interclick, inc.
Form 10-Q
August 11, 2011

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from ________________ to ________________

Commission file number 001-34523

interclick, inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	01-0692341 (I.R.S. Employer Identification No.)
11 West 19th Street, 10th Floor, New York, NY (Address of principal executive offices)	10011 (Zip Code)

Registrant’s telephone number: (646) 722-6260

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

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

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

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

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

Class	Outstanding at August 5, 2011
Common Stock, $0.001 par value per share	24,713,665 shares

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

INTERCLICK, INC. AND SUBSIDIARY
INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets	June 30, 2011 (unaudited)	December 31, 2010 (Note 1)
Current assets:		
Cash and cash equivalents	$12,723,559	$12,450,650
Short-term investment	499,508	498,132
Restricted cash	500,815	500,388
Accounts receivable, net of allowance for doubtful accounts of $439,778 and $563,512, respectively	31,561,892	44,517,434
Deferred taxes, current portion	463,975	457,185
Prepaid expenses and other current assets	3,840,955	763,680
Total current assets	49,590,704	59,187,469
Restricted cash	297,633	296,610
Property and equipment, net	3,582,216	2,283,721
Intangible assets, net	1,140,026	263,333
Goodwill	7,909,571	7,909,571
Deferred line of credit costs, net of accumulated amortization of $50,268 and $19,109, respectively	75,573	106,732
Deferred taxes, net of current portion	2,915,809	2,715,655
Other assets	567,588	208,182
Total assets	$66,079,120	$72,971,273
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$13,606,940	$20,147,129
Accrued expenses (includes accrued compensation of $2,440,362 and $3,274,004, respectively)	3,830,003	4,772,188
Line of credit payable	4,000,000	8,500,000
Obligations under capital leases, current portion	939,985	483,583
Deferred rent, current portion (includes cease-use liability of $84,576 and $78,193, respectively)	130,192	89,325
Total current liabilities	22,507,120	33,992,225
Obligations under capital leases, net of current portion	1,584,486	932,451
Deferred rent (includes cease-use liability of $265,778 and $306,578, respectively)	569,363	630,124
Other liabilities	348,915	-
Total liabilities	25,009,884	35,554,800
Commitments and contingencies		
Stockholders' equity:		

Preferred stock, $0.001 par value; 10,000,000 shares authorized, zero shares issued and outstanding	-	-
Common stock, $0.001 par value; 140,000,000 shares authorized, 24,699,363 and 24,065,611 issued and outstanding, respectively	24,699	24,065
Additional paid-in capital	49,532,768	46,626,284
Accumulated deficit	(8,488,231)	(9,233,876)
Total stockholders' equity	41,069,236	37,416,473
Total liabilities and stockholders' equity	$66,079,120	$72,971,273

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

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended June 30, 2011 (unaudited)	For the Three Months Ended June 30, 2010 (unaudited)	For the Six Months Ended June 30, 2011 (unaudited)	For the Six Months Ended June 30, 2010 (unaudited)
Revenues	$29,031,119	$21,659,883	$52,817,270	$35,861,740
Cost of revenues	17,097,653	12,034,487	29,779,098	19,853,668
Gross profit	11,933,466	9,625,396	23,038,172	16,008,072
Operating expenses:				
General and administrative	4,985,318	3,873,745	10,503,214	7,104,273
Sales and marketing	4,164,583	3,087,183	7,963,771	5,203,897
Technology support	1,596,462	1,419,362	2,971,448	2,758,940
Amortization of intangible assets	83,186	39,500	132,801	79,000
Total operating expenses	10,829,549	8,419,790	21,571,234	15,146,110
Operating income	1,103,917	1,205,606	1,466,938	861,962
Other income (expense):				
Interest income	1,909	8,151	4,260	17,019
Warrant derivative liability income (expense)	-	(272)	-	21,413
Other than temporary impairment of available-for-sale securities	-	-	-	(458,538)
Interest expense	(134,133)	(74,537)	(316,334)	(176,946)
Total other expense, net	(132,224)	(66,658)	(312,074)	(597,052)
Income before income taxes	971,693	1,138,948	1,154,864	264,910
Income tax expense	(335,601)	(1,218,234)	(409,219)	(139,126)
Net income (loss)	636,092	(79,286)	745,645	125,784
Other comprehensive income (loss):				
Unrealized loss on available-for-sale securities	-	(20,427)		(20,427)
Total comprehensive income (loss)	$636,092	$(99,713)	$745,645	$105,357
Earnings (loss) per share:				
Basic	$0.03	$(0.00)	$0.03	$0.01
Diluted	$0.02	$(0.00)	$0.03	$0.01
Weighted average number of common shares:				

