

TechTarget Inc  
Form 10-Q  
November 14, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

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: 1-33472

TECHTARGET, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

04-3483216  
(I.R.S. Employer Identification  
No.)

117 Kendrick Street, Suite 800  
Needham, Massachusetts 02494  
(Address of principal executive offices) (zip code)

(781) 657-1000  
(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report): Not applicable

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller

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reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input type="radio"/>	Accelerated Filer <input type="radio"/>	Non-Accelerated Filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="radio"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

As of September 30, 2008, there were outstanding 41,550,724 shares of the registrant’s common stock, par value \$0.001.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

TECHTARGET, INC.  
Consolidated Balance Sheets  
(In thousands, except share and per share data)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,212	\$ 10,693
Short-term investments	21,097	51,308
Accounts receivable, net of allowance for doubtful accounts of \$607 and \$424 as of September 30, 2008 (unaudited) and December 31, 2007, respectively	17,529	15,198
Prepaid expenses and other current assets	6,279	1,962
Deferred tax assets	2,642	2,947
Total current assets	85,759	82,108
Property and equipment, net	4,044	4,401
Long-term investments	7,770	-
Goodwill	88,326	88,326
Intangible assets, net of accumulated amortization	17,917	21,939
Deferred tax assets	3,617	2,910
Other assets	180	203
Total assets	\$ 207,613	\$ 199,887
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of bank term loan payable	\$ 3,000	\$ 3,000
Accounts payable	2,794	2,919
Income taxes payable	-	1,031
Accrued expenses and other current liabilities	2,107	2,473
Accrued compensation expenses	926	2,600
Deferred revenue	5,698	3,761
Total current liabilities	14,525	15,784
Long-term liabilities:		
Other liabilities	324	455
Bank term loan payable, net of current portion	750	3,000
Total liabilities	15,599	19,239
Commitments (Note 9)	-	-
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 41,550,724 and 41,081,616 shares issued and outstanding at September 30, 2008 (unaudited) and December 31, 2007, respectively	42	41

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Additional paid-in capital	219,872	209,773
Warrants	2	13
Accumulated other comprehensive loss	(130)	(102)
Accumulated deficit	(27,772)	(29,077)
Total stockholders' equity	192,014	180,648
Total liabilities and stockholders' equity	\$ 207,613	\$ 199,887

See accompanying notes.

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TECHTARGET, INC.  
Consolidated Statements of Operations  
(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(Unaudited)			
Revenues:				
Online	\$ 18,631	\$ 14,687	\$ 58,338	\$ 44,726
Events	5,496	6,912	16,743	16,201
Print	1,088	1,702	3,384	5,323
Total revenues	25,215	23,301	78,465	66,250
Cost of revenues:				
Online (1)	5,462	3,769	16,113	11,194
Events (1)	2,328	2,283	7,078	6,065
Print (1)	580	862	1,758	2,990
Total cost of revenues	8,370	6,914	24,949	20,249
Gross profit	16,845	16,387	53,516	46,001
Operating expenses:				
Selling and marketing (1)	8,161	7,271	25,490	19,811
Product development (1)	2,788	1,677	8,440	5,021
General and administrative (1)	3,662	3,364	10,915	8,917
Depreciation	579	401	1,884	1,095
Amortization of intangible assets	1,259	1,171	4,071	2,971
Total operating expenses	16,449	13,884	50,800	37,815
Operating income	396	2,503	2,716	8,186
Interest income (expense):				
Interest income	336	1,043	1,236	2,058
Interest expense	(88)	(146)	(302)	(851)
Total interest income	248	897	934	1,207
Income before provision for income taxes	644	3,400	3,650	9,393
Provision for income taxes	958	1,568	2,345	3,996
Net (loss) income	\$ (314)	\$ 1,832	\$ 1,305	\$ 5,397
Net (loss) income per common share:				
Basic	\$ (0.01)	\$ 0.05	\$ 0.03	\$ 0.06
Diluted	\$ (0.01)	\$ 0.04	\$ 0.03	\$ 0.05
Weighted average common shares outstanding:				
Basic	41,533,020	40,354,796	41,355,812	24,282,474
Diluted	41,533,020	43,336,498	43,393,429	27,184,670

(1) Amounts include stock-based compensation expense as follows:

Cost of online revenue	\$ 264	\$ 16	\$ 401	\$ 156
Cost of events revenue	53	20	100	43
Cost of print revenue	1	(1)	5	18
Selling and marketing	1,057	930	3,796	2,054
Product development	140	84	420	230
General and administrative	648	604	2,107	1,421

See accompanying notes.

TECHTARGET, INC.  
Consolidated Statements of Cash Flows  
(In thousands)

	Nine Months Ended September 30,	
	2008	2007
	(Unaudited)	
<b>Operating Activities:</b>		
Net income	\$ 1,305	\$ 5,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,955	4,066
Provision for bad debt	378	117
Stock-based compensation expense	6,829	3,922
Non-cash interest expense	5	310
Deferred tax benefit	(402)	(373)
Excess tax benefit - stock options	(1,015)	(2,518)
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	(2,709)	(441)
Prepaid expenses and other current assets	(3,255)	193
Other assets	18	745
Accounts payable	(125)	193
Income taxes payable	(1,031)	(1,854)
Accrued expenses and other current liabilities	(366)	(344)
Accrued compensation expenses	(1,674)	(543)
Deferred revenue	1,937	3,046
Other liabilities	(84)	(110)
Net cash provided by operating activities	5,766	11,806
<b>Investing activities:</b>		
Purchases of property and equipment, and other assets	(1,527)	(2,344)
Purchases of short-term investments	(50,407)	(284,247)
Purchases of long-term investments	(7,885)	-
Proceeds from sales and maturities of short-term investments	80,618	196,346
Proceeds from sales and maturities of long-term investments	41	-
Acquisition of assets	(50)	(1,013)
Acquisition of businesses, net of cash acquired	-	(15,015)
Net cash provided by (used in) investing activities	20,790	(106,273)
<b>Financing activities:</b>		
Proceeds from revolving credit facility	-	12,000
Payments made on revolving credit facility	-	(12,000)
Payments on bank term loan payable	(2,250)	(2,250)
Proceeds from initial public offering, net of stock issuance costs	-	83,161
Excess tax benefit - stock options	1,015	2,518
Proceeds from exercise of warrants and stock options	2,198	977
Net cash provided by financing activities	963	84,406
Net increase in cash and cash equivalents	27,519	(10,061)
Cash and cash equivalents at beginning of period	10,693	30,830



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Cash and cash equivalents at end of period	\$	38,212	\$	20,769
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$	258	\$	489
Cash paid for taxes	\$	4,484	\$	4,437

See accompanying notes.

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TECHTARGET, INC.  
Notes to Consolidated Financial Statements  
(In thousands, except share and per share data)

## 1. Organization and Operations

TechTarget, Inc. (the Company) is a leading provider of specialized online content that brings together buyers and sellers of corporate information technology, or IT, products. The Company sells customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases.

The Company's integrated content platform consists of a network of over 50 websites that are complemented with targeted in-person events and two specialized IT magazines. Throughout all stages of the purchase decision process, these content offerings meet IT professionals' needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high return on investment (ROI). As IT professionals have become increasingly specialized, they have come to rely on our sector-specific websites for purchasing decision support. The Company's content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of users' respective job responsibilities and the marketing focus of the products that the Company's customers are advertising, content offerings are currently categorized across eleven distinct media groups: Application Development; Channel; CIO and IT Management; Data Center; Enterprise Applications; Laptops and Mobile Technology; Networking; Security; Storage; Vertical Software; and Windows and Distributed Computing.

## 2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the consolidated financial statements.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, which include KnowledgeStorm, Inc., Bitpipe, Inc., TechTarget Securities Corporation and TechTarget, Ltd. KnowledgeStorm, Inc. was acquired by the Company on November 6, 2007 and is a leading online search resource providing vendor generated content targeted toward corporate IT professionals. Bitpipe, Inc. is a leading provider of in-depth IT content including white papers, product literature, and case studies from IT vendors. TechTarget Securities Corporation is a Massachusetts Securities Corporation incorporated in 2004. TechTarget, Ltd. is a subsidiary doing business principally in the United Kingdom. All significant intercompany accounts and transactions have been eliminated in consolidation.

### Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal recurring nature and have been reflected in the consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of results to be expected for any other interim periods or for the full year. The information included in these consolidated financial statements should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and

Results of Operations” contained in this report and the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. accounting principles generally accepted requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Revenue Recognition

The Company generates substantially all of its revenue from the sale of targeted advertising campaigns that are delivered via its network of websites, events and print publications. Revenue is recognized in accordance with Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition, and Financial Accounting Standards Board’s (FASB) Emerging Issues Task Force (EITF) Issue No. 00-21, Revenue Arrangements With Multiple Deliverables. Revenue is recognized only when the service has been provided and when there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection of the receivable is reasonably assured.

Online media. Revenue for online media offerings is recognized for specific online media offerings as follows:

- White Papers. White paper revenue is recognized ratably over the period in which the white paper is available on the Company’s websites.
- Webcasts, Podcasts and Videocasts. Webcast and videocast revenue is recognized in the period in which the webcast or videocast occurs. Podcast revenue is recognized in the period in which it is first posted and becomes available on the Company’s websites.
- Software Package Comparisons. Software package comparison revenue is recognized ratably over the period in which the software information is available on the Company’s websites.
- Dedicated E-mails, E-mail Newsletters. Dedicated e-mail and e-newsletter revenue is recognized in the period in which the e-mail or e-newsletter is sent to registered members.
- List Rentals. List rental revenue is recognized in the period in which the e-mails are sent to the list of registered members.

- Banners. Banner revenue is recognized in the period in which the banner impressions occur.
- Contextual Advertising. Our contextual advertising programs associate IT vendor white papers, webcasts, podcasts or other content on a particular topic with our related sector-specific content. Revenue on these program components is recognized in accordance with the specific component's policy as described above.
- Third Party Revenue Sharing Arrangements. The Company has arrangements with certain third parties, including for the licensing of its online content, for the renting of its database of opted-in email subscribers and for which advertising from customers of certain third parties is made available to the Company's website visitors. In each of these arrangements the Company is paid a share of the resulting revenue, and the revenue is recognized in the period in which the services are performed.

The Company offers customers the ability to purchase integrated ROI program offerings, which can include multiple online media offerings packaged together to address the particular customer's specific advertising requirements. As part of these offerings, the Company may guarantee a minimum number of qualified sales leads to be delivered over the course of the integrated ROI program advertising campaign. Throughout the advertising campaign, revenue is recognized as individual offerings are delivered, and the lead guarantee commitments are closely monitored to assess campaign performance. If the minimum number of qualified sales leads is not met by the scheduled completion date of the advertising campaign, the campaign is extended, as a result of which the Company will extend the time period over which it recognizes revenue. In accordance with EITF Issue No. 00-21, revenue is deferred for any undelivered offerings equal to a pro-rata amount of the fair value of the additional media offerings as compared to the total combined value of the original contract and the fair value of the additional media offerings. The fair value of the additional media offerings is determined based on standard rate card pricing for each of the additional media offerings. The Company estimates the additional media offerings to be delivered during the extended period based on historical lead generation performance for each of the offerings. The Company has managed and completed over 1,000 integrated ROI program offerings since 2004, which it feels provides a reasonable basis to establish these estimates. For the three months ended September 30, 2008, the Company has deferred approximately \$750 of revenue related to integrated ROI program offerings for which it has not yet delivered the guaranteed minimum number of qualified sales leads. Standard contractual terms and conditions for integrated ROI program offerings provide that the Company has the right to extend the advertising campaign in order to satisfy lead shortfalls. During the twelve months ended September 30, 2008, lead shortfalls for integrated ROI program offerings were satisfied, and revenue was recognized, within an average extended period of 41 days.

Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

While each online media offering can be sold separately, most of the Company's online media sales involve multiple online offerings. At inception of the arrangement, the Company evaluates the deliverables to determine whether they represent separate units of accounting under EITF Issue No. 00-21. Deliverables are deemed to be separate units of accounting if all of the following criteria are met: the delivered item has value to the customer on a standalone basis; there is objective and reliable evidence of the fair value of the item(s); and delivery or performance of the item(s) is considered probable and substantially in the Company's control. The Company allocates revenue to each unit of accounting in a transaction based upon its fair value as determined by vendor objective evidence. Vendor objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those online media offerings when sold to other similar customers. If vendor objective evidence of fair value has not been established for all items under the arrangement, no allocation can be made, and the Company recognizes revenue on all online media offerings over the term of the arrangement.

Event sponsorships. Sponsorship revenues from events are recognized upon completion of the event in the period that the event occurs. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as

deferred revenue. The majority of the Company's events are free to qualified attendees, however certain of the Company's events are based on a paid attendee model. Revenue is recognized for paid attendee events upon completion of the event and receipt of payment from the attendee. Deferred revenue relates to collection of the attendance fees in advance of the event.

Print publications. Advertising revenues from print publications are recognized at the time the applicable publication is distributed. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

#### Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short and long-term investments, accounts receivable, accounts payable, a term loan payable and an interest rate swap. The carrying value of these instruments approximates their estimated fair values.

#### Long-lived Assets

Long-lived assets consist of property and equipment, goodwill and other intangible assets. Goodwill and other intangible assets arise from acquisitions and are recorded in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. In accordance with this statement, a specifically identified intangible asset must be recorded as a separate asset from goodwill if either of the following two criteria is met: (1) the intangible asset acquired arises from contractual or other legal rights; or (2) the intangible asset is separable. Accordingly, intangible assets consist of specifically identified intangible assets. Goodwill is the excess of any purchase price over the estimated fair market value of net tangible assets acquired not allocated to specific intangible assets.

As required by SFAS No. 142, goodwill and indefinite-lived intangible assets are not amortized, but are reviewed annually for impairment or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use, and are reviewed for impairment when events or changes in circumstances suggest that the assets may not be recoverable under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The Company performs its annual test of impairment of goodwill on December 31st of each year, and whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Based on this evaluation, the Company believes that, as of each of the balance sheet dates presented, none of the Company's goodwill or other long-lived assets was impaired.

### Internal Use Software and Website Development Costs

The Company accounts for website development costs according to the guidance in the EITF Issue No. 00-2, Accounting for Web Site Development Costs, which requires that costs incurred during the development of website applications and infrastructure involving developing software to operate a website be capitalized. Additionally, all costs relating to internal use software are accounted for under Statement of Position (SOP) 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use. The estimated useful life of costs capitalized is evaluated for each specific project. Capitalized internal use software and website development costs are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss shall be recognized only if the carrying amount of the asset is not recoverable and exceeds its fair value. The Company capitalized internal-use software and website development costs of \$320 and \$191 for the three months ended September 30, 2008 and 2007, respectively, and \$342 and \$889 for the nine months ended September 30, 2008 and 2007, respectively.

### Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which is the asset and liability method for accounting and reporting for income taxes. Under SFAS No. 109, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, SFAS No. 109 requires a valuation allowance against net deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition and measurement method of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Company adopted the provisions of FIN 48 effective January 1, 2007. In accordance with FIN 48, the Company recognizes any interest and penalties related to unrecognized tax benefits in income tax expense.

### Stock-Based Compensation

At September 30, 2008, the Company had two stock-based employee compensation plans which are more fully described in Note 11. Effective January 1, 2006, the Company adopted SFAS No. 123(R), Share-Based Payment, which requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. SFAS No. 123(R) requires nonpublic companies that used the minimum value method under SFAS No. 123 for either recognition or pro forma disclosures to apply SFAS No. 123(R) using the prospective-transition method. As such, the Company will continue to apply APB Opinion No. 25 in future periods to equity awards outstanding at the date of adoption of SFAS No. 123(R) that were measured using the minimum value method. In accordance with SFAS No. 123(R), the Company recognizes the compensation cost of employee stock-based awards in the statement of operations using the straight line method over the vesting period of the award. Effective with the adoption of SFAS No. 123(R), the Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted.

