

Exhibit 31.1

Certification of CEO Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Zarley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ValueClick, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal 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 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.

Dated: November 8, 2010

By: /s/ JAMES R. ZARLEY
James R. Zarley
Chief Executive Officer

Exhibit 31.2

Certification of CFO Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, John Pitstick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ValueClick, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal 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 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.

Dated: November 8, 2010

By: /s/ JOHN PITSTICK
John Pitstick
Chief Financial Officer

Exhibit 32.1

Certification pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C § 1350)

In connection with the quarterly report on Form 10-Q of ValueClick, Inc. (the "Company") for the period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James R. Zarley, as Chief Executive Officer of the Company, and John Pitstick, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge, that:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2010

/s/ JAMES R. ZARLEY
James R. Zarley
Chief Executive Officer

Dated: November 8, 2010

/s/ JOHN PITSTICK
John Pitstick
Chief Financial Officer