Basic	24,151,081	23,683,252	24,093,739	23,646,178
Diluted	26,545,822	23,683,252	26,233,038	24,820,111

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

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balances, January 1, 2011	24,065,611	$24,065	$46,626,284	$ (9,233,876)	$ 37,416,473
Stock-based compensation			2,283,611		2,283,611
Issuances of restricted shares	392,500	393	(393)		-
Cancellation of restricted shares	(1,900)	(2)	2		-
Issuance of common shares for stock options and warrants exercised	225,126	225	562,743		562,968
Cashless exercise of warrants	18,026	18	(18)		-
Adjustment to additional paid-in-capital related to tax benefit of stock-based compensation			60,539		60,539
Net income				745,645	745,645
Balances, June 30, 2011 (unaudited)	24,699,363	$24,699	$49,532,768	$ (8,488,231)	$ 41,069,236

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

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2011 (unaudited)	For the Six Months Ended June 30, 2010 (unaudited)
Cash flows from operating activities:		
Net income	$745,645	$125,784
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	2,283,611	1,822,070
Other than temporary impairment of available-for-sale securities	-	458,538
Accrued interest income	(2,826)	-
Depreciation and amortization of property and equipment	455,876	320,356
Amortization of intangible assets	132,801	79,000
Recovery of bad debts	-	(140,077)
Amortization of deferred line of credit costs	31,159	-
Deferred tax benefit	(146,405)	(594,417)
Change in warrant derivative liability	-	(21,413)
Amortization of debt discount	-	4,972
Excess tax benefits from stock-based compensation	(60,539)	-
Changes in cash and cash equivalents attributable to changes in operating assets and liabilities:		
Accounts receivable	12,955,542	(35,613)
Prepaid expenses and other current assets	(2,717,563)	45,402
Other assets	-	(15,394)
Accounts payable	(6,540,189)	(442,026)
Accrued expenses	(1,312,388)	(672,039)
Deferred rent	(19,894)	525,302
Income taxes payable	-	(515,306)
Net cash provided by operating activities	5,804,830	945,139
Cash flows from investing activities:		
Proceeds from sale of available-for-sale securities	-	11,250
Transfers to restricted cash	-	(1,292,960)
Purchases of property and equipment	(286,810)	(573,929)
Costs incurred for development of internal-use software	(1,009,494)	-
Net cash used in investing activities	(1,296,304)	(1,855,639)
Cash flows from financing activities:		
Repayments of current line of credit, net	(4,500,000)	-
Repayments of former line of credit, net	-	(1,981,113)
Proceeds from stock options and warrants exercised	562,968	228,732
Principal payments on capital leases	(359,124)	(68,307)
Excess tax benefits from stock-based compensation	60,539	-
Net cash used in financing activities	(4,235,617)	(1,820,688)
Net increase (decrease) in cash and cash equivalents	272,909	(2,731,188)

Cash and cash equivalents at beginning of period	12,450,650	12,653,958
Cash and cash equivalents at end of period	$12,723,559	$9,922,770

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

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2011 (unaudited)	For the Six Months Ended June 30, 2010 (unaudited)
Supplemental disclosure of cash flow information:		
Interest paid	$286,657	$203,191
Income taxes paid	$3,000,211	$1,219,583
Non-cash investing and financing activities:		
Property and equipment acquired through capital leases	$1,467,560	$495,600
Leasehold improvements increased for deferred rent	$-	$83,070

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

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(Unaudited)

Note 1. Nature of Operations

Overview

Powered by OSM, interclick, inc. (the "Company" or "interclick") offers proprietary data-valuation capabilities combining analytical expertise and media fulfillment to help marketers navigate the complex data ecosystem to drive successful online display and video campaigns. OSM is a powerful solution which aggregates and organizes billions of data points from 3rd party providers - delivering actionable consumer insights, scalable audiences and the most effective campaign execution. The Company generates revenue by serving as a principal in transacting online display and online video advertising between agency clients and third party website publishers. Substantially all of the Company's revenues are generated in the United States.

The Company is particularly sensitive to industry seasonality given that the majority of its revenues are tied to CPM (cost-per-thousand) campaigns, which are strongest in the fourth quarter and weakest in the first quarter. While not necessarily indicative of future seasonality, the Company's revenue mix in 2010 was as follows: 14.0% in the first quarter, 21.4% in the second quarter, 26.1% in the third quarter, and 38.5% in the fourth quarter.