### Net Income (Loss) Per Share

The Company calculates net income (loss) per share in accordance with SFAS No. 128, Earnings Per Share (SFAS No. 128). Through May 16, 2007, the Company calculated net income per share in accordance with SFAS No. 128, as clarified by EITF Issue No. 03-6, Participating Securities and the Two-Class Method Under FASB Statement No. 128,

Earnings Per Share. EITF Issue No. 03-6 clarifies the use of the "two-class" method of calculating earnings per share as originally prescribed in SFAS No. 128. Effective for periods beginning after March 31, 2004, EITF Issue No. 03-6 provides guidance on how to determine whether a security should be considered a "participating security" for purposes of computing earnings per share and how earnings should be allocated to a participating security when using the two-class method for computing basic earnings per share. The Company determined that its convertible preferred stock represented a participating security and therefore adopted the provisions of EITF Issue No. 03-6.

Under the two-class method, basic net income (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted-average number of common shares outstanding for the fiscal period. Diluted net income (loss) per share is computed using the more dilutive of (a) the two-class method or (b) the if-converted method. The Company allocates net income first to preferred stockholders based on dividend rights under the Company's charter and then to preferred and common stockholders based on ownership interests. Net losses are not allocated to preferred stockholders.

As of May 16, 2007, the effective date of the Company's initial public offering, the Company transitioned from having two classes of equity securities outstanding, common and preferred stock, to a single class of equity securities outstanding, common stock, upon automatic conversion of all shares of redeemable convertible preferred stock into shares of common stock. In calculating diluted earnings per share for the period January 1, 2007 to May 16, 2007 shares related to redeemable convertible preferred stock were excluded because they were anti-dilutive.

Subsequent to the Company's initial public offering, basic earnings per share is computed based only on the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, under SFAS No. 123(R), the assumed proceeds under the treasury stock method include the average unrecognized compensation expense and assumed tax benefit of stock options that are in-the-money. This results in the "assumed" buyback of additional shares, thereby reducing the dilutive impact of stock options.

#### Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141R"), replacing SFAS No. 141, Business Combinations ("SFAS 141"). SFAS 141R retains the fundamental requirements of purchase method accounting for acquisitions as set forth previously in SFAS 141. However, this statement defines the acquirer as the entity that obtains control of a business in the business combination, thus broadening the scope of SFAS 141 which applied only to business combinations in which control was obtained through transfer of consideration. SFAS 141R also requires several changes in the way assets and liabilities are recognized and measured in purchase accounting including expensing acquisition-related costs as incurred, recognizing assets and liabilities arising from contractual contingencies at the acquisition date, and capitalizing in-process research and development. SFAS 141R also requires the acquirer to recognize a gain in earnings for bargain purchases, or the excess of the fair value of net assets over the consideration transferred plus any noncontrolling interest in the acquiree, a departure from the concept of "negative goodwill" previously recognized under SFAS 141. SFAS 141R is effective for the Company beginning January 1, 2009, and will apply prospectively to business combinations completed on or after that date.

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In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133 (“SFAS 161”). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating the provisions of SFAS 161.

### 3. Fair Value Measurements

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements, which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Quoted prices in active markets for identical assets and liabilities;
- Level 2. Observable inputs other than quoted prices in active markets; and
- Level 3. Unobservable inputs.

The fair value hierarchy of the Company’s financial assets and liabilities carried at fair value and measured on a recurring basis is as follows:

	September 30, 2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) (Unaudited)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds (1)	\$ 30,239	\$ 30,239	\$ -	\$ -
Short-term investments	21,097	-	21,097	-
Long-term investments	7,770	-	7,770	-
Interest rate swap (2)	55	-	55	-
Total	\$ 59,161	\$ 30,239	\$ 28,922	\$ -

(1) Included in cash equivalents on the accompanying consolidated balance sheet.

(2) Included in other liabilities on the accompanying consolidated balance sheet.



At September 30, 2008, the Company held \$1.45 million in one auction rate security classified as a short-term investment in the accompanying consolidated balance sheet. Auction rate securities are variable-rate bonds tied to short-term interest rates with maturities in excess of 90 days. The interest rate on this security resets through a modified Dutch auction every 35 days. These auctions have historically provided a liquid market for this security. Beginning in March 2008, the Company's investment in this security started failing at auction due to sell orders exceeding buy orders.

The Company considered multiple Level 2 inputs when determining the fair value of the auction rate security at September 30, 2008 as follows;

- The fair value assessment performed by the Company's investment adviser; and
- Sales activity at par value prior and subsequent to September 30, 2008.

Based on the Level 2 inputs noted above, the Company concluded that the par value of the auction rate securities represents their fair value at September 30, 2008. Subsequent to September 30, 2008, the Company sold \$1.45 million of auction rate securities at par value and no longer holds any auction rate securities.

## 4. Acquisitions

## KnowledgeStorm, Inc.

On November 6, 2007, the Company acquired KnowledgeStorm, Inc. (KnowledgeStorm), which was a privately held company based in Alpharetta, Georgia, for \$51,730 in cash and 359,820 shares of common stock of TechTarget valued at \$6,000, as well as \$230 in transaction costs. KnowledgeStorm is a leading online search resource providing vendor generated content addressing corporate IT professionals. KnowledgeStorm offers IT marketers products with a lead generation and branding focus to reach these corporate IT professionals throughout the purchasing decision process. The acquisition of KnowledgeStorm strengthens the Company's competitive position and increases its scale, customer penetration and product offerings for advertisers. Once KnowledgeStorm has been fully integrated, the Company expects that cost savings can be achieved as a result of sales and operating efficiencies from the combined operations. Additionally, the Company anticipates that integration of KnowledgeStorm employees into its workforce will increase its capabilities in support of product development, product management and search engine optimization and marketing.

The Company applied the guidance included in EITF Issue No. 98-3, Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or a Business, to conclude that the acquisition of KnowledgeStorm constituted the acquisition of a business. In connection with the acquisition, the Company recorded \$45,101 of goodwill and \$11,620 of other intangible assets related to customer relationships, technology, trade name, customer backlog and non-compete agreements with estimated useful lives ranging from 12 to 108 months. Of the goodwill recorded in conjunction with the acquisition, none is deductible for income tax purposes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	As of November 6, 2007	
Cash and cash equivalents	\$	2,813
Current assets		1,328
Property and equipment, net		782
Other assets		39
Deferred tax assets		1,797
Intangible assets		11,620
Goodwill		45,101
Total assets acquired		63,480
Total liabilities assumed		(5,520)
Net assets acquired	\$	57,960

Within approximately thirty days from the acquisition date, the Company's management completed its reorganization plan to consolidate KnowledgeStorm's operations. Liabilities assumed in the acquisition include approximately \$627 of involuntary termination benefits payable to terminated employees through May 2008, as well as approximately \$111 of costs associated with exiting certain operating leases on office space leased by KnowledgeStorm under noncancelable leases that expire through September 2008. As of September 30, 2008 and December 31, 2007, approximately \$0 and \$616 remained payable under these obligations, respectively.

The estimated fair value of \$11,620 of acquired intangible assets is assigned as follows:

	Useful Life	Estimated Fair Value
Customer relationship intangible asset	108 months	\$ 4,770

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Member database intangible asset	60 months	4,060
Trade name intangible asset	84 months	1,100
Customer order backlog intangible asset	12 months	940
SEO/SEM process intangible asset	36 months	690
Non-compete agreement intangible asset	12 months	60
Total intangible assets		\$ 11,620

The Company engaged a third party valuation specialist to assist management in determining the fair value of the acquired assets of KnowledgeStorm. To value the customer relationship and backlog intangible assets, an income approach was used, specifically a variation of the discounted cash-flow method. The projected net cash flows for KnowledgeStorm were tax affected using an effective rate of 41% and then discounted using a discount rate of 20.6%. Additionally, the present value of the sum of projected tax benefits was added to arrive at the total fair value of the customer relationship and backlog intangible assets. To value the member database intangible asset, a replacement cost methodology approach was used. The replacement cost of the member database was determined by applying the actual costs incurred to register a new member to the total number of registered members in the acquired database. Additionally, opportunity costs and the present value of the sum of projected tax benefits were added to arrive at the total fair value of the member database intangible asset. To value the trade name intangible asset a relief from royalty method was used to estimate the pre-tax royalty savings to the Company related to the KnowledgeStorm trade name. The projected net cash flows from the pre-tax royalty savings were tax affected using an effective rate of 41% and then discounted using a discount rate of 20.6% to calculate the value of the trade name intangible asset. To value the Search Engine Optimization (SEO)/ Search Engine Marketing (SEM) process intangible asset, a comparative business valuation method was used. Based on an expected life of three years, management projected net cash flows for the Company with and without the SEO/SEM process in place. The present value of the sum of the difference between the net cash flows with and without the SEO/SEM process in place was calculated using a discount rate of 20.6%. Additionally, the present value of the sum of projected tax benefits was added to arrive at the total fair value of the SEO/SEM process intangible asset.

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The following pro forma results of operations for the three and nine months ended September 30, 2007 have been prepared as though the acquisition of KnowledgeStorm had occurred on January 1, 2007. This pro forma unaudited financial information is not indicative of the results of operations that may occur in the future.

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
	(unaudited)	
Total revenues	\$ 26,808	\$ 78,555
Net income	\$ 49	\$ 1,047
Net income per common share:		
Basic and diluted	\$ 0.00	\$ (0.12)

Results of operations for KnowledgeStorm have been included in the Company's results of operations since the acquisition date of November 6, 2007.

## TechnologyGuide.com

On April 26, 2007, the Company acquired substantially all of the assets of TechnologyGuide.com from TechnologyGuide, Inc., which was a privately-held company based in Cincinnati, OH, for \$15,000 in cash, plus \$15 in acquisition related transaction costs. TechnologyGuide.com is a website business consisting of a portfolio of five websites; Notebookreview.com, Brighthand.com, TabletPCReview.com, DigitalCameraReview.com and SpotStop.com. The websites offer independent product reviews, price comparisons, and forum-based discussions for selected technology products. The acquisition provides the Company with opportunities for growth within the laptop/notebook PC and "smart phone" markets in which it currently does not have a significant presence.

The Company applied the guidance included in EITF Issue No. 98-3, Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or a Business, to conclude that the acquisition of TechnologyGuide.com constituted the acquisition of a business. In connection with this acquisition, the Company recorded \$7,035 of goodwill and \$7,980 of intangible assets related to developed websites, customer relationships, and non-compete agreements with estimated useful lives ranging from 36 to 72 months.

The estimated fair value of \$7,980 of acquired intangible assets is assigned as follows:

	Useful Life	Estimated Fair Value
Developed websites intangible asset	72 months	\$ 5,400
Customer relationship intangible asset	60 months	1,790
Non-compete agreements intangible asset	36 months	790
Total intangible assets		\$ 7,980

Management engaged a third party valuation specialist to assist in determining the fair value of the acquired assets of TechnologyGuide.com. To value the websites and customer relationship intangible assets, an income approach was used, specifically a variation of the discounted cash-flow method. For the websites intangible asset, expenses and income taxes were deducted from estimated revenues attributable to the existing websites. For the customer relationship intangible asset, expenses and income taxes were deducted from estimated revenues attributable to the

existing customers. The projected net cash flows for each were then tax affected using an effective rate of 41% and then discounted using a discount rate of 22.3% to determine the value of the intangible assets, respectively. Additionally, the present value of the sum of projected tax benefits was added to arrive at the total fair value of the intangible assets, respectively. To value the non-compete agreements a comparative business valuation method was used. Based on non-compete terms of 36 months, management projected net cash flows for the Company with and without the non-compete agreements in place. The present value of the sum of the difference between the net cash flows with and without the non-compete agreements in place was calculated, based on a discount rate of 22.3%.

Results of operations for TechnologyGuide.com have been included in the Company's results of operations since the acquisition date of April 26, 2007.

#### Ajaxian.com

On February 27, 2007, the Company acquired substantially all of the assets of Ajaxian, Inc. (Ajaxian) for a purchase price of \$1,013 in cash. Ajaxian is a provider of a website and two events dedicated to providing information and support for the community of developers for "Ajax" (Asynchronous JavaScript and XML), a web development technique for creating interactive web applications.

The Company applied the guidance included in EITF Issue No. 98-3 to conclude that the acquisition of Ajaxian constituted the acquisition of assets. The Company did not acquire any tangible assets from Ajaxian. The following table summarizes the estimated fair value of the intangible assets acquired by the Company at the date of acquisition:

	Useful Life	Estimated Fair Value
Customer relationship intangible asset	48 months	\$ 552
Non-compete agreement intangible asset	36 months	335
Trade name intangible asset	60 months	126
<b>Total intangible assets</b>		<b>\$ 1,013</b>

A contingent payment of \$250 in May 2009 is due if certain event revenue and website traffic milestones are met as defined in the purchase agreement. Operating expense will be recorded in the period in which payment of these respective obligations becomes probable under the terms of the agreement.

## 5. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of purchase. Cash equivalents are carried at cost, which approximates their fair market value. Cash and cash equivalents consisted of the following:

	September 30, 2008 (Unaudited)	December 31, 2007
Cash	\$ 7,973	\$ 6,714
Money market funds	30,239	3,979
Total cash and cash equivalents	\$ 38,212	\$ 10,693

Short and long-term investments consist of municipal bonds, auction rate securities and variable rate demand notes. Auction rate securities are variable-rate bonds tied to short-term interest rates with maturities in excess of 90 days. Interest rates on these securities typically reset through a modified Dutch auction at predetermined short-term intervals, usually every 7, 28 or 35 days. Variable rate demand notes are long-term, taxable, or tax-exempt bonds issued on a variable rate basis that can be tendered by the Company for purchase at par whenever interest rates reset, usually every 7 days. Despite the long-term nature of the stated contractual maturities of these variable rate demand notes, the Company has the intent and the ability to quickly liquidate these securities. Auction rate securities and variable rate demand notes are recorded at fair market value, which approximates cost because of their short-term interest rates.

The Company accounts for its short and long-term investments under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. All of its investments are treated as "available for sale" under SFAS No. 115, as it is the Company's intention to convert them into cash for general corporate purposes. These investments are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive loss, a component of stockholders' equity, net of tax. The unrealized loss as of September 30, 2008 was \$74. There was no unrealized gain or loss as of December 31, 2007.

Short and long-term investments consisted of the following:

	September 30, 2008 (Unaudited)	December 31, 2007
Short-term investments:		
Municipal bonds	\$ 19,647	\$ 19,808
Auction rate securities	1,450	17,000
Variable rate demand notes	-	14,500
Total short-term investments	\$ 21,097	\$ 51,308

	September 30, 2008 (Unaudited)	December 31, 2007
Long-term investments:		
Municipal bonds	\$ 7,770	\$ -
Total long-term investments	\$ 7,770	\$ -

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As of September 30, 2008, the auction rate security held by the Company had a maturity date of 2031. Municipal bonds have contractual maturity dates within eighteen months. All income generated from these investments is recorded as interest income.

6. Intangible Assets

Intangible assets subject to amortization as of September 30, 2008 and December 31, 2007 consist of the following:

	Estimated Useful Lives (Years)	As of September 30, 2008		
		Gross Carrying Amount	Accumulated Amortization (Unaudited)	Net
Customer, affiliate and advertiser relationships	1 - 9	\$ 12,222	\$ (4,156)	\$ 8,066
Developed websites, technology and patents	3 - 6	5,400	(1,275)	4,125
Trademark, trade name and domain name	5 - 7	2,044	(811)	1,233
Proprietary user information database and Internet traffic	3 - 5	4,750	(955)	3,795
Non-compete agreements	1 - 3	1,735	(1,037)	698
<b>Total intangible assets</b>		<b>\$ 26,151</b>	<b>\$ (8,234)</b>	<b>\$ 17,917</b>

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As of December 31, 2007

	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer, affiliate and advertiser relationships	1 - 9	\$ 19,077	\$ (9,140)	\$ 9,937
Developed websites, technology and patents	3 - 6	5,976	(1,176)	4,800
Trademark, trade name and domain name	5 - 7	1,994	(521)	1,473
Proprietary user information database and Internet traffic	3 - 5	4,750	(174)	4,576
Non-compete agreements	1 - 3	1,735	(582)	1,153
<b>Total intangible assets</b>		<b>\$ 33,532</b>	<b>\$ (11,593)</b>	<b>\$ 21,939</b>

The Company wrote off approximately \$7,431 of fully amortized intangible assets during the nine months ended September 30, 2008 that were no longer in use.

Intangible assets are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use. The remaining amortization expense will be recognized over a weighted-average period of approximately 2.91 years. Amortization expense was \$1,259 and \$1,171 for the three months ended September 30, 2008 and 2007 respectively, and \$4,071 and \$2,971 for the nine months ended September 30, 2008 and 2007, respectively.

The Company expects amortization expense of intangible assets to be as follows:

Years Ending December 31:	Amortization Expense
2008 (October 1st - December 31st)	\$ 1,211
2009	4,565
2010	4,052
2011	3,083
2012	2,387
Thereafter	2,619
	<b>\$ 17,917</b>

## 7. Net Income (Loss) Per Common Share

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net (loss) income per common share is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Unaudited)			
Numerator:				
Net (loss) income	\$ (314)	\$ 1,832	\$ 1,305	\$ 5,397
Allocation of net (loss) income:				
Accretion of preferred stock dividends	-	-	-	3,948
Net income applicable to preferred stockholders	-	-	-	3,948
<b>Net (loss) income applicable to common stockholders</b>	<b>\$ (314)</b>	<b>\$ 1,832</b>	<b>\$ 1,305</b>	<b>\$ 1,449</b>



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Denominator:

Basic:

Weighted average shares of common stock outstanding	41,533,020	40,354,796	41,355,812	24,282,474
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Diluted:

Weighted average shares of common stock outstanding	41,533,020	40,354,796	41,355,812	24,282,474
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Effect of potentially dilutive shares (1)	-	2,981,702	2,037,617	2,902,196
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Total weighted average shares of common stock outstanding	41,533,020	43,336,498	43,393,429	27,184,670
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Calculation of Net (Loss) Income Per Common Share:

Basic:

Net (loss) income applicable to common stockholders	\$ (314)	\$ 1,832	\$ 1,305	\$ 1,449
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Weighted average shares of stock outstanding	41,533,020	40,354,796	41,355,812	24,282,474
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Net (loss) income per common share	\$ (0.01)	\$ 0.05	\$ 0.03	\$ 0.06
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Diluted:

Net (loss) income applicable to common stockholders	\$ (314)	\$ 1,832	\$ 1,305	\$ 1,449
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Weighted average shares of stock outstanding	41,533,020	43,336,498	43,393,429	27,184,670
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Net (loss) income per common share	\$ (0.01)	\$ 0.04	\$ 0.03	\$ 0.05
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- (1) In calculating diluted earnings per share, shares related to redeemable convertible preferred stock and outstanding stock options and warrants were excluded for the three months ended September 30, 2008 because they were anti-dilutive.

## 8. Bank Term Loan Payable

In August 2006, the Company entered into a credit agreement (the "Credit Agreement") with a commercial bank, which included a \$10.0 million term loan (the "Term Loan") and a \$20.0 million revolving credit facility (the "Revolving Credit Facility"). Initial borrowings under the Term Loan were used to repay the remaining principal and accrued interest balance of the Bank Term Loan.

The Revolving Credit Facility matures on August 30, 2011. Unless earlier payment is required by an event of default, all principal and unpaid interest will be due and payable on August 30, 2011. At the Company's option, the Revolving Credit Facility bears interest at either the Prime Rate less 1.00% or the LIBOR rate plus the applicable LIBOR margin. The Company is also required to pay an unused line fee on the daily unused amount of its Revolving Credit Facility at a per annum rate of 0.25%. As of September 30, 2008, unused availability under the Revolving Credit Facility totaled \$20.0 million.

In August 2007, the Company entered into an amendment to the Credit Agreement. The amendment changed the applicable LIBOR margin from 1.50% to a sliding scale based on the ratio of total funded debt to EBITDA for the preceding four fiscal quarters. As of September 30, 2008, the applicable LIBOR margin was 1.25%.

The Term Loan requires 39 consecutive monthly principal payments of \$250, plus interest, beginning on September 30, 2006 through December 30, 2009. As of September 30, 2008, the outstanding balance due under the Term Loan was \$3,750. There was no accrued interest on the Term Loan at September 30, 2008.

In September 2006, the Company entered into an interest rate swap agreement with a commercial bank to mitigate the interest rate fluctuations on the Term Loan. With this interest rate swap agreement in place, the Company fixed the annual interest rate at 6.98% for the Term Loan. The interest rate swap agreement terminates in December 2009. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, the interest rate swap agreement is deemed to be a cash flow hedge and qualifies for special accounting using the shortcut method. Accordingly, changes in the fair value of the interest rate swap agreement are recorded in "accumulated other comprehensive loss" on the consolidated balance sheet. As of September 30, 2008 and December 31, 2007, the fair value of the cash flow hedge was \$55 and \$102, respectively, and is recorded in other liabilities.

Borrowings under the Credit Agreement are collateralized by a security interest in substantially all assets of the Company. Covenants governing the Credit Agreement require the maintenance of certain financial ratios. The Company was in compliance with all financial covenants as of September 30, 2008.

The future maturities of the Term Loan at September 30, 2008 are as follows:

Year Ending December 31,	As of September 30, 2008 (Unaudited)
2008 (October 1st - December 31st)	\$ 750
2009	3,000
	3,750
Less current portion	(3,000)
	\$ 750

## 9. Commitments and Contingencies

## Operating Leases

The Company conducts its operations in leased office facilities under various noncancelable operating lease agreements. On September 12, 2008, the Company entered into a lease agreement pursuant to which it has agreed to lease approximately 113,017 square feet of a building to be constructed. The Company intends to move all of its operations currently conducted at its Needham, Massachusetts location to these leased premises on or about January 1, 2010.

Future minimum lease payments under noncancelable operating leases at September 30, 2008 are as follows:

Years Ending December 31:	Minimum Lease Payments (Unaudited)
2008 (October 1st - December 31st)	\$ 906
2009	3,572
2010	4,140
2011	3,543
2012	3,561
Thereafter	27,400
	\$ 43,122

From time to time and in the ordinary course of business, the Company may be subject to various claims, charges, and litigation. At September 30, 2008 and December 31, 2007, the Company did not have any pending claims, charges, or litigation that it expects would have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

## 10. Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, establishes standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is defined to include all changes in equity during a period, except those resulting from investments by stockholders and distributions to stockholders. For the three and nine months ended September 30, 2008 and 2007 the Company's comprehensive (loss) income is the sum of net (loss) income, the change in the fair value of the Company's cash flow hedge and unrealized loss on investments, as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Unaudited)			
Net (loss) income	\$ (314)	\$ 1,832	\$ 1,305	\$ 5,397
Other comprehensive income:				
Unrealized loss on investments	(74)	-	(74)	-
Change in fair value of cash flow hedge	36	(47)	47	(14)
Total comprehensive (loss) income	\$ (352)	\$ 1,785	\$ 1,278	\$ 5,383

## 11. Stock-Based Compensation

## Stock Option Plans

In September 1999, the Company approved a stock option plan (the 1999 Plan) that provides for the issuance of up to 12,384,646 shares of common stock incentives. The 1999 Plan provides for the granting of incentive stock options (ISOs), nonqualified stock options (NSOs), and stock grants. These incentives may be offered to the Company's employees, officers, directors, consultants, and advisors, as defined. ISOs may be granted at no less than fair market value on the date of grant, as determined by the Company's Board of Directors (the Board) (no less than 110% of fair market value on the date of grant for 10% or greater stockholders), subject to limitations, as defined. Each option shall be exercisable at such times and subject to such terms as determined by the Board, generally four years, and shall expire within ten years of issuance. No further awards will be made pursuant to the 1999 Plan, but any outstanding awards under the 1999 Plan will remain in effect and will continue to be subject to the terms of the 1999 Plan.

In April 2007, the Board approved the 2007 Stock Option and Incentive Plan (the 2007 Plan), which was approved by the stockholders and became effective upon the consummation of the Company's IPO in May 2007. The 2007 Plan allows the Company to grant ISOs, NSOs, stock appreciation rights, deferred stock awards, restricted stock and other awards. Under the 2007 Plan, stock options may not be granted at less than fair market value on the date of grant, and options generally vest over a four year period. Stock options granted under the 2007 Plan expire no later than ten years after the grant date. The Company originally reserved for issuance an aggregate of 2,911,667 shares of common stock under the 2007 Plan plus an additional annual increase to be added automatically on January 1 of each year, beginning on January 1, 2008, equal to the lesser of (a) 2% of the outstanding number of shares of common stock (on a fully-diluted basis) on the immediately preceding December 31 and (b) such lower number of shares as may be determined by our compensation committee. The number of shares available for issuance under the 2007 Plan is subject to adjustment in the event of a stock split, stock dividend or other change in capitalization. Generally, shares that are forfeited or canceled from awards under the 2007 Plan will be available for future awards. In addition, shares subject to stock options returned to the 1999 Plan, as a result of their expiration, cancellation or termination, are

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automatically made available for issuance under the 2007 Plan. As of September 30, 2008 a total of 2,623,002 shares were available for grant under the 2007 Plan.

### Accounting for Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. The Company calculated the fair values of the options granted using the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Expected volatility	41%	*	41%-46%	49%-50%
Expected term (in years)	6.25	*	6.25	6.25
Risk-free interest rate	3.07%	*	3.07%-3.15%	4.61%-5.04%
Expected dividend yield	-%	*	-%	-%
Weighted-average grant date fair value per share	\$ 3.43	*	\$ 4.68	\$ 7.71

\* The Company did not grant any stock option awards during the three months ended September 30, 2007

As there was no public market for the Company's common stock prior to the Company's IPO in May 2007, and limited historical information on the volatility of its common stock since the date of the Company's IPO, the Company determined the volatility for options granted in the nine months ended September 30, 2008 based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The expected volatility of options granted has been determined using an average of the historical volatility measures of this peer group of companies for a period equal to the expected term of the option. The expected term of options has been determined utilizing the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment. The risk-free interest rate is based on a zero coupon United States treasury instrument whose term is consistent with the expected life of the stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123(R) requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. The Company applied a forfeiture rate of 4.00% based on its historical forfeiture experience during the previous two years in determining the expense recorded in the nine months ended September 30, 2008 and 2007.

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A summary of the activity under the Company's stock option plan as of September 30, 2008 and changes during the three and nine month periods then ended is presented below:

Quarter-to-Date Activity	Options Outstanding	Weighted-Average Exercise Price Per Share (Unaudited)	Weighted-Average Remaining Contractual Term in Years		Aggregate Intrinsic Value
Options outstanding at June 30, 2008	6,963,989	\$ 6.64			
Options granted	40,000	7.62			
Options exercised	(25,372)	4.43			
Options forfeited	(45,933)	10.46			
Options canceled	(39,684)	12.07			
Options outstanding at September 30, 2008	6,893,000	\$ 6.60	6.7		\$ 10,357
Options exercisable at September 30, 2008	4,133,836	\$ 4.88	5.7		\$ 10,280
Options vested or expected to vest at September 30, 2008 (1)	6,782,633	\$ 6.56	6.7		\$ 10,354

- (1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

Year-to-Date Activity	Options Outstanding	Weighted-Average Exercise Price Per Share (unaudited)	
Options outstanding at December 31, 2007	7,534,641	\$	6.57
Options granted	62,295		9.95
Options exercised	(457,582)		4.80
Options forfeited	(202,312)		9.55
Options canceled	(44,042)		11.60
Options outstanding at September 30, 2008	6,893,000	\$	6.60

During the three and nine months ended September 30, 2008, the total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid by the employee to exercise the options) was \$94 and \$3,660, respectively, and the total amount of cash received from exercise of these options was \$112 and \$2,196, respectively. The total grant-date fair value of stock options granted after the adoption of SFAS No. 123(R) on January 1, 2006 that vested during the three and nine months ended September 30, 2008 was \$1,172 and \$4,153, respectively.

During the three and nine months ended September 30, 2007, the total intrinsic value of options exercised was \$677 and \$11,424, respectively, and the total amount of cash received from exercise of these options was \$204 and \$984, respectively. The total grant-date fair value of stock options granted after the adoption of SFAS No. 123(R) on January 1, 2006 that vested during the three and nine months ended September 30, 2007 was \$4,455 and \$4,627,

respectively.

Unrecognized stock-based compensation expense of non-vested stock options of \$14.0 million is expected to be recognized using the straight line method over a weighted-average period of 1.31 years.

#### Restricted Stock Awards

Restricted stock awards are valued at the market price of a share of the Company's common stock on the date of grant. A summary of the restricted stock award activity under the Company's stock option plan for the three and nine months ended September 30, 2008 is presented below:

Quarter-to-Date Activity	Shares (Unaudited)	Weighted-Average Grant Date Fair Value Per Share
Nonvested outstanding at June 30, 2008	631,774	\$ 14.50
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested outstanding at September 30, 2008	631,774	\$ 14.50

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 Weighted-Average  
 Grant Date Fair  
 Value Per Share

Year-to-Date Activity	Shares (Unaudited)		Value Per Share
Nonvested outstanding at December 31, 2007	614,775	\$	14.52
Granted	21,639		13.36
Vested	(4,640)		10.56
Forfeited	-		-
Nonvested outstanding at September 30, 2008	631,774	\$	14.50

Unrecognized stock-based compensation expense of non-vested restricted stock awards of \$7.1 million is expected to be recognized using the straight line method over a weighted-average period of 1.72 years.

## 12. Stockholders' Equity

### Shares Authorized

In April 2007, the Board of Directors approved an amendment and restatement of the Company's Certificate of Incorporation to increase the authorized number of shares of common stock from 44,344,656 to 100,000,000, to authorize 5,000,000 shares of undesignated preferred stock, par value \$0.001 per share, and to eliminate all reference to the designated Series Preferred Stock.

### Stock Offering

In May 2007, the Company completed its initial public offering (IPO) of 8,855,000 shares of its common stock, of which 7,072,097 shares were sold by the Company and 1,782,903 shares were sold by certain of the Company's existing shareholders at a price to the public of \$13.00 per share. The Company raised a total of \$91,937 in gross proceeds from the offering, or \$83,161 in net proceeds after deducting underwriting discounts and commissions of \$6,436 and other offering costs of approximately \$2,340. Upon the closing of the offering, all shares of the Company's redeemable convertible preferred stock automatically converted into 24,372,953 shares of common stock.

### Reverse Stock Split

On April 26, 2007, the Company's board of directors approved a 1-for-4 reverse stock split of the Company's outstanding common stock. The reverse stock split became effective immediately and all common share and per share amounts in the accompanying consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock split.

### Warrants

In connection with the Company's original Bank Term Loan agreement, in July 2001 the Company issued to the lender for the Bank Term Loan (the "Lender") a fully exercisable warrant to purchase up to 74,074 shares of series A redeemable convertible preferred stock at \$0.5411 per share. In connection with an amendment to the Bank Term Loan agreement in April 2002 the Company issued to the Lender an additional fully exercisable warrant to purchase 55,443 shares of series A redeemable convertible preferred stock at a price of \$0.5411 per share. Upon the closing of the Company's IPO in May 2007, these warrants outstanding converted into warrants to purchase an aggregate of 32,378 shares of the Company's common stock at an exercise price of \$2.1644 per share. In 2007, the Lender exercised their warrants to purchase 32,378 shares of common stock using the conversion rights in the warrants. As result of the exercise using the conversion rights, the Company issued 26,740 shares of common stock to the Lender



and cancelled the 5,638 shares received in lieu of payment of the exercise price. In connection with an acquisition in May 2000, the Company issued to the seller a warrant to purchase 40,625 shares of common stock at a price of \$2.36 per share. The warrant is exercisable immediately and expires on May 10, 2010. In 2007, the seller exercised warrants to purchase 30,981 shares of common stock using the conversion rights in the warrants. As result of the exercise using the conversion rights, the Company issued 26,024 shares of common stock to the seller and cancelled the 4,957 shares received in lieu of payment of the exercise price. In 2008, the seller exercised additional warrants to purchase 8,375 shares of common stock using the conversion rights in the warrants. As result of the exercise using the conversion rights, the Company issued 6,886 shares of common stock to the seller and cancelled the 1,489 shares received in lieu of payment of the exercise price. At September 30, 2008 and December 31, 2007, there were 1,269 and 9,644 shares, respectively, of the Company's common stock reserved for the exercise of all warrants.

Reserved Common Stock

As September 30, 2008 the Company has reserved common stock for the following:

	Number of Shares (Unaudited)
Options outstanding and available for grant under stock option plans	10,147,776
Warrants	1,269
Total common stock reserved	10,149,045

## 13. Income Taxes

The Company adopted the provisions of FIN 48, an interpretation of SFAS No. 109, Accounting for Income Taxes, on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At the adoption date and as of September 30, 2008, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. No interest or penalties have been recognized by the Company to date.