Basis of Presentation

The interim condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations and comprehensive income (loss) for the three and six months ended June 30, 2011 and 2010, our statement of changes in stockholders' equity for the six months ended June 30, 2011, cash flows for the six months ended June 30, 2011 and 2010, and our financial position as of June 30, 2011, have been made. The results of operations for such interim period are not necessarily indicative of the operating results to be expected for the full year.

Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these interim consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010, as filed with the SEC on March 22, 2011. The December 31, 2010 consolidated balance sheet is derived from those statements.

Note 2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to the accounts receivable and allowance for doubtful accounts, intangible assets and goodwill, useful lives of intangible assets and property and equipment, fair values of stock-based awards, income taxes, and contingent liabilities, among others.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of interclick, inc. and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated in consolidation.

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(Unaudited)

Accounts Receivable and Allowance for Doubtful Accounts Receivable

Trade accounts receivables are non-interest bearing and are stated at gross invoice amounts less an allowance for doubtful accounts receivable.

Credit is extended to customers based on an evaluation of their financial condition and other factors. The Company generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, the Company uses assumptions and judgment, based on the best available facts and circumstances, to either record a specific allowance against these customer balances or to write the balances off. In addition, the Company calculates an overall reserve based on a percentage of the overall gross accounts receivable. This percentage is based on management's assessment of the aging of accounts receivable, historical write-offs of receivables and the associated risk profile of the Company's customer base.

The Company's customer agreements are primarily entered into with agencies which manage campaigns on behalf of brand advertisers. Such agreements are governed by Standard Terms and Conditions for Internet Advertising as prescribed by the Interactive Advertising Bureau. Under these agreements, the Company holds the agency liable for payments to the extent proceeds have cleared from the advertiser to the agency for campaigns placed in accordance with the agreement. For sums not cleared to the agency, the Company may hold the advertiser solely liable. Write-offs of accounts receivable are taken in the period when the Company has exhausted its efforts to collect overdue and unpaid receivables or otherwise has evaluated other circumstances that indicate that the Company should abandon such efforts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for on a straight-line basis over the estimated useful lives of the assets per the following table. Leasehold improvements are amortized over the lesser of the estimated useful life or the term of the underlying lease. Expenditures for additions and improvements are capitalized while repairs and maintenance are expensed as incurred.

The following table reflects the estimated useful lives of the various categories of property and equipment:

Category	Depreciation Term
Computer equipment	3-5 years
Software	3 years
Furniture and fixtures	3-5 years

Office equipment	3-5 years
Leasehold improvements	5 years

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(Unaudited)

Intangible Assets

The Company records the purchase of intangible assets not acquired in a business combination in accordance with Accounting Standards Codification ("ASC") Topic 350 "Intangibles - Goodwill and Other" and records intangible assets acquired in a business combination in accordance with ASC Topic 805 "Business Combinations".

Customer relationships were fully amortized as of December 31, 2009 and were amortized based upon the estimated percentage of annual or period projected cash flows generated by such relationships, to the total cash flows generated over the estimated three-year life of the customer relationships. Developed technology is being amortized on a straight-line basis over five years. The domain name was amortized over its remaining useful life of six months at its acquisition date in August 2007.

Expenditures for software developed for internal use are capitalized and amortized over a three-year period on a straight-line basis. For software developed for internal use, the Company capitalizes costs in accordance with the provisions of ASC 350-40 "Internal Use Software." The Company's policy provides for the capitalization of external direct costs of materials and services associated with developing or obtaining internal-use software. In addition, the Company also capitalizes certain payroll and payroll-related costs for employees who are directly associated with internal use software projects. The amount of capitalizable payroll costs with respect to these employees is limited to the time directly spent on such projects. Costs associated with preliminary project state activities, training, maintenance and all other post-implementation stage activities are expensed as incurred. The Company also expenses internal costs related to minor upgrades and enhancements related activities, as it is impractical to separate these costs from normal maintenance activities. Internal-use software is being amortized over three years.