Tax years 2004 through 2007 are subject to examination by the federal and state taxing authorities. The Internal Revenue Service is currently performing an audit of our 2006 tax return. There are no other income tax examinations currently in process.

The Company's effective tax rate was 64% for the nine months ended September 30, 2008. The provision for income taxes for the nine months ended September 30, 2008 includes a discrete tax benefit of \$330 related primarily to disqualifying dispositions of incentive stock options. The Company's effective tax rate excluding the discrete tax benefit of \$330 was 73% for the nine months ended September 30, 2008.

## 14. Segment Information

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes standards for reporting information about operating segments in annual financial statements and requires selected information of these segments be presented in interim financial reports to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision making group, as defined under SFAS No. 131, consists of the Company's chief executive officer, president and executive vice president. The Company views its operations and manages its business as one operating segment.

## Geographic Data

Net sales to unaffiliated customers by geographic area were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(Unaudited)			
United States and Canada	\$ 24,394	\$ 22,952	\$ 75,586	\$ 65,058
International	821	349	2,879	1,192
Total	\$ 25,215	\$ 23,301	\$ 78,465	\$ 66,250

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. In this discussion and analysis, dollar, share and per share amounts are not rounded to thousands unless otherwise indicated. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q particularly under the heading "Risk Factors."

### Overview

#### Background

We are a leading provider of specialized online content that brings together buyers and sellers of corporate IT products. We sell customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases.

Our integrated content platform consists of a network of websites that we complement with targeted in-person events and two specialized IT magazines. Throughout all stages of the purchase decision process, these content offerings meet IT professionals' needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high ROI. As IT professionals have become increasingly specialized, they have come to rely on our sector-specific websites for purchasing decision support. Our content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of our users' respective job responsibilities and the marketing focus of the products that our customers are advertising, we currently categorize our content offerings across eleven distinct media groups: Application Development; Channel; CIO and IT Management; Data Center; Enterprise Applications; Laptops and Mobile Technology; Networking; Security; Storage; Vertical Software; and Windows and Distributed Computing.

#### Sources of Revenues

We sell advertising programs to IT vendors targeting a specific audience within a particular IT sector or sub-sector. We maintain multiple points of contact with our customers to provide support throughout their organizations and the sales cycle. As a result, our customers often run multiple advertising programs with us in order to reach discrete portions of our targeted audience. There are multiple factors that can impact our customers' advertising objectives and spending with us, including but not limited to, product launches, increases or decreases to their advertising budgets, the timing of key industry marketing events, responses to competitor activities and efforts to address specific marketing objectives such as creating brand awareness or generating sales leads. Our services are generally delivered under short-term contracts that run for the length of a given advertising program, typically 90 days or less.

We generate substantially all of our revenues from the sale of targeted advertising campaigns that we deliver via our network of websites, events and print publications.

**Online.** The majority of our revenue is derived from the delivery of our online offerings from our media groups. Online revenue represented approximately 74% and 63% of total revenues for the three months ended September 30, 2008 and 2007, respectively, and approximately 74% and 68% of total revenues for the nine months ended September 30, 2008 and 2007, respectively. We expect the majority of our revenues to be derived through the delivery of online offerings for the foreseeable future. As a result of our customers' advertising objectives and preferences, the specific allocation of online advertising offerings sold and delivered by us, on a period by period

basis, can fluctuate.

Through our websites we sell a variety of online media offerings to connect IT vendors to IT professionals. Many of our online media offerings provide IT vendors a blend of both branding and lead generation benefits. Although we do not distinctly classify our various online media offerings between the two marketing categories, our customers may distinguish the benefits based on their own internal objectives. For disclosure purposes, we have classified our online media offerings between lead generation and branding offerings. Our lead generation offerings allow IT vendors to capture qualified sales leads from the distribution and promotion of content to our audience of IT professionals. Our branding offerings provide IT vendors exposure to targeted audiences of IT professionals actively researching information related to their products and services.

Our branding offerings include banners and e-newsletters. Banner advertising can be purchased on specific websites within our network. We also offer the ability to advertise in e-newsletters focused on key site sub-topics across our portfolio of websites. These offerings give IT vendors the ability to increase their brand awareness in highly specialized IT sectors.

Our lead generation offerings include the following:

- **White Papers.** White papers are technical documents created by IT vendors to describe business or technical problems that are addressed by the vendors' products or services. IT vendors pay us to have their white papers distributed to our users and receive targeted promotions on our relevant websites. When viewing white papers, our registered members and visitors supply their corporate contact and qualification information and agree to receive further information from the vendor. The corporate contact and other qualification information for these leads are supplied to the vendor in real time through our proprietary lead management software.
- **Webcasts, Podcasts and Videocasts.** IT vendors pay us to sponsor and host webcasts, podcasts and videocasts that bring informational sessions directly to attendees' desktops and, in the case of podcasts, directly to their mobile devices. As is the case with white papers, our users supply their corporate contact and qualification information to the webcast, podcast or videocast sponsor when they view or download the content. Sponsorship includes access to the registrant information and visibility before, during and after the event.
- **Software Package Comparisons.** Through our 2020software.com website, IT vendors pay us to post information and specifications about their software packages, typically organized by application category. Users can request further information, which may include downloadable trial software from multiple software providers in sectors such as customer relationship management, or CRM, accounting, and business analytics. IT vendors, in turn, receive qualified leads based upon the users who request their information.

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- Dedicated E-mails. IT vendors pay us to further target the promotion of their white papers, webcasts, podcasts or downloadable trial software by including their content in our periodic e-mail updates to registered users of our websites. Users who have voluntarily registered on our websites receive an e-mail update from us when vendor content directly related to their interests is listed on our sites.
- List Rentals. We also offer IT vendors the ability to message relevant registered members on topics related to their interests. IT vendors can rent our e-mail and postal lists of registered members using specific criteria such as company size, geography or job title.
- Contextual Advertising. Our contextual advertising programs associate IT vendor white papers, webcasts, podcasts or other content on a particular topic with our related sector-specific content. IT vendors have the option to purchase exclusive sponsorship of content related to their product or category.
- Third Party Revenue Sharing Arrangements. We have arrangements with certain third parties, including for the licensing of our online content, for the renting of our database of opted-in email subscribers and for which advertising from customers of certain third parties is made available to our website visitors. In each of these arrangements we are paid a share of the resulting revenue.

Events. Events revenue represented approximately 22% and 30% of total revenues for the three months ended September 30, 2008 and 2007, respectively, and approximately 22% and 24% of total revenues for the nine months ended September 30, 2008 and 2007, respectively. Most of our media groups operate revenue generating events. The majority of our events are free to IT professionals and are sponsored by IT vendors. Attendees are pre-screened based on event-specific criteria such as sector-specific budget size, company size, or job title. We offer three types of events: multi-day conferences, single-day seminars and custom events. Multi-day conferences provide independent expert content for our attendees and allow vendors to purchase exhibit space and other sponsorship offerings that enable interaction with the attendees. We also hold single-day seminars on various topics in major cities. These seminars provide independent content on key sub-topics in the sectors we serve, are free to qualified attendees, and offer multiple vendors the ability to interact with specific, targeted audiences actively focused on buying decisions. Our custom events differ from our conferences and seminars in that they are exclusively sponsored by a single IT vendor, and the content is driven primarily by the sole sponsor.

Print. Print revenue represented approximately 4% and 7% of total revenues for the three months ended September 30, 2008 and 2007, respectively, and approximately 4% and 8% of total revenues for the nine months ended September 30, 2008 and 2007, respectively. As of September 30, 2008, we publish two monthly controlled-circulation magazines that are free to subscribers and generate revenue solely based on advertising fees. The highly targeted magazines we publish are: Storage magazine (Storage Media Group), which we began publishing in 2002; and Information Security magazine (Security Media Group), which we began publishing in 2003. Our magazines provide readers with strategic guidance on important enterprise-level technology decisions. We expect print revenue to decrease as a percentage of total revenue in the foreseeable future.

#### Cost of Revenues, Operating Expenses and Other

Expenses consist of cost of revenues, selling and marketing, product development, general and administrative, depreciation, and amortization expenses. Personnel-related costs are a significant component of most of these expense categories. We have 615 employees at September 30, 2008.

Cost of Online Revenue. Cost of online revenue consists primarily of: salaries and related personnel costs; member acquisition expenses (primarily keyword purchases from leading Internet search sites); freelance writer expenses; website hosting costs; vendor expenses associated with the delivery of webcast, podcast, videocast and list rental offerings; and stock-based compensation expense.

**Cost of Events Revenue.** Cost of events revenue consists primarily of: facility expenses, including food and beverages for the event attendees; salaries and related personnel costs; event speaker expenses; and stock-based compensation expense.

**Cost of Print Revenue.** Cost of print revenue consists primarily of: printing and graphics expenses; mailing costs; salaries and related personnel costs; freelance writer expenses; subscriber acquisition expenses (primarily telemarketing) ; and stock-based compensation expense.

**Selling and Marketing.** Selling and marketing expense consists primarily of: salaries and related personnel costs; sales commissions; travel, lodging and other out-of-pocket expenses; and stock-based compensation expense. Sales commissions are recorded as expense when earned by the employee.

**Product Development.** Product development includes the creation and maintenance of our network of websites, advertiser offerings and technical infrastructure. Product development expense consists primarily of salaries and related personnel costs; and stock-based compensation expense.

**General and Administrative.** General and administrative expense consists primarily of: salaries and related personnel costs; facilities expenses; accounting, legal and other professional fees; and stock-based compensation expense. General and administrative expense may continue to increase as a percentage of total revenue for the foreseeable future as we invest in infrastructure to support continued growth and incur additional expenses related to being a publicly traded company, including increased audit and legal fees, costs of compliance with securities and other regulations, investor relations expense, and insurance premiums.

**Depreciation.** Depreciation expense consists of the depreciation of our property and equipment. Depreciation of property and equipment is calculated using the straight-line method over their estimated useful lives ranging from three to five years.

**Amortization of Intangible Assets.** Amortization of intangible assets expense consists of the amortization of intangible assets recorded in connection with our acquisitions. Separable intangible assets that are not deemed to have an indefinite life are amortized over their useful lives using the straight-line method over periods ranging from one to nine years.

**Interest Income (Expense), Net.** Interest income (expense) net consists primarily of interest income earned on cash and cash equivalents and investment balances, less interest expense incurred on bank term loan balances. We historically have invested our cash and investments in money market accounts, municipal bonds and auction rate securities.

## Application of Critical Accounting Policies and Use of Estimates

The discussion of our 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. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, long-lived assets, the allowance for doubtful accounts, stock-based compensation, and income taxes. We based our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Our actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements. See the notes to our financial statements for information about these critical accounting policies as well as a description of our other accounting policies.

### Revenue Recognition

We generate substantially all of our revenue from the sale of targeted advertising campaigns that we deliver via our network of websites, events and print publications. We recognize this revenue in accordance with Staff Accounting Bulletin, or SAB, No. 104, Revenue Recognition, and Financial Accounting Standards Board's, or FASB, Emerging Issues Task Force, or EITF, Issue No. 00-21, Revenue Arrangement With Multiple Deliverables. In all cases, we recognize revenue only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectibility of the resulting receivable is reasonably assured.

Online. We recognize revenue from our specific online media offerings as follows:

- White Papers. We recognize white paper revenue ratably in the period in which the white paper is available on our websites.
- Webcasts, Podcasts and Videocasts. We recognize webcast and videocast revenue in the period in which the webcast occurs. We recognize podcast revenue in the period in which it is posted and becomes available on our websites.
- Software Package Comparisons. We recognize software package comparison revenue ratably over the period in which the software information is available on our websites.
- Dedicated E-mails and E-newsletters. We recognize dedicated e-mail and e-newsletter revenue in the period in which the e-mail or e-newsletter is sent.
- List Rentals. We recognize list rental revenue in the period in which the e-mails are sent to the list of registered members.
- Banners. We recognize banner revenue in the period in which the banner impressions occur.
- Contextual advertising. Our contextual advertising programs associate IT vendor white papers, webcasts, podcasts or other content on a particular topic with our related sector-specific content. Revenue on these program components is recognized in accordance with the specific component's policy as described above.

- Third Party Revenue Sharing Arrangements. Revenue from third party revenue sharing arrangements is recognized in the period in which the services are performed.

We offer customers the ability to purchase integrated ROI program offerings, which can include multiple online media offerings packaged together to address the particular customer's specific advertising requirements. As part of these offerings, we may guarantee a minimum number of qualified sales leads to be delivered over the course of the integrated ROI program advertising campaign. Throughout the advertising campaign, revenue is recognized as individual offerings are delivered, and the lead guarantee commitments are closely monitored to assess campaign performance. If the minimum number of qualified sales leads is not met by the scheduled completion date of the advertising campaign, the advertising campaign is extended, as a result of which we will defer recognition of revenue in an amount equal to the value of the estimated inventory that will be required to fulfill the guarantee. These estimates are based on our extensive experience in managing and fulfilling these integrated ROI program offerings. As of September 30, 2008, substantially all of the integrated ROI program offerings that had a guaranteed minimum number of qualified sales leads had been delivered within the original contractual term. For the three months ended September 30, 2008, we have deferred approximately \$750,000 of revenue related to these integrated ROI program offerings for which we have not yet delivered the guaranteed minimum number of qualified sales leads. Standard contractual terms and conditions for integrated ROI program offerings provide that we can extend advertising campaigns in order to satisfy lead shortfalls. During the twelve months ended September 30, 2008, we fulfilled lead shortfalls for integrated ROI program offerings, and revenue was recognized, within an average extended period of 41 days.

Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

While each of our online media offerings can be sold separately, most of our online media sales involve multiple online offerings. At inception of the arrangement, we evaluate the deliverables to determine whether they represent separate units of accounting under EITF Issue No. 00-21. Deliverables are deemed to be separate units of accounting if all of the following criteria are met: the delivered item has value to the customer on a standalone basis; there is objective and reliable evidence of the fair value of the item(s); and delivery or performance of the item(s) is considered probable and substantially in our control. We allocate revenue to each unit of accounting in a transaction based upon its fair value as determined by vendor objective evidence. Vendor objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those online media offerings when sold to other similar customers. If vendor objective evidence of fair value has not been established for all items under the arrangement, no allocation can be made, and we recognize revenue on all items over the term of the arrangement.

Events. We recognize event sponsorship revenue upon completion of the event in the period the event occurs. The majority of our events are free to qualified attendees, however certain events are based on a paid attendee model. We recognize revenue for paid attendee events upon completion of the event and receipt of payment from the attendee. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Print. We recognize print revenue at the time the applicable magazine is distributed. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.



## Long-Lived Assets

Our long-lived assets consist of property and equipment, goodwill and other intangible assets. Goodwill and other intangible assets have arisen principally from our acquisitions. The amount assigned to intangible assets is subjective and based on our estimates of the future benefit of the intangible assets using accepted valuation techniques, such as discounted cash flow and replacement cost models. Our long-lived assets, other than goodwill, are amortized over their estimated useful lives, which we determined based on the consideration of several factors including the period of time the asset is expected to remain in service. Intangible assets are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use. We evaluate the carrying value and remaining useful lives of long-lived assets, other than goodwill, whenever indicators of impairment are present. We evaluate the carrying value of goodwill annually, and whenever indicators of impairment are present. We use a discounted cash flow approach to determine the fair value of goodwill.

## Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short and long-term investments, accounts receivable, accounts payable, a term loan payable and an interest rate swap. The carrying value of these instruments approximates their estimated fair values.

## Allowance for Doubtful Accounts

We offset gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts on a regular basis, and all past due balances are reviewed individually for collectibility. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowance for doubtful accounts are recorded in general and administrative expense. If our historical collection experience does not reflect our future ability to collect outstanding accounts receivables, our future provision for doubtful accounts could be materially affected. To date, we have not incurred any write-offs of accounts receivable significantly different than the amounts reserved. The allowance for doubtful accounts was \$607 and \$424 at September 30, 2008 and December 31, 2007, respectively.

## Stock-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R), which requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. SFAS No. 123(R) requires nonpublic companies that used the minimum value method under SFAS No. 123 for either recognition or pro forma disclosures to apply SFAS No. 123(R) using the prospective-transition method. As such, we will continue to apply APB Opinion No. 25 in future periods to equity awards outstanding at the date of adoption of SFAS No. 123(R) that were measured using the minimum value method. In accordance with SFAS No. 123(R), we will recognize the compensation cost of employee stock-based awards in the statement of operations using the straight line method over the vesting period of the award. Effective with the adoption of SFAS No. 123(R), we have elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. We calculated the fair values of the options granted using the following assumptions:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Expected volatility	41%	*	41%-46%	49%-50%
Expected term (in years)	6.25	*	6.25	6.25
Risk-free interest rate	3.07%	*	3.07%-3.15%	4.61%-5.04%

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Expected dividend yield		-%	*		-%		-%
Weighted-average grant date fair value per share	\$	3.43	*	\$	4.68	\$	7.71

\* The Company did not grant any stock option awards during the three months ended September 30, 2007.

As there was no public market for our common stock prior to our initial public offering in May 2007, and there has been limited historical information on the volatility of our common stock since the date of our initial public offering, we determined the volatility for options granted in the nine months ended September 30, 2008 and 2007 based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The expected volatility of options granted has been determined using an average of the historical volatility measures of this peer group of companies for a period equal to the expected life of the option. The expected life of options has been determined utilizing the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment. The risk-free interest rate is based on a zero coupon United States treasury instrument whose term is consistent with the expected life of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123(R) requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied a forfeiture rate of 4.00% based on its historical forfeiture experience during the previous two years in determining the expense recorded in the nine months ended September 30, 2008 and 2007.

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## Internal Use Software and Website Development Costs

We account for internal-use software and website development costs in accordance with the guidance set forth in Statement of Position, or SOP, 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use, and EITF Issue No. 00-2, Accounting for Website Development Costs. We capitalize costs of materials, consultants and compensation and related expenses of employees who devote time to the development of internal-use software and website applications and infrastructure involving developing software to operate our websites. However, we expense as incurred website development costs for new features and functionalities since it is not probable that they will result in additional functionality until they are both developed and tested with confirmation that they are more effective than the current set of features and functionalities on our websites. Our judgment is required in determining the point at which various projects enter the states at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized, which is generally three years. To the extent that we change the manner in which we develop and test new features and functionalities related to our websites, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website development costs we capitalize and amortize in future periods would be impacted. We review capitalized internal use software and website development costs for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We would recognize an impairment loss only if the carrying amount of the asset is not recoverable and exceeds its fair value. We capitalized internal-use software and website development costs of \$320,000 and \$191,000 for the three months ended September 30, 2008 and 2007, respectively, and \$342,000 and \$889,000 for the nine months ended September 30, 2008 and 2007, respectively.

## Income Taxes

We are subject to income taxes in both the United States and foreign jurisdictions, and we use estimates in determining our provision for income taxes. We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which is the asset and liability method for accounting and reporting for income taxes. Under SFAS No. 109, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates.

Our deferred tax assets are comprised primarily of net operating loss, or NOL, carryforwards. As of December 31, 2007, we had U.S. federal and state net operating loss (NOL) carryforwards of approximately \$18.1 million and \$18.2 million, respectively, which may be used to offset future taxable income. The NOL carryforwards expire through 2027, and are subject to review and possible adjustment by the Internal Revenue Service. The Internal Revenue Code contains provisions that limit the NOL and tax credit carryforwards available to be used in any given year in the event of certain changes in the ownership interests of significant stockholders. The federal NOL carry forwards of \$18.1 million available at December 31, 2007 were acquired from KnowledgeStorm and are subject to limitations on their use in future years.

## Net Income (Loss) Per Share

As of May 16, 2007, the effective date of our IPO, we transitioned from having two classes of equity securities outstanding, common and preferred stock, to a single class of equity securities outstanding, common stock, upon automatic conversion of shares of redeemable convertible preferred stock into shares of common stock. For the period prior to May 16, 2007, we calculated net income (loss) per share in accordance with SFAS No. 128, as clarified by EITF Issue No. 03-6. EITF Issue No. 03-6 clarifies the use of the "two-class" method of calculating earnings per share as originally prescribed in SFAS No. 128. Under the two-class method, basic net income (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted-average number of common shares outstanding for the fiscal period. Diluted net income (loss) per share is computed using the more dilutive of (a) the two-class method, or (b) the if-converted method. We allocate net income first to preferred stockholders based on

dividend rights under our charter and then to preferred and common stockholders based on ownership interests. Net losses are not allocated to preferred stockholders.

For the period subsequent to May 16, 2007, we have followed SFAS No. 128, Earnings Per Share, which requires that basic EPS be calculated by dividing earnings available to common shareholders for the period by the weighted average number of common shares outstanding. Diluted EPS is computed using the weighted-average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted EPS, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, under SFAS No. 123(R), the assumed proceeds under the treasury stock method include the average unrecognized compensation expense and assumed tax benefit of stock options that are in-the-money. This results in the “assumed” buyback of additional shares, thereby reducing the dilutive impact of stock options.

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## Results of Operations

The following table sets forth our results of operations for the periods indicated:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008		2007		2008		2007	
	(Unaudited)							
	(\$ in thousands)							
Revenues:								
Online	\$ 18,631	74%	\$ 14,687	63%	\$ 58,338	74%	\$ 44,726	68%
Events	5,496	22	6,912	30	16,743	22	16,201	24
Print	1,088	4	1,702	7	3,384	4	5,323	8
Total revenues	25,215	100	23,301	100	78,465	100	66,250	100
Cost of revenues:								
Online	5,462	22	3,769	16	16,113	21	11,194	17
Events	2,328	9	2,283	10	7,078	9	6,065	9
Print	580	2	862	4	1,758	2	2,990	5
Total cost of revenues	8,370	33	6,914	30	24,949	32	20,249	31
Gross profit	16,845	67	16,387	70	53,516	68	46,001	69
Operating expenses:								
Selling and marketing	8,161	32	7,271	31	25,490	32	19,811	30
Product development	2,788	11	1,677	7	8,440	11	5,021	8
General and administrative	3,662	15	3,364	14	10,915	14	8,917	13
Depreciation	579	2	401	2	1,884	2	1,095	2
Amortization of intangible assets	1,259	5	1,171	5	4,071	5	2,971	4
Total operating expenses	16,449	65	13,884	60	50,800	64	37,815	57
Operating income	396	2	2,503	11	2,716	4	8,186	12
Interest income (expense), net	248	1	897	4	934	1	1,207	2
Income before provision for income taxes	644	3	3,400	15	3,650	5	9,393	14
Provision for income taxes	958	4	1,568	7	2,345	3	3,996	6
Net (loss) income	\$ (314)	(1%)	\$ 1,832	8%	\$ 1,305	2%	\$ 5,397	8%

## Comparison of Three Months Ended September 30, 2008 and 2007

## Revenues

	Three Months Ended September 30,			
	2008	2007	Increase (Decrease)	Percent Change
	(Unaudited) (\$ in thousands)			
Revenues:				
Online	\$ 18,631	\$ 14,687	\$ 3,944	27%
Events	5,496	6,912	(1,416)	(20)
Print	1,088	1,702	(614)	(36)
Total revenues	\$ 25,215	\$ 23,301	\$ 1,914	8%

Online. The increase in online revenue was primarily attributable to a \$2.6 million increase in revenue from lead generation offerings due principally to an increase in white paper and webcast sales volumes. White paper sales volume increased in part due to our acquisition of KnowledgeStorm in November 2007. The increase also reflects a \$1.3 million increase in branding revenue, primarily due to increased banner and newsletter sales volume.

Events. The decrease in events revenue was primarily attributable to a \$745,000 decrease in conference revenue due to fewer multi-day conferences held in the third quarter of 2008 as compared to the same period of 2007. The decrease was also attributable to a \$671,000 decrease in seminar series and custom events revenue due to a decrease in the number of seminar series and custom events produced in the third quarter of 2008 as compared to the same period of 2007.

Print. The decrease in print revenue was attributable to the continued shift of our customer's advertising budgets away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007.

## Cost of Revenues and Gross Profit

	Three Months Ended September 30,			
	2008	2007	Increase (Decrease)	Percent Change
	(Unaudited) (\$ in thousands)			
Cost of revenues:				
Online	\$ 5,462	\$ 3,769	\$ 1,693	45%
Events	2,328	2,283	45	2
Print	580	862	(282)	(33)
Total cost of revenues	\$ 8,370	\$ 6,914	\$ 1,456	21%
Gross profit	\$ 16,845	\$ 16,387	\$ 458	3%
Gross profit percentage	67%	70%		

Cost of Online Revenue. Approximately \$812,000 of the increase in cost of online revenue is attributable to employee salaries and benefits. This increase is primarily due to an increase in headcount in our online editorial and operations organizations, as well as increases to employee compensation. In addition, freelancer expenses increased \$139,000 in the third quarter of 2008 as compared to the same period of 2007. We increased headcount and freelancer

expenditures to support the increase in online sales volume and to provide additional editorial content. The increase in cost of online revenue was also attributable in part to a \$259,000 increase in member acquisition expenses, primarily related to keyword purchases for 2020software.com. The increase in cost of online revenue also reflects \$218,000 of additional third party production and hosting costs for online products due to the increased sales volume of online products in the third quarter of 2008 as compared to the same period of 2007. Additionally, the increase in of online revenue was attributable to a \$248,000 increase in stock-based compensation.

Cost of Events Revenue. The increase in cost of events revenue was attributable in part to a \$195,000 increase in salaries, bonuses and benefits related to an increase in average headcount of 14 employees in our events organization, as well as increases to employee compensation and increased temporary staffing costs. The increase in headcount and temporary staffing costs was needed to support the growth in events revenue. The increase in cost of events revenue was offset in part due to a \$147,000 decrease in seminar series, custom event and multi-day conference costs due to a decrease in the number of events produced in the third quarter of 2008 compared to the same period of 2007.

Cost of Print Revenue. The decrease in cost of print revenue was attributable to our efforts to reduce production costs for our publications in response to our customers' advertising budgets continuing to shift away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007.

Gross Profit. Our gross profit is equal to the difference between our revenues and our cost of revenues for the period. The increase in gross profit is primarily attributable to a \$2.3 million increase in online gross profit, offset by a \$1.5 million decrease in events gross profit and a \$332,000 decrease in print gross profit. Gross margin for the three months ended September 30, 2008 was 67%, as compared to 70% for the same period of 2007. Labor related costs increased for the third quarter of 2008 as compared to the same period in 2007 in anticipation of achieving certain revenue expectations, however online and events revenues were below our internal expectations resulting in a lower gross profit margin. Since the majority of our costs are labor-related and therefore are fixed in nature, we expect our gross profit to fluctuate from period to period depending on the total revenues for the period as well as the relative contribution of online, events and print revenue to our total revenues.

## Operating Expenses and Other

	Three Months Ended September 30,			
	2008	2007	Increase (Decrease)	Percent Change
	(Unaudited)			
	(\$ in thousands)			
Operating expenses:				
Selling and marketing	\$ 8,161	\$ 7,271	\$ 890	12%
Product development	2,788	1,677	1,111	66
General and administrative	3,662	3,364	298	9
Depreciation	579	401	178	44
Amortization of intangible assets	1,259	1,171	88	8
Total operating expenses	\$ 16,449	\$ 13,884	\$ 2,565	18%
Interest income (expense), net	\$ 248	\$ 897	\$ (649)	(72%)
Provision for income taxes	\$ 958	\$ 1,568	\$ (610)	(39%)

**Selling and Marketing.** The increase in selling and marketing expense was attributable in part to a \$985,000 increase in salaries, commissions, bonuses and benefits, as well as travel-related expenses, resulting principally from an increase in headcount in our sales and marketing organizations, as well as increases to employee compensation. The increase in headcount is a result of actual growth in revenues as well as anticipated growth which did not occur. The increase in selling and marketing expense also reflects a \$127,000 increase in stock-based compensation. The increase in selling and marketing expense was offset by a \$217,000 decrease in direct marketing costs related to a marketing-focused event for our customers held in the third quarter of 2007.

**Product Development.** The increase in product development expense was attributable to a \$967,000 increase in salaries and benefits resulting principally from an increase in headcount in our product development organization, as well as increases to employee compensation. The increase in headcount was primarily a result of additional product development employees acquired in the acquisition of KnowledgeStorm in November 2007. The increase in product development expense also reflects a \$56,000 increase in stock-based compensation.

**General and Administrative.** The increase in general and administrative expense was attributable to a \$284,000 increase in facilities expense due to leasing additional office space in our Needham, MA headquarters beginning in July 2007, as well as office space acquired with KnowledgeStorm in November 2007. The increase in general and administrative expense was also attributable to \$94,000 of additional expense related to audit, legal, insurance and other expenses. Additionally, the increase in general and administrative expense was attributable to a \$173,000 increase in bad debt expense and a \$44,000 increase in stock-based compensation, offset by a decrease of \$288,000 in other employee compensation.

**Depreciation and Amortization of Intangible Assets.** The increase in depreciation expense was primarily attributable to depreciation of assets acquired from KnowledgeStorm in November 2007. The increase in amortization of intangible assets expense was primarily attributable to amortization of intangible assets related to our acquisitions of TechnologyGuide.com in May 2007 and KnowledgeStorm in November 2007.

**Interest Income (Expense), Net.** The decrease in interest income (expense), net reflects a decrease in interest income due to lower average cash and investment balances as well as lower interest rates during the third quarter of 2008 compared to 2007.



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Provision for Income Taxes. Our effective tax rate was 149% and 46% for the three months ended September 30, 2008 and 2007, respectively. The increase in our effective tax rate is due primarily to a decrease in forecasted pretax income for the year ended December 31, 2008 and an increase in nondeductible stock-based compensation.

Comparison of Nine Months Ended September 30, 2008 and 2007

Revenues

	Nine Months Ended September 30,			
	2008	2007	Increase (Decrease) (Unaudited) (\$ in thousands)	Percent Change
Revenues:				
Online	\$ 58,338	\$ 44,726	\$ 13,612	30%
Events	16,743	16,201	542	3
Print	3,384	5,323	(1,939)	(36)
Total revenues	\$ 78,465	\$ 66,250	\$ 12,215	18%

Online. The increase in online revenue was primarily attributable to a \$9.0 million increase in revenue from lead generation offerings, due principally to an increase in white paper and webcast sales volumes. The increase also reflects a \$4.0 million increase in branding revenue, primarily due to increased banner and newsletter sales volume. Additionally, revenue from third party revenue sharing arrangements increased by approximately \$838,000 for the nine months ended September 30, 2008 as compared to the same period of 2007.

Events. The increase in events revenue was primarily attributable to a \$1.1 million increase in seminar series and custom events revenue, due to an increase in the number of seminar series and custom events produced in the nine months ended September 30, 2008 as compared to the same period of 2007. The increase was offset by a \$563,000 decrease in multi-day conference revenue due to fewer multi-day conferences held in the nine months ended September 30, 2008 as compared to the same period of 2007.

Print. The decrease in print revenue was attributable to the continued shift of our customer's advertising budgets away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007.

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## Cost of Revenues and Gross Profit

	Nine Months Ended September 30,			
	2008	2007	Increase (Decrease)	Percent Change
	(Unaudited)			
	(\$ in thousands)			
Cost of revenues:				
Online	\$ 16,113	\$ 11,194	\$ 4,919	44%
Events	7,078	6,065	1,013	17
Print	1,758	2,990	(1,232)	(41)
Total cost of revenues	\$ 24,949	\$ 20,249	\$ 4,700	23%
Gross profit	\$ 53,516	\$ 46,001	\$ 7,515	16%
Gross profit percentage	68%	69%		

**Cost of Online Revenue.** Approximately \$2.0 million of the increase in cost of online revenue is attributable to employee salaries, benefits and other compensation. This increase is primarily due to an increase in headcount in our online editorial and operations organizations, as well as increases to employee compensation. In addition, freelancer expenses increased \$382,000 in the nine months ended September 30, 2008 as compared to the same period of 2007. We increased headcount and freelancer expenditures to support the increase in online sales volume and to provide additional editorial content. The increase in cost of online revenue was also attributable in part to a \$1.4 million increase in member acquisition expenses, primarily related to keyword purchases for 2020software.com. The increase in cost of online revenue also reflects \$835,000 of additional third party production and hosting costs for online products due to the increased sales volume in the nine months ended September 30, 2008 as compared to the same period of 2007. The increase in cost of online revenue also reflects a \$245,000 increase in stock-based compensation.