Revenue Recognition

Revenues consist of amounts charged to customers, net of discounts and credits, for serving advertising impressions, click-throughs or other actions placed on our publisher vendor's websites. The Company's revenue is recognized in the period that the advertising impressions, click-throughs or actions occur, when lead-based information is delivered or, provided that no significant Company obligations remain, collection of the resulting receivable is reasonably assured, and prices are fixed or determinable. The Company recognizes revenue when the following criteria have been met: (i) persuasive evidence of an arrangement exists, (ii) the fees are fixed or determinable, (iii) no significant Company obligations remain, and (iv) collection of the related receivable is reasonably assured.

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Computer equipment	$ 4,517,243	$ 2,926,114
Furniture and fixtures	313,825	195,597
Software	186,620	183,207
Leasehold improvements	198,261	173,764
Office equipment	39,547	22,443
	5,255,496	3,501,125

Accumulated depreciation and amortization		(1,673,280)		(1,217,404)
Property and equipment, net	$	3,582,216	$	2,283,721

Property and equipment held under capitalized leases of $3,095,764 and $1,628,203 at June 30, 2011 and December 31, 2010, respectively, are included in computer equipment above.

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(Unaudited)

Depreciation and amortization expense for the six months ended June 30, 2011 and 2010 was $455,876 and $320,356, respectively, of which $246,077 and $78,976 pertained to capitalized leases. Accumulated depreciation and amortization related to capitalized leases amounted to $455,103 and $199,026 as of June 30, 2011 and December 31, 2010, respectively.

Note 4. Intangible Assets

Intangible assets consisted of the following at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Customer relationships	$ 540,000	$ 540,000
Developed technology	790,000	790,000
Internal-use software	1,009,494	-
Domain name	683	683
	2,340,177	1,330,683
Accumulated amortization	(1,200,151)	(1,067,350)
Intangible assets, net	$ 1,140,026	$ 263,333

The following is a schedule of estimated future amortization expense of intangible assets as of June 30, 2011:

Year Ending December 31,	
2011	$ 188,407
2012	324,146
2013	218,813
2014	55,606
Total	$ 786,972

As of June 30, 2011, there was $353,054 of internal-use software that had been capitalized, but the underlying software had not yet been placed in service. Accordingly, this amount has not been included in the future amortization expense table above.

Note 5. Capital Lease Obligations

In February 2011, the Company purchased computer equipment for $676,638 through a capital lease agreement, bearing interest of 6.02%, per annum, payable in 12 quarterly installments of $62,055.

In March 2011, the Company purchased computer equipment for $393,156 through a capital lease agreement, bearing interest of 6.02%, per annum, payable in 12 quarterly installments of $36,056.

In April 2011, the Company purchased computer equipment for $14,598 through a capital lease agreement, bearing interest of 6.05%, per annum, payable in 12 quarterly installments of $1,339.

In April 2011, the Company purchased computer equipment for $224,143 through a capital lease agreement, bearing interest of 6.05%, per annum, payable in 12 quarterly installments of $20,556.

In June 2011, the Company purchased computer equipment for $159,026 through a capital lease agreement, bearing interest at 6.5%, per annum, payable in 36 monthly installments of $4,874.

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(Unaudited)

Note 6. Commitments and Contingencies

Minimum Fees

The Company is party to multi-year agreements with third parties whereby the Company is obligated to pay minimum publisher, data and ad verification fees of approximately $7,324,000 in 2011 and $667,000 in 2012. The Company expensed approximately $7,429,000 and $874,000 in fees under these agreements for the six months ended June 30, 2011 and 2010, respectively.

Legal Matters

On or about December 8, 2010, Sonal Bose commenced an action in the United States District Court for the Southern District of New York (Sonal Bose v. Interclick, Inc., Case No. 10 Civ. 9183-DAB (S.D.N.Y.)) alleging that interclick engaged in certain activities that plaintiff claims violate electronic privacy and computer use laws. The plaintiff asserts federal and state law claims, and seeks compensatory, statutory, and punitive damages, restitution, and reimbursement of expenses and attorney's fees. The plaintiff also seeks injunctive and declaratory relief and class action certification.

Plaintiff also had brought a related action in the United States District Court for the Southern District of New York against certain of our advertisers, which has been voluntarily dismissed as a separate action now that plaintiff has filed an Amended Complaint naming the advertisers as defendants in the action against the Company. The Company is providing for the defense of the advertisers.

Motions to dismiss the suit by the Company and by the advertisers are pending. As noted in the motions to dismiss, interclick believes the case is entirely without merit and interclick intends to vigorously defend its prior practices and technology.

There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Note 7. Stockholders' Equity

Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of preferred stock having a par value of $0.001 per share, of which none was issued and outstanding at June 30, 2011 and December 31, 2010.