**Cost of Events Revenue.** The increase in cost of events revenue was attributable in part to a \$413,000 increase in seminar series and custom event costs due to an increase in the number of seminar series and custom events produced in the nine months ended September 30, 2008 as compared to the same period of 2007. The increase also reflects a \$500,000 increase in salaries, bonuses and benefits related to an increase in headcount in our events organization, as well as increases to employee compensation and increased temporary staff costs. The increase in headcount and temporary staff costs was needed to support the growth in revenues. The increase in cost of events revenue also reflects a \$57,000 increase in stock-based compensation.

**Cost of Print Revenue.** The decrease in cost of print revenue was attributable to our efforts to reduce production costs for our publications in response to our customers' advertising budgets continuing to shift away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007.

**Gross Profit.** Our gross profit is equal to the difference between our revenues and our cost of revenues for the period. The increase in gross profit is primarily attributable to a \$8.7 million increase in online gross profit, offset by a decrease of \$471,000 in events gross profit and a decrease of \$707,000 in print gross profit. Gross margin for the nine months ended September 30, 2008 was 68%, as compared to 69% for the same period of 2007. Since the majority of our costs are labor-related and therefore are fixed in nature, we expect our gross profit to fluctuate from period to period depending on the total revenues for the period as well as the relative contribution of online, events and print revenue to our total revenues.

## Operating Expenses and Other

Nine Months Ended September 30,

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	2008	2007	Increase (Decrease)	Percent Change
			(Unaudited)	
			(\$ in thousands)	
Operating expenses:				
Selling and marketing	\$ 25,490	\$ 19,811	\$ 5,679	29%
Product development	8,440	5,021	3,419	68
General and administrative	10,915	8,917	1,998	22
Depreciation	1,884	1,095	789	72
Amortization of intangible assets	4,071	2,971	1,100	37
Total operating expenses	\$ 50,800	\$ 37,815	\$ 12,985	34%
Interest income (expense), net	\$ 934	\$ 1,207	\$ (273)	(23%)
Provision for income taxes	\$ 2,345	\$ 3,996	\$ (1,651)	(41%)

**Selling and Marketing.** The increase in selling and marketing expense was attributable in part to a \$3.3 million increase in salaries, commissions, bonuses and benefits resulting principally from an increase in headcount in our sales and marketing organizations, as well as increases to employee compensation. The increase in headcount is a result of actual growth in revenues as well as anticipated growth which did not occur. The increase in selling and marketing expense also reflects a \$1.7 million increase in stock-based compensation and a \$539,000 increase in travel related costs.

**Product Development.** The increase in product development expense was attributable to a \$3.1 million increase in salaries and benefits resulting principally from an increase in headcount in our product development organization, as well as increases to employee compensation. The increase in headcount was primarily a result of additional product development employees acquired in the acquisition of KnowledgeStorm in November 2007. The increase in product development expense also reflects a \$190,000 increase in stock-based compensation.

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General and Administrative. The increase in general and administrative expense was attributable to a \$1.0 million increase in facilities expense due to leasing additional office space in our Needham, MA headquarters beginning in July 2007, as well as office space acquired with KnowledgeStorm in November 2007. The increase in general and administrative expense was also attributable to a \$686,000 increase in stock-based compensation, offset by a decrease of \$659,000 in other employee compensation. The increase is also due in part to an increase of \$586,000 in expense related to audit, legal, insurance and other expenses attributable primarily to our being a publicly traded company, as well as an increase of \$261,000 in bad debt expense.

Depreciation and Amortization of Intangible Assets. The increase in depreciation expense was primarily attributable to depreciation of assets acquired from KnowledgeStorm in November 2007. The increase in amortization of intangible assets expense was primarily attributable to amortization of intangible assets related to our acquisitions of TechnologyGuide.com in April 2007 and KnowledgeStorm in November 2007.

Interest Income (Expense), Net. The decrease in interest income (expense), net reflects a decrease in interest income due to lower average cash and investment balances as well as lower interest rates during the nine months ended September 30, 2008 compared to the same period of 2007.

Provision for Income Taxes. Our effective tax rate was 64% and 43% for the nine months ended September 30, 2008 and 2007, respectively. The provision for income taxes includes discrete tax benefits of \$330 and \$196 for the nine months ended September 30, 2008 and 2007, respectively. Our effective tax rate excluding the discrete tax benefits was 73% and 45% for the nine months ended September 30, 2008 and 2007, respectively. The increase in our effective tax rate excluding the discrete tax benefits is due primarily to a decrease in forecasted pretax income for the year ended December 31, 2008 and an increase in nondeductible stock-based compensation.

#### Seasonality

The timing of our revenues is affected by seasonal factors. Our revenues are seasonal primarily as a result of the annual budget approval process of many of our customers and the historical decrease in advertising activity in July and August. Revenues are usually the lowest in the first quarter of each calendar year, increase during the second quarter, decrease during the third quarter, and increase again during the fourth quarter. Events revenue may vary depending on which quarters we produce the event, which may vary when compared to previous periods. The timing of revenues in relation to our expenses, much of which does not vary directly with revenue, has an impact on the cost of online revenue, selling and marketing, product development, and general and administrative expenses as a percentage of revenue in each calendar quarter during the year.

The majority of our expenses is personnel-related and includes salaries, stock-based compensation, benefits and incentive-based compensation plan expenses. As a result, we have not experienced significant seasonal fluctuations in the timing of our expenses period to period.

#### Liquidity and Capital Resources

##### Resources

Since 2003, we have funded our operations principally with cash flows generated by operations. In May 2007, we completed our initial public offering of 8.9 million shares of our common stock, of which 7.1 million shares were sold by us and 1.8 million shares were sold by stockholders of ours, all at a price to the public of \$13.00 per share. We raised a total of \$91.9 million in gross proceeds from the offering, or \$83.2 million in net proceeds after deducting underwriting discounts and commissions of \$6.4 million and other offering costs of approximately \$2.3 million. We have used a portion of these proceeds to repay \$12.0 million that we had borrowed against our revolving credit facility in conjunction with the acquisition of TechnologyGuide.com in April 2007 and to pay to the selling stockholders of

KnowledgeStorm, Inc. approximately \$52 million in November 2007 as partial consideration in that acquisition. We believe that our existing cash and cash equivalents, our cash flow from operating activities and available bank borrowings will be sufficient to meet our anticipated cash needs for at least the next twelve months. Our future working capital requirements will depend on many factors, including the operations of our existing business, our potential strategic expansion internationally, future acquisitions we might undertake, and the expansion into complementary businesses. To the extent that our cash and cash equivalents and cash flow from operating activities are insufficient to fund our future activities, we may need to raise additional funds through bank credit arrangements or public or private equity or debt financings. We also may need to raise additional funds in the event we determine in the future to effect one or more additional acquisitions of businesses. In the event additional funding is required, we may not be able to obtain bank credit arrangements or affect an equity or debt financing on terms acceptable to us or at all.

	September 30, 2008	December 31, 2007
	(Unaudited)	
	(\$ in thousands)	
Cash, cash equivalents and investments	\$ 67,079	\$ 62,001
Accounts receivable, net	\$ 17,529	\$ 15,198

#### Cash, Cash Equivalents and Investments

Our cash, cash equivalents and investments at September 30, 2008 were held for working capital purposes and were invested primarily in municipal bonds, money market accounts and an auction rate security. We do not enter into investments for trading or speculative purposes.

#### Accounts Receivable, Net

Our accounts receivable balance fluctuates from period to period, which affects our cash flow from operating activities. The fluctuations vary depending on the timing of our service delivery and billing activity, cash collections, and changes to our allowance for doubtful accounts. We use days' sales outstanding, or DSO, calculated on a monthly basis, as a measurement of the quality and status of our receivables. We define DSO as average accounts receivable divided by revenues for the applicable period, multiplied by the number of days in the applicable period. DSO was 66 and 55 days at September 30, 2008 and December 31, 2007, respectively.

## Operating Activities

	Nine Months Ended September 30, 2008                      2007 (Unaudited) (\$ in thousands)	
Net cash provided by operating activities	\$ 5,766	\$ 11,806
Net cash used in investing activities (1)	\$ (1,577)	\$ (18,372)
Net cash provided by financing activities	\$ 963	\$ 84,406

(1) Cash used in investing activities shown net of investment activity of \$22.4 million and (\$87.9) million for the nine months ended September 30, 2008 and 2007, respectively.

Cash provided by operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization, the provision for bad debt, stock-based compensation, deferred income taxes, and the effect of changes in working capital and other activities. Cash provided by operating activities in the nine months ended September 30, 2008 was \$5.8 million and consisted of \$1.3 million of net income, \$6.0 million of depreciation and amortization and \$6.8 million of stock-based compensation, offset by \$8.3 million used in working capital and other activities.

Cash provided by operating activities in the nine months ended September 30, 2007 was \$11.8 million and consisted of \$5.4 million of net income, \$4.1 million of depreciation and amortization and \$3.9 million of stock-based compensation, partly offset by \$1.0 million used in working capital and other activities.

## Investing Activities

Cash used in investing activities primarily consists of purchases of property and equipment and acquisitions of businesses. Cash used in investing activities in the nine months ended September 30, 2008, net of investment activity, was \$1.6 million for the purchase of property and equipment and certain website domain names. Cash used in investing activities in the nine months ended September 30, 2007, net of investment activity, was \$18.4 million and consisted of \$15.0 million for the acquisition of TechnologyGuide.com in April 2007, \$1.0 million for the acquisition of Ajaxian in February 2007 and \$2.3 million for the purchase of property and equipment.

## Equity Financing Activities

We received proceeds from the exercise of common stock options and warrants in the amounts of \$2.2 million and \$977,000 in the nine months ended September 30, 2008 and 2007, respectively. In May 2007, we completed our initial public offering of 8.9 million shares of our common stock, of which 7.1 million shares were sold by us and 1.8 million shares were sold by stockholders of ours, all at a price to the public of \$13.00 per share. We raised a total of \$91.9 million in gross proceeds from the offering, or \$83.2 million in net proceeds after deducting underwriting discounts and commissions of \$6.4 million and other offering costs of approximately \$2.3 million.

## Term Loan and Credit Facility Borrowings

On August 30, 2006, we entered into a credit agreement with Citizens Bank of Massachusetts, which included a \$10.0 million term loan and a \$20.0 million revolving credit facility. As of September 30, 2008, outstanding borrowings under the credit agreements were \$3.8 million.

We borrowed \$12.0 million against our revolving credit facility in conjunction with the acquisition of TechnologyGuide.com in April 2007. The entire outstanding balance of \$12.0 million was repaid in May 2007 with proceeds from our initial public offering. Our revolving credit facility matures on August 30, 2011. Unless earlier payment is required by an event of default, all principal and any unpaid interest will be due and payable on August 30, 2011. At our option, the revolving credit facility bears interest at either the lender's prime rate less 1.00% or the London Interbank Offered Rate, or LIBOR, plus the applicable LIBOR margin. We are also required to pay an unused line fee on the daily unused amount of our revolving credit facility at a per annum rate of 0.25%. As of September 30, 2008, unused availability under our revolving credit facility totaled \$20.0 million.

In August 2007, we entered into an amendment to the Credit Agreement. The amendment changes the applicable LIBOR margin from 1.50% to a sliding scale based on the ratio of total funded debt to EBITDA for the preceding four fiscal quarters. As of September 30, 2008, the applicable LIBOR margin was 1.25%.

Our term loan requires the payment of 39 consecutive monthly installments of \$250,000 each, plus interest: the first such installment was due on September 30, 2006, with a final payment of the entire unpaid principal balance due on December 30, 2009. In September 2006, we entered into an interest rate swap agreement to mitigate interest rate fluctuation, and fix the interest rate on the term loan at 6.98%.

Borrowings under our credit agreements are collateralized by an interest in and lien on all of our assets and certain other guarantees and pledges. Our credit agreements contain certain affirmative and negative covenants, which require, among other things, that we meet certain financial ratio covenants and limit certain capital expenditures. We were in compliance with all covenants under the credit agreements as of September 30, 2008.

#### Capital Expenditures

We have made capital expenditures primarily for computer equipment and related software needed to host our websites, internal-use software development costs, as well as for leasehold improvements and other general purposes to support our growth. Our capital expenditures totaled \$1.5 million and \$2.3 million for the nine months ended September 30, 2008 and 2007, respectively. We expect to spend approximately \$1.0 million in capital expenditures in the remaining three months of 2008, primarily for computer equipment and related software, website development costs, and internal-use software development costs. We are not currently party to any purchase contracts related to future capital expenditures.

## Contractual Obligations and Commitments

As of September 30, 2008, our principal commitments consist of obligations under leases for office space and principal and interest payments due under our bank term loan. The offices are leased under noncancelable operating lease agreements that expire through December 2020. On September 12, 2008, we entered into a lease agreement pursuant to which we have agreed to lease approximately 113,017 square feet of a building to be constructed. We intend to move all of our operations currently conducted at our Needham, Massachusetts location to these leased premises on or about January 1, 2010.

The following table sets forth our commitments to settle contractual obligations in cash as of September 30, 2008:

	Total	Payments Due By Period			More than 5 Years
		Less than 1 Year	1 - 3 Years (Unaudited)	3 - 5 Years	
			(\$ in thousands)		
Bank term loan payable	\$ 3,750	\$ 3,000	\$ 750	\$ -	\$ -
Operating leases	43,122	3,587	11,244	10,046	18,245
Total	\$ 46,872	\$ 6,587	\$ 11,994	\$ 10,046	\$ 18,245

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

## Recent Accounting Pronouncements

See Note 2 of "Notes to Consolidated Financial Statements" for recent accounting pronouncements that could have an effect on us.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

### Foreign Currency Exchange Risk

Our subsidiary, TechTarget Limited, was established in July 2006 and is located in London, England. As of September 30, 2008, substantially all of our international customer agreements have been denominated in U.S. dollars. We currently believe our exposure to foreign currency exchange rate fluctuations is financially immaterial and therefore have not entered into foreign currency hedging transactions. We continue to review this issue and may consider hedging certain foreign exchange risks through the use of currency futures or options in the future.

### Interest Rate Risk

At September 30, 2008, we had cash, cash equivalents and investments totaling \$67.1 million. These amounts were invested primarily in money market accounts and municipal bonds. The cash, cash equivalents and investments were held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair



value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future investment income.

Our exposure to market risk also relates to the amount of interest expense we must pay under our revolving credit facility. The advances under this credit facility bear a variable rate of interest determined as a function of the lender's prime rate or LIBOR. At September 30, 2008, there were no amounts outstanding under our revolving credit facility.

#### Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of September 30, 2008. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2008, our disclosure controls and procedures were (1) designed to ensure that material information relating to us is made known to our chief executive officer and chief financial officer by others within our company, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

## Item 1. Legal Proceedings

We are not currently a party to any material litigation, and we are not aware of any pending or threatened litigation against us that could have a material adverse effect on our business, operating results or financial condition.

## Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed under the heading, “Risk Factors” in our Annual Report filed on Form 10-K for the year ended December 31, 2007. These are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this Quarterly Report on Form 10-Q. Because of these factors, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods. These risks are not the only ones facing us.

## Risks Relating to Our Business

Declining general economic, business, or industry conditions may cause reduced revenues and profitability.

Recently, concerns over the availability and cost of credit, inflation, energy costs, geopolitical issues, the U.S. mortgage market and a declining real estate market in the U.S. have contributed to increased volatility and diminished expectations for the global economy and expectations of slower future global economic growth. These factors, combined with declining business and consumer confidence, volatile oil prices and increased unemployment, have precipitated an economic slowdown and fears of a possible recession. If the economic climate in the U.S. or abroad does not improve or continues to deteriorate, our customers or potential customers could reduce or delay their purchases of our offerings, which would adversely impact our revenues and our ability to sell our offerings, collect customer receivables and, ultimately, our profitability. Additionally, future economic conditions currently have an increased degree of inherent uncertainty. As a result, it is more difficult to estimate the level of growth or contraction for the economy as a whole, as well as for the various sectors of the economy, such as the IT market. Because all components of our budgeting and forecasting are dependent upon estimates of growth or contraction in the IT market and demand for our offerings, the prevailing economic uncertainties render estimates of future income and expenditures very difficult to make. Adverse changes may occur as a result of soft global or regional economic conditions, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, or other factors affecting economic conditions generally. These changes may negatively affect the sales of our offerings, increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, or increase the risk of loss on investments.

Financial market instability and continued uncertain conditions in the United States and global economies have in the past and could in the future adversely affect our revenues and operating results

We believe that the instability affecting the financial markets and a further deterioration in the current business climate within the United States and/or other geographic regions in which we do business have had, and could continue to have, a negative impact on our revenue and operating results. Because all of our clients are in the IT industry, the success of our business is intrinsically linked to the health, and subject to market conditions, of the IT industry. Regional and global economic weakness and uncertainty, and the limited access to sources of traditional capital and/or debt have resulted in some companies reassessing their spending, including for technology projects. In turn, some of our customers have reassessed and many will for the foreseeable future be likely to continue to scrutinize their spending on advertising campaigns. Prior market downturns in the IT industry have resulted in declines in advertising spending, which can cause longer sales cycles, deferral or delay of purchases by IT

vendors and generally reduced expenditures for advertising and related services. Our revenues and profitability depend on the overall demand for advertising services from our customers. We believe that demand for our offerings has been in the past, and could be in the future, disproportionately affected by fluctuations, disruptions, instability or downturns in the economy and the IT industry, which may cause customers and potential customers to exit the industry or delay, cancel or reduce any planned expenditures for our advertising offerings. Furthermore, competitors may respond to market conditions by lowering prices and attempting to lure away our customers and prospects to lower cost offerings. In addition, a slowdown in the formation of new IT companies, or a decline in the growth of existing IT companies, would cause a decline in demand for our offerings.

Because we depend on our ability to generate revenues from the sale of advertising, fluctuations in advertising spending could have an adverse effect on our operating results.

The primary source of our revenues is the sale of advertising to our customers. Our advertising revenues accounted for approximately 98% of our total revenues for the nine month period ended September 30, 2008. We believe that advertising spending on the Internet, as in traditional media, fluctuates significantly as a result of a variety of factors, many of which are outside of our control. These factors include:

- variations in expenditures by advertisers due to budgetary constraints;
- the cancellation or delay of projects by advertisers;
- the cyclical and discretionary nature of advertising spending;
- general economic conditions, as well as economic conditions specific to the Internet and online and offline media industry; and
- the occurrence of extraordinary events, such as the current global credit crisis and global macroeconomic uncertainty, natural disasters, international or domestic terrorist attacks or armed conflict.

Because all of our customers are in the IT industry, our revenues are subject to characteristics of the IT industry that can affect advertising spending by IT vendors.

The IT industry is characterized by, among other things, volatile quarterly results, uneven sales patterns, short product life cycles, rapid technological developments and frequent new product introductions and enhancements. As a result, our customers' advertising budgets, which are often viewed as discretionary expenditures, may increase or decrease significantly over a short period of time. In addition, the advertising budgets of our customers may fluctuate as a result of:

- weakness in corporate IT spending resulting in a decline in IT advertising spending;
- increased concentration in the IT industry as a result of consolidations, leading to a decrease in the number of current and prospective customers, as well as an overall reduction in advertising;
- spending by combined entities following such consolidations;
- the timing of advertising campaigns around new product introductions and initiatives; and
- economic conditions specific to the IT industry.

Our quarterly operating results are subject to significant fluctuations, and these fluctuations may adversely affect the trading price of our common stock.

We have experienced and expect to experience significant fluctuations in our quarterly revenues and operating results. Our quarterly revenues and operating results may fluctuate significantly from quarter to quarter due to a number of factors, many of which are outside of our control. In addition to the factors described elsewhere in this “Risk Factors” section, these factors include:

- the spending priorities and advertising budget cycles of specific advertisers;
- the addition or loss of advertisers;
- the addition of new sites and services by us or our competitors; and
- seasonal fluctuations in advertising spending.

Due to such risks, you should not rely on quarter-to-quarter comparisons of our results of operations as an indicator of our future results. Due to the foregoing factors, it is also possible that our results of operations in one or more quarters may fall below the expectations of investors and/or securities analysts. In such an event, the trading price of our common stock is likely to decline.

Our revenues are primarily derived from short-term contracts that may not be renewed.

The primary source of our revenues is the sale of advertising to our customers, and we expect that this will continue to be the case for the foreseeable future. Our advertising contracts are almost exclusively short-term, typically 90 days or less, and are subject to termination without payment of a substantial penalty by the customer at any time, generally with minimal notice requirements of 30 days or less. We cannot assure you that our current customers will fulfill their obligations under their existing contracts, continue to participate in our existing programs beyond the terms of their existing contracts or enter into any additional contracts for new programs that we offer. If a significant number of advertisers or a few large advertisers decided not to continue advertising on our websites or in our print magazines, or conducting or sponsoring events, we could experience a rapid decline in our revenues over a relatively short period of time.

If we are unable to deliver content and services that attract and retain users, our ability to attract advertisers may be affected, which could in turn have an adverse affect on our revenues.

Our future success depends on our ability to deliver original and compelling content and services to attract and retain users. Our user base is comprised of corporate IT professionals who demand specialized websites, print publications and events tailored to the sectors of the IT products for which they are responsible and that they purchase. Our content and services may not be attractive to a sufficient number of users to attract advertisers and generate revenues consistent with our estimates. We also may not develop new content or services in a timely or cost-effective manner. Our ability to develop and produce this specialized content successfully is subject to numerous uncertainties, including our ability to:

- anticipate and respond successfully to rapidly changing IT developments and preferences to ensure that our content remains timely and interesting to our users;
- attract and retain qualified editors, writers and technical personnel;
- fund new development for our programs and other offerings;
- successfully expand our content offerings into new platform and delivery mechanisms; and
- promote and strengthen the brands of our websites and our name.

If we are not successful in maintaining and growing our user base, our ability to retain and attract advertisers may be affected, which could, in turn, have an adverse affect on our revenues.

Our inability to sustain our historical advertising rates could adversely affect our operating results.

The market for advertising has fluctuated over the past few years. If we are unable to maintain historical pricing levels for advertising on our websites and in our print publications and for sponsorships at our events, our revenues could be adversely affected.

Competition for advertisers is intense, and we may not compete successfully which could result in a material reduction in our market share, the number of our advertisers and our revenues.

We compete for potential advertisers with a number of different types of offerings and companies, including: broad-based media outlets, such as television, newspapers and business periodicals that are designed to reach a wide audience; general purpose portals and search engines; and offline and online offerings of media companies that produce content specifically for IT professionals, including International Data Group, United Business Media and Ziff Davis Enterprise. Advertisers may choose our competitors over us not only because they prefer our competitors' online, events and print offerings to ours, but also because advertisers prefer to utilize other forms of advertising offered by our competitors that are not offered by us. Although less than 5% of our revenues for the nine month period ended September 30, 2008 were derived from advertisers located outside of North America, as we continue to expand internationally, we expect to compete with several of the competitors mentioned above, as well as with established media companies based in particular countries or geographical regions. Many of these foreign-based or internationally-focused media companies will be larger than we are and will have established relationships with local advertisers. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we have. As a result, we could lose market share to our competitors in one or more of our businesses and our revenues could decline.

We depend upon Internet search engines to attract a significant portion of the users who visit our websites, and if we were listed less prominently in search result listings, our business and operating results would be harmed.

We derive a significant portion of our website traffic from users who search for IT purchasing content through Internet search engines, such as Google, MSN and Yahoo! A critical factor in attracting users to our websites is whether we are prominently displayed in response to an Internet search relating to IT content. Organic (i.e., unpaid) search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine. The algorithms determine the order of the listing of organic results in response to the user's Internet search. From time to time, search engines revise these algorithms. In some instances, these modifications may cause our websites to be listed less prominently in unpaid search results, which will result in decreased traffic from search engine users to our websites. Our websites may also become listed less prominently in unpaid search results for other reasons, such as search engine technical difficulties, search engine technical changes and changes we make to our websites. In addition, search engines have deemed the practices of some companies to be inconsistent with search engine guidelines and have decided not to list their websites in search result listings at all. If we are listed less prominently or not at all in search result listings for any reason, the traffic to our websites likely will decline, which could harm our operating results. If we decide to attempt to replace this traffic, we may be required to increase our marketing expenditures, which also could harm our operating results.

We may not innovate at a successful pace, which could harm our operating results.

Our industry is rapidly adopting new technologies and standards to create and satisfy the demands of users and advertisers. It is critical that we continue to innovate by anticipating and adapting to these changes to ensure that our content-delivery platforms and services remain effective and interesting to our users, advertisers and partners. In addition, we may discover that we must make significant expenditures to achieve these goals. If we fail to accomplish these goals, we may lose users and the advertisers that seek to reach those users, which could harm our operating results.

We may be unable to continue to build awareness of our brands, which could negatively impact our business and cause our revenues to decline.

Building and maintaining recognition of our brands is critical to attracting and expanding our online user base, attendance at our events and our offline readership. We intend to continue to build existing brands and introduce new brands that will resonate with our targeted audiences, but we may not be successful. In order to promote these brands, in response to competitive pressures or otherwise, we may find it necessary to increase our marketing budget, hire additional marketing and public relations personnel or otherwise increase our financial commitment to creating and maintaining brand loyalty among our clients. If we fail to promote and maintain our brands effectively, or incur excessive expenses attempting to promote and maintain our brands, our business and financial results may suffer.

Given the tenure and experience of our Chief Executive Officer and President, and their guiding roles in developing our business and growth strategy since our inception, our growth may be inhibited or our operations may be impaired if we were to lose the services of either of them.

Our growth and success depends to a significant extent on our ability to retain Greg Strakosch, our Chief Executive Officer, and Don Hawk, our President, both of whom were founders of our company and have developed, engineered and stewarded the growth and operation of our business since its inception. The loss of the services of either of these persons could inhibit our growth or impair our operations and cause our stock price to decline.

We may not be able to attract, hire and retain qualified personnel cost-effectively, which could impact the quality of our content and services and the effectiveness and efficiency of our management, resulting in increased costs and losses in revenues.

Our success depends on our ability to attract, hire and retain at commercially reasonable rates qualified technical, editorial, sales and marketing, customer support, financial and accounting, legal and other managerial personnel. The competition for personnel in the industries in which we operate is intense. Our personnel may terminate their employment at any time for any reason. Loss of personnel may also result in increased costs for replacement hiring and training. If we fail to attract and hire new personnel or retain and motivate our current personnel, we may not be able to operate our businesses effectively or efficiently, serve our customers properly or maintain the quality of our content and services. In particular, our success depends in significant part on maintaining and growing an effective sales force. This dependence involves a number of challenges, including:

- the need to hire, integrate, motivate and retain additional sales and sales support personnel;
- the need to train new sales personnel, many of whom lack sales experience when they are hired; and
- competition from other companies in hiring and retaining sales personnel.

We may fail to identify or successfully acquire and integrate businesses, products and technologies that would otherwise enhance our product offerings to our customers and users, and as a result our revenues may decline or fail to grow.

We have acquired, and in the future may acquire or invest in, complementary businesses, products or technologies. Acquisitions and investments involve numerous risks including:

- difficulty in assimilating the operations and personnel of acquired businesses;
- potential disruption of our ongoing businesses and distraction of our management and the management of acquired companies;
- difficulty in incorporating acquired technology and rights into our offerings and services;
- unanticipated expenses related to technology and other integration;
- potential failure to achieve additional sales and enhance our customer bases through cross marketing of the combined company's products to new and existing customers;
- potential litigation resulting from our business combinations or acquisition activities; and
- potential unknown liabilities associated with the acquired businesses.

Our inability to integrate any acquired business successfully, or the failure to achieve any expected synergies, could result in increased expenses and a reduction in expected revenues or revenue growth. As a result, our stock price could fluctuate or decline. In addition, we cannot assure you that we will be successful in expanding into complementary sectors in the future, which could harm our business, operating results and financial condition.

The costs associated with potential acquisitions or strategic partnerships could dilute your investment or adversely affect our results of operations.

In order to finance acquisitions, investments or strategic partnerships, we may use equity securities, debt, cash, or a combination of the foregoing. Any issuance of equity securities or securities convertible into equity may result in substantial dilution to our existing stockholders, reduce the market price of our common stock, or both. Any debt financing is likely to have financial and other covenants that could have an adverse impact on our business if we do not achieve our projected results. In addition, the related increases in expenses could adversely affect our results of operations.

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We have limited protection of our intellectual property and could be subject to infringement claims that may result in costly litigation, the payment of damages or the need to revise the way we conduct our business.

Our success and ability to compete are dependent in part on the strength of our proprietary rights, on the goodwill associated with our trademarks, trade names and service marks, and on our ability to use U.S. and foreign laws to protect them. Our intellectual property includes, among other things, our original content, our editorial features, logos, brands, domain names, the technology that we use to deliver our products and services, the various databases of information that we maintain and make available by license, and the appearance of our websites. We claim common law protection on certain names and marks that we have used in connection with our business activities. Although we have applied for and obtained registration of many of our marks in countries outside of the United States where we do business, we have not been able to obtain registration of all of our key marks in such jurisdictions, in some cases due to prior registration or use by third parties employing similar marks. In addition to U.S. and foreign laws, we rely on confidentiality agreements with our employees and third parties and protective contractual provisions to safeguard our intellectual property. Policing our intellectual property rights worldwide is a difficult task, and we may not be able to identify infringing users. We cannot be certain that third party licensees of our content will always take actions to protect the value of our proprietary rights and reputation. Intellectual property laws and our agreements may not be sufficient to prevent others from copying or otherwise obtaining and using our content or technologies. In addition, others may develop non-infringing technologies that are similar or superior to ours. In seeking to protect our marks, copyrights, domain names and other proprietary rights, or in defending ourselves against claims of infringement that may be with or without merit, we could face costly litigation and the diversion of our management's attention and resources. These claims could result in the need to develop alternative trademarks, content or technology or to enter into costly royalty or licensing agreements, which could have a material adverse effect on our business, results of operations and financial condition. We may not have, in all cases, conducted formal evaluations to confirm that our technology and products do not or will not infringe upon the intellectual property rights of third parties. As a result, we cannot be certain that our technology, offerings, services or online content do not or will not infringe upon the intellectual property rights of third parties. If we were found to have infringed on a third party's intellectual property rights, the value of our brands and our business reputation could be impaired, and our business could suffer.

Our business could be harmed if we are unable to correspond with existing and potential users by e-mail.

We use e-mail as a significant means of communicating with our existing users. The laws and regulations governing the use of e-mail for marketing purposes continue to evolve, and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation and/or changes to existing laws. If new laws or regulations are adopted, or existing laws and regulations are interpreted and/or amended or modified, to impose additional restrictions on our ability to send e-mail to our users or potential users, we may not be able to communicate with them in a cost-effective manner. In addition to legal restrictions on the use of e-mail, Internet service providers and others typically attempt to block the transmission of unsolicited e-mail, commonly known as "spam." If an Internet service provider or software program identifies e-mail from us as "spam," we could be placed on a restricted list that would block our e-mail to users or potential users who maintain e-mail accounts with these Internet service providers or who use these software programs. If we are unable to communicate by e-mail with our users and potential users as a result of legislation, blockage or otherwise, our business, operating results and financial condition could be harmed.

Changes in laws and standards relating to data collection and use practices and the privacy of Internet users and other individuals could impair our efforts to maintain and grow our audience and thereby decrease our advertising revenue.

We collect information from our users who register for services or respond to surveys. Subject to each user's permission (or right to decline, which we refer to as an "opt-out"), we may use this information to inform our users of products and services that may be of interest to them. We may also share this information with our advertising clients for registered members who have elected to receive additional promotional materials and have granted us permission



to share their information with third parties. The U.S. federal and various state governments have adopted or proposed limitations on the collection, distribution and use of personal information of Internet users. Several foreign jurisdictions, including the European Union and Canada, have adopted legislation (including directives or regulations) that may limit our collection and use of information from Internet users in these jurisdictions. In addition, growing public concern about privacy, data security and the collection, distribution and use of personal information has led to self-regulation of these practices by the Internet advertising and direct marketing industry, and to increased federal and state regulation. Because many of the proposed laws or regulations are in their early stages, we cannot yet determine the impact these regulations may have on our business over time. Although, to date, our efforts to comply with applicable federal and state laws and regulations have not hurt our business, additional, more burdensome laws or regulations, including consumer privacy and data security laws, could be enacted or applied to us or our customers. Such laws or regulations could impair our ability to collect user information that helps us to provide more targeted advertising to our users, thereby impairing our ability to maintain and grow our audience and maximize advertising revenue from our advertising clients.

There are a number of risks associated with expansion of our business internationally that could adversely affect our business.