Common Stock

The Company is authorized to issue up to 140,000,000 shares of common stock having a par value of $0.001 per share, of which 24,699,363 and 24,065,611 shares were issued and outstanding at June 30, 2011 and December 31, 2010, respectively.

During the six months ended June 30, 2011, proceeds of $562,968 were received and an aggregate of 225,126 shares were issued as a result of stock option and warrant exercises.

Stock Warrants

On April 15, 2010, as part of a consulting agreement, the Company issued to an investor relations firm a three-year warrant to purchase 25,000 shares of common stock exercisable at $4.44 per share for services to be rendered over a 12-month period. Accordingly, the Company has recognized stock-based compensation of $35,094 for the six months ended June 30, 2011.

Table of Contents

A summary of the Company's warrant activity during the six-months ended June 30, 2011 is presented below:

Warrants	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Balance Outstanding, December 31, 2010	873,219	$	3.67			
Granted	-					
Exercised	(57,725)	$	3.93			
Forfeited	-					
Expired	-					
Balance Outstanding, June 30, 2011	815,494	$	3.65	1.36	$	2,773,432
Exercisable, June 30, 2011	815,494	$	3.65	1.36	$	2,773,432

Stock Incentive Plan and Stock Option Grants to Employees and Directors

On June 23, 2011, the shareholders of the Company ratified and approved the adoption of the 2011 Equity Incentive Plan (the "2011 Award Plan"). The 2011 Award Plan provides for the grant of up to 1,722,760 shares of common stock and/or stock options to purchase shares of common stock (422,760 of which were transferred from the 2007 Incentive Stock and Award Plan (the "2007 Award Plan") to directors, employees and consultants. In connection with the adoption of the 2011 Award Plan, the Company will no longer grant any stock-based awards under the 2007 Award Plan.

The material terms of each option granted pursuant to the 2011 Award Plan shall contain the following terms: (i) that the purchase price of each share purchasable under an option shall not be less than 100% of the fair market value (as defined in the 2011 Award Plan) of such common share on the day prior to the date the option is granted, (ii) the term of each option shall be fixed, but no option shall be exercisable more than 10 years after the date such option is granted and (iii) in the absence of any option vesting periods at the time of grant, options shall vest and become exercisable as to one-third of the total number of shares subject to the option on each of the first, second and third anniversaries of the date of grant. Upon exercise of stock options, the Company will issue new common shares from the pool of authorized, unissued shares of the Company.

During the six months ended June 30, 2011, the Company granted 489,250 stock options, 481,000 of which were issued under the 2007 Award Plan and 8,250 of which were issued under the 2011 Award Plan, at various exercise prices ranging from $5.01 to $7.71 per share. The options granted vest pro rata over three years; all options expire ten years from the grant date.

As of June 30, 2011, 1,717,843 shares were remaining under the 2011 Award Plan for future issuance.

The total fair value of stock options granted to employees and directors during the six months ended June 30, 2011 was $2,175,805, which is being recognized over the respective vesting periods. The Company recorded stock-based compensation expense of $210,782 for the six months ended June 30, 2011 in connection with these stock options.

The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of our stock price over the expected life, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 “Compensation – Stock Compensation” requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite vesting period for each award. The following table summarizes the assumptions the Company utilized to record compensation expense for stock options granted during the six months ended June 30, 2011 and 2010:

Table of Contents

INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(Unaudited)

Assumptions	For the Six Months Ended June 30, 2011		For the Six Months Ended June 30, 2010	
Expected life (years)	6.0		3.5 - 3.75	
Expected volatility	90.5% - 95.59	%	102.6% - 110.1	%
Weighted-average volatility	93.9	%	107.4	%
Risk-free interest rate	1.77% - 2.66	%	2.02% - 2.69	%
Dividend yield	0.00	%	0.00	%

For stock options issued through September 30, 2009, the expected life is based on the contractual term. Thereafter, the Company utilized the simplified method to estimate the expected life for stock options granted to employees and directors. The simplified method was used as the Company does not have sufficient historical data regarding stock option exercises. The expected volatility is based on historical volatility. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected life of the related option at the time of the grant. Dividend yield is based on historical trends. While the Company believes these estimates are reasonable, the compensation expense recorded would increase if the expected life was increased, a higher expected volatility was used, or if the expected dividend yield increased.

A summary of the Company's stock option activity under the Award Plans for employees and directors during the six months ended June 30, 2011 is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, December 31, 2010	5,134,792			