We have over 13 license and other arrangements in various countries and maintain a direct presence in the United Kingdom. In addition to facing many of the same challenges we face domestically, there are additional risks and costs inherent in expanding our business in international markets, including:

- limitations on our activities in foreign countries where we have granted rights to existing business partners;
- the adaptation of our websites and advertising programs to meet local needs and to comply with local legal regulatory requirements;
- varied, unfamiliar and unclear legal and regulatory restrictions, as well as unforeseen changes in, legal and regulatory requirements;
- more restrictive data protection regulation, which may vary by country;
- difficulties in staffing and managing multinational operations;
- difficulties in finding appropriate foreign licensees or joint venture partners;
- distance, language and cultural differences in doing business with foreign entities;
- foreign political and economic uncertainty;
- less extensive adoption of the Internet as an information source and increased restriction on the content of websites;
- currency exchange-rate fluctuations; and
- potential adverse tax requirements.

As a result, we may face difficulties and unforeseen expenses in expanding our business internationally and even if we attempt to do so, we may be unsuccessful, which could harm our business, operating results and financial condition.

Changes in regulations could adversely affect our business and results of operations.

It is possible that new laws and regulations or new interpretations of existing laws and regulations in the United States and elsewhere will be adopted covering issues affecting our business, including:

- privacy, data security and use of personally identifiable information;
- copyrights, trademarks and domain names; and
- marketing practices, such as e-mail or direct marketing.

Increased government regulation, or the application of existing laws to online activities, could:

- decrease the growth rate of the Internet;
- reduce our revenues;
- increase our operating expenses; or
- expose us to significant liabilities.

Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is still evolving. Therefore, we might be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Any impairment in the value of these important assets could cause our stock price to decline. We cannot be sure what effect any future material noncompliance by us with these laws and regulations or any material changes in these laws and regulations could have on our business, operating results and financial condition.

As a creator and a distributor of content over the Internet, we face potential liability for legal claims based on the nature and content of the materials that we create or distribute.

Due to the nature of content published on our online network, including content placed on our online network by third parties, and as a creator and distributor of original content and research, we face potential liability based on a variety of theories, including defamation, negligence, copyright or trademark infringement, or other legal theories based on the nature, creation or distribution of this information. Such claims may also include, among others, claims that by providing hypertext links to websites operated by third parties, we are liable for wrongful actions by those third parties through these websites. Similar claims have been brought, and sometimes successfully asserted, against online services. It is also possible that our users could make claims against us for losses incurred in reliance on information provided on our networks. In addition, we could be exposed to liability in connection with material posted to our Internet sites by third parties. For example, many of our sites offer users an opportunity to post unmoderated comments and opinions. Some of this user-generated content may infringe on third party intellectual property rights or privacy rights or may otherwise be subject to challenge under copyright laws. Such claims, whether brought in the United States or abroad, could divert management time and attention away from our business and result in significant cost to investigate and defend, regardless of the merit of these claims. In addition, if we become subject to these types of claims and are not successful in our defense, we may be forced to pay substantial damages. Our insurance may not adequately protect us against these claims. The filing of these claims may also damage our reputation as a high quality provider of unbiased, timely analysis and result in client cancellations or overall decreased demand for our products and services.

We may be liable if third parties or our employees misappropriate our users' confidential business information.

We currently retain confidential information relating to our users in secure database servers. Although we observe security measures throughout our operations, we cannot assure you that we will be able to prevent individuals from gaining unauthorized access to these database servers. Any unauthorized access to our servers, or abuse by our employees, could result in the theft of confidential user information. If confidential information is compromised, we could lose customers or become subject to liability or litigation and our reputation could be harmed, any of which could materially and adversely affect our business and results of operations.

Our business, which is dependent on centrally located communications and computer hardware systems, is vulnerable to natural disasters, telecommunication and systems failures, terrorism and other problems, which could reduce traffic on our networks or websites and result in decreased capacity for advertising space.

Our operations are dependent on our communications systems and computer hardware, all of which are located in data centers operated by Verizon, AT&T and Softlayer. These systems could be damaged by fire, floods, earthquakes, power loss, telecommunication failures and similar events. Our insurance policies have limited coverage levels for loss or damages in these events and may not adequately compensate us for any losses that may occur. In addition, terrorist acts or acts of war may cause harm to our employees or damage our facilities, our clients, our clients' customers and vendors, or cause us to postpone or cancel, or result in dramatically reduced attendance at, our events, which could adversely impact our revenues, costs and expenses and financial position. We are predominantly uninsured for losses and interruptions to our systems or cancellations of events caused by terrorist acts and acts of war.

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Our systems may be subject to slower response times and system disruptions that could adversely affect our revenues.

Our ability to attract and maintain relationships with users, advertisers and strategic partners will depend on the satisfactory performance, reliability and availability of our Internet infrastructure. Our Internet advertising revenues relate directly to the number of advertisements and other marketing opportunities delivered to our users. System interruptions or delays that result in the unavailability of Internet sites or slower response times for users would reduce the number of advertising impressions and leads delivered. This could reduce our revenues as the attractiveness of our sites to users and advertisers decreases. Our insurance policies provide only limited coverage for service interruptions and may not adequately compensate us for any losses that may occur due to any failures or interruptions in our systems. Further, we do not have multiple site capacity for all of our services in the event of any such occurrence.

We may experience service disruptions for the following reasons:

- occasional scheduled maintenance;
- equipment failure;
- volumes of visits to our websites that exceed our infrastructure's capacity; and
- natural disasters, telecommunications failures, power failures, other system failures, maintenance, viruses, hacking or other events.

In addition, our networks and websites must accommodate a high volume of traffic and deliver frequently updated information. They have experienced in the past, and may experience in the future, slower response times or decreased traffic for a variety of reasons. There have been instances where our online networks as a whole, or our websites individually, have been inaccessible. Also, slower response times, which have occurred more frequently, can result from general Internet problems, routing and equipment problems involving third party Internet access providers, problems with third party advertising servers, increased traffic to our servers, viruses and other security breaches, many of which problems are out of our control. In addition, our users depend on Internet service providers and online service providers for access to our online networks or websites. Those providers have experienced outages and delays in the past, and may experience outages or delays in the future. Moreover, our Internet infrastructure might not be able to support continued growth of our online networks or websites. Any of these problems could result in less traffic to our networks or websites or harm the perception of our networks or websites as reliable sources of information. Less traffic on our networks and websites or periodic interruptions in service could have the effect of reducing demand for advertising on our networks or websites, thereby reducing our advertising revenues.

Our networks may be vulnerable to unauthorized persons accessing our systems, viruses and other disruptions, which could result in the theft of our proprietary information and/or disrupt our Internet operations making our websites less attractive and reliable for our users and advertisers.

Internet usage could decline if any well-publicized compromise of security occurs. "Hacking" involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment. Hackers, if successful, could misappropriate proprietary information or cause disruptions in our service. We may be required to expend capital and other resources to protect our websites against hackers. Our online networks could also be affected by computer viruses, systems upgrades or other similar disruptive problems, and we could inadvertently transmit viruses across our networks to our users or other third parties. Any of these occurrences could harm our business or give rise to a cause of action against us. Providing unimpeded access to our online networks is critical to servicing our customers and providing superior customer service. Our inability to provide continuous access to our online networks could cause some of our customers to discontinue purchasing advertising programs and services and/or prevent or deter our users from accessing our networks. Our activities and the activities of third party contractors involve the storage and transmission of proprietary and personal information. Accordingly, security breaches could expose us to a risk of loss or litigation and possible liability. We cannot assure that contractual provisions attempting to limit our liability in these areas will be successful or enforceable, or that other parties will accept such contractual provisions as part of our agreements.

We will continue to incur significant costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

We will continue to incur significant legal, accounting and other expenses as a public, reporting company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, or NASDAQ, imposes various requirements on public companies, including requiring extensive corporate governance practices. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations have made it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial additional costs to maintain the same or similar coverage. In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, commencing in fiscal 2006, we began system and process evaluation and testing of our internal controls over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our preparation for compliance with Section 404 requires that we continue to incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and have engaged outside accounting and advisory services with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

If we fail to maintain proper and effective disclosure controls and procedures and internal controls over financial reporting, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate disclosure controls and procedures, including internal financial and accounting controls and procedures, in place to help ensure that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. We are in the process of documenting, reviewing and, if appropriate, improving our internal controls and procedures in connection with the requirements of Section 404 of the Sarbanes-Oxley Act. Both we and our independent auditors will be testing our internal controls in connection with the Section 404 requirements and, as part of that documentation and testing, identifying areas for further attention and improvement. Implementing any appropriate changes to our internal controls may entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and distract our officers, directors and employees from the operation of our business. These changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements may seriously affect our stock price.

Our ability to raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds to expand our sales and marketing and product development efforts or to make acquisitions. Additional financing may not be available on favorable terms, if at all. Specifically, due to the current macroeconomic conditions, it may be difficult or impossible for us to obtain if necessary, additional debt financing to fund ongoing operations or strategic growth initiatives. If adequate funds are not available on acceptable terms, we may be unable to fund the expansion of our sales and marketing and research and development efforts or take advantage of acquisition or other opportunities, which could seriously harm our business and operating results. If we incur debt, the debt holders would have rights senior to common stockholders to make claims on our assets and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

The impairment of a significant amount of goodwill and intangible assets on our balance sheet could result in a decrease in earnings and, as a result, our stock price could decline.

In the course of our operating history, we have acquired assets and businesses. Some of our acquisitions have resulted in the recording of a significant amount of goodwill and/or intangible assets on our financial statements. We had approximately \$106 million of goodwill and net intangible assets as of September 30, 2008. The goodwill and/or intangible assets were recorded because the fair value of the net tangible assets acquired was less than the purchase price. We may not realize the full value of the goodwill and/or intangible assets. As such, we evaluate goodwill and other intangible assets with indefinite useful lives for impairment on an annual basis or more frequently if events or circumstances suggest that the asset may be impaired. We evaluate other intangible assets subject to amortization whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. If goodwill or other intangible assets are determined to be impaired, we will write off the unrecoverable portion as a charge to our earnings. If we acquire new assets and businesses in the future, as we intend to do, we may record additional goodwill and/or intangible assets. The possible write-off of the goodwill and/or intangible assets could negatively impact our future earnings and, as a result, the market price of our common stock could decline.

We will record substantial expenses related to our issuance of stock-based compensation which may have a material negative impact on our operating results for the foreseeable future.

Effective January 1, 2006, we adopted the Statement of Financial Accounting Standards, or SFAS, No. 123(R), Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure for stock-based employee compensation. Our stock-based compensation expenses are expected to be significant in future periods, which will have an adverse impact on our operating income and net income. SFAS No. 123(R) requires the use of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Changes in the subjective input assumptions can materially affect the amount of our stock-based compensation expense. In addition, an increase in the competitiveness of the market for qualified employees could result in an increased use of stock-based compensation awards, which in turn would result in increased stock-based compensation expense in future periods.

The trading value of our common stock may continue to be volatile and decline further.

The trading price of our common stock is likely to be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Additionally, stock markets in general and our common stock in particular have experienced significant price and volume volatility. In recent weeks, the market volatility and disruption have reached unprecedented levels. In some cases, the markets have exerted downward pressure on the stock prices of certain issuers. The market price and volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions, but also to a change in sentiment in the market regarding our operations, business prospects or future funding. In addition to the risk factors discussed elsewhere in this filing, the price and volume volatility of our common stock may be affected by factors that include:

- our operating performance and the operating performance of similar companies;
- our operating results that vary from the expectations of securities analysts and investors;
- the financial performance of the IT industry;
- the securities price performance of companies that investors consider to be comparable to us;
- the overall performance of the equity markets;
- announcements by us or our competitors of strategic developments acquisitions, business plans, commercial relationships or other material events;
- threatened or actual litigation;
- changes in laws or regulations relating to the provision of Internet content;
- any major change in our board of directors or management;
- publication of research reports about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- our sale of common stock or other securities in the future;
- large volumes of sales of our shares of common stock by existing stockholders; and
- changes in global financial markets and global economies and general market conditions.

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In addition, the stock market in general, and historically the market for Internet-related companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition.

Provisions of our certificate of incorporation, bylaws and Delaware law could deter takeover attempts.

Various provisions in our certificate of incorporation and bylaws could delay, prevent or make more difficult a merger, tender offer, proxy contest or change of control. Our stockholders might view any transaction of this type as being in their best interest since the transaction could result in a higher stock price than the then-current market price for our common stock. Among other things, our certificate of incorporation and bylaws:

- authorize our board of directors to issue preferred stock with the terms of each series to be fixed by our board of directors, which could be used to institute a "poison pill" that would work to dilute the share ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board;
- divide our board of directors into three classes so that only approximately one-third of the total number of directors is elected each year;
- permit directors to be removed only for cause;
- prohibit action by less than unanimous written consent of our stockholders; and
- specify advance notice requirements for stockholder proposals and director nominations. In addition, with some exceptions, the Delaware General Corporation Law restricts or delays mergers and other business combinations between us and any stockholder that acquires 15% or more of our voting stock.

Future sales of shares of our common stock by existing stockholders could depress the market price of our common stock.

If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. A large portion of our outstanding shares of common stock are held by our officers, directors and affiliates. Our directors, executive officers and their affiliated entities beneficially own approximately 29 million shares of our common stock, which represents 70% of our shares outstanding as of September 30, 2008. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline substantially.

A limited number of stockholders will have the ability to influence the outcome of director elections and other matters requiring stockholder approval.

As of September 30, 2008, our directors, executive officers and their affiliated entities beneficially own approximately 70% of our outstanding common stock. These stockholders, if they act together, could exert substantial influence over matters requiring approval by our stockholders, including the election of directors, the amendment of our certificate of incorporation and bylaws and the approval of mergers or other business combination transactions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our stockholders of an opportunity to receive a premium for their stock as part of a sale of our company and might reduce our stock price. These actions may be taken even if they are opposed by other stockholders.

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

### (a) Sales of Unregistered Securities



None.

(b) Use of Proceeds from Public Offering of Common Stock

In May 2007, we completed our initial public offering (IPO) pursuant to a registration statement on Form S-1 (File No. 333-140503) that was declared effective by the SEC on May 16, 2007. Under the registration statement, we registered the offering and sale of an aggregate of 7,700,000 shares of our common stock, \$0.001 par value, of which 6,427,152 shares were sold by the Company and 1,272,848 were sold by certain selling stockholders. All of the shares of common stock issued pursuant to the registration statement, including the shares sold by the selling stockholders, were sold at a price to the public of \$13.00 per share.

As a result of the IPO, we raised a total of \$83.2 million in net proceeds after deducting underwriting discounts and commissions of approximately \$6.4 million and offering expenses of approximately \$2.3 million. In May 2007 we repaid \$12.0 million that we had borrowed against our revolving credit facility in conjunction with the acquisition of TechnologyGuide.com in April 2007. In November 2007 we acquired KnowledgeStorm, Inc. for approximately \$58 million, consisting of approximately \$52 million in cash and 359,820 shares of unregistered common stock of TechTarget valued at that time at \$6.0 million.

We have applied the remaining net proceeds from the IPO to our working capital for general corporate purposes. We have no current agreements or commitments with respect to any material acquisitions. We have invested the remaining net proceeds in cash, cash equivalents and investments, in accordance with our investment policy. None of the remaining net proceeds were paid, directly or indirectly, to directors, officers, persons owning ten percent or more of our equity securities, or any of our other affiliates.

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Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

31.1 Certification of Greg Strakosch, Chief Executive Officer of TechTarget, Inc., pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, dated November 14, 2008.

31.2 Certification of Eric Sockol, Chief Financial Officer and Treasurer of TechTarget, Inc., pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, dated November 14, 2008.

32.1 Certifications of Greg Strakosch, Chief Executive Officer of TechTarget, Inc. and Eric Sockol, Chief Financial Officer and Treasurer of TechTarget, Inc., pursuant to 18 U.S.C. Section 1350, dated November 14, 2008.

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.

TECHTARGET, INC  
(Registrant)

Date: November  
14, 2008

By: /s/ GREG STRAKOSCH

Greg Strakosch, Chief Executive Officer  
(Principal Executive Officer)

Date: November  
14, 2008

By: /s/ ERIC SOCKOL

Eric Sockol, Chief Financial Officer and  
Treasurer  
(Principal Accounting and Financial  
Officer)

