interCLICK, Inc.
Form 10-Q
November 16, 2009

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 September 30, 2009

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.)
257 Park Avenue South, Ste. 602, New York, NY (Address of principal executive offices)	10010 (Zip Code)

(646) 722-6260
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 10, 2009
Common Stock, $0.001 par value per share	20,667,707 shares

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

InterCLICK, Inc. (Formerly Customer Acquisition Network Holdings, Inc.) Index to Condensed Consolidated Financial Statements

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008 (See Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,929,094	$ 183,871
Accounts receivable, net of allowance of $258,100 and $425,000, respectively	14,476,271	7,120,311
Due from factor	1,114,698	637,705
Prepaid expenses and other current assets	373,505	94,164
Total current assets	17,893,568	8,036,051
Property and equipment, net of accumulated depreciation of $507,771 and $ 282,490, respectively	458,483	596,913
Intangible assets, net of accumulated amortization of $869,850 and $720,570, respectively	460,833	610,113
Goodwill	7,909,571	7,909,571
Investment in available-for-sale marketable securities	728,572	1,650,000
Deferred debt issue costs, net of accumulated amortization of $31,639 and $6,667, respectively	8,361	33,333
Other assets	192,179	191,664
Total assets	$ 27,651,567	$ 19,027,645
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 7,508,531	$ 5,288,807
Due to factor	5,559,011	3,188,425
Accrued expenses (includes accrued compensation of $1,346,484 and $0, respectively)	1,688,013	310,685
Warrant derivative liability	267,789	-
Deferred revenue	151,465	9,972
Obligations under capital leases, current portion	10,239	10,615
Accrued interest	6,296	16,948
Deferred rent, current portion	3,207	-
Senior secured note payable - related party	-	400,000
Payable and promissory note settlement liability	-	248,780
Total current liabilities	15,194,551	9,474,232
Obligations under capital leases, net of current portion	1,763	9,495
Deferred rent	83,062	72,696
Total liabilities	15,279,376	9,556,423
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, 20,644,856 and 18,922,596 issued and outstanding, respectively		20,645		18,923
Additional paid-in capital		28,076,682		24,908,509
Accumulated other comprehensive loss		(1,061,354)		(197,704)
Accumulated deficit		(14,663,782)		(15,258,506)
Total stockholders’ equity		12,372,191		9,471,222
Total liabilities and stockholders’ equity	$	27,651,567	$	19,027,645

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

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Revenues	$ 14,395,236	$ 5,756,707	$ 33,467,213	$ 13,992,303
Cost of revenues	7,141,926	4,011,020	17,498,860	10,330,018
Gross profit	7,253,310	1,745,687	15,968,353	3,662,285
Operating expenses:				
General and administrative	3,383,752	1,881,513	8,021,106	6,113,362
Sales and marketing	2,317,245	886,511	5,468,122	2,443,776
Technology support	830,626	294,558	2,149,103	839,579
Amortization of intangible assets	49,760	104,571	149,280	313,938
Total operating expenses	6,581,383	3,167,153	15,787,611	9,710,655
Operating income (loss) from continuing operations	671,927	(1,421,466)	180,742	(6,048,370)
Other income (expense):				
Interest income	-	8,140	12	14,903
Interest expense	(245,854)	(189,382)	(486,127)	(1,422,885)
Loss on disposal of property and equipment	-	(15,385)	-	(15,385)
Loss on settlement of debt	-	-	-	(20,121)
Warrant derivative liability expense	(274,725)	-	(506,786)	-
Loss on sale of available-for-sale securities	-	(116,454)	(36,349)	(116,454)
Total other income (expense)	(520,579)	(313,081)	(1,029,250)	(1,559,942)
Income (loss) from continuing operations before equity investment	151,348	(1,734,547)	(848,508)	(7,608,312)
Equity in investee's loss, net of income taxes	-	(404,103)	-	(653,231)
Income (loss) from continuing operations	151,348	(2,138,650)	(848,508)	(8,261,543)
Discontinued operations:				
Loss from discontinued operations, net of income taxes	-	(1,053,059)	-	(1,988,232)
Loss on sale of discontinued operations, net of income taxes	-	(498,554)	(1,220)	(1,123,535)
Loss from discontinued operations, net	-	(1,551,613)	(1,220)	(3,111,767)

Net income (loss)	151,348	(3,690,263)	(849,728)	(11,373,310)
Other comprehensive loss:				
Unrealized loss on available-for-sale securities	-	(314,158)	(899,999)	(314,158)
Reclassification adjustments for losses included in net income (loss)	-	116,454	36,349	116,454
Total other comprehensive loss	-	(197,704)	(863,650)	(197,704)
Comprehensive income (loss)	$ 151,348	$ (3,887,967)	$ (1,713,378)	$ (11,571,014)
Earnings (loss) per share from continuing operations - basic and diluted	$ 0.01	$ (0.12)	$ (0.04)	$ (0.45)
Loss per share from discontinued operations - basic and diluted	-	(0.08)	-	(0.17)
Net earnings (loss) per share - basic and diluted	$ 0.01	$ (0.20)	$ (0.04)	$ (0.62)
Weighted average number of common shares - basic	20,628,042	18,904,118	19,578,110	18,450,209
Weighted average number of common shares - diluted	22,399,847	18,904,118	19,578,110	18,450,209

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

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2008	18,922,596	$ 18,923	$ 24,908,509	$ (197,704)	$ (15,258,506)	$ 9,471,222
Cumulative effect of change in accounting principle	-	-	(1,864,466)	-	1,444,452	(420,014)
Stock - based compensation	5,274	5	1,891,879	-	-	1,891,884
Common stock issued to eliminate or modify price protection for warrants	352,500	352	658,659	-	-	659,011
Common stock issued for services rendered and to be rendered	75,000	75	185,925	-	-	186,000
Common stock and warrants issued under private placement, net of placement fees	1,250,000	1,250	2,255,750	-	-	2,257,000
Common stock issued to extend debt maturity date	5,000	5	11,995	-	-	12,000
Common stock issued in lieu of cash to pay accrued interest	5,528	6	13,260	-	-	13,266
Unrealized loss on available for sale securities	-	-	-	(899,999)	-	(899,999)
Reclassification adjustment for losses on available-for-sale securities included in	-	-	-	36,349	-	36,349

net income(loss)										
Stock options exercised	28,958		29		15,171		-		-	15,200
Net loss	-		-		-		-		(849,728)	(849,728)
Balance, September 30, 2009	20,644,856	$	20,645	$	28,076,682	$	(1,061,354)	$	(14,663,782)	$ 12,372,191

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

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INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Cash flows from operating activities:		
Net loss	$ (849,728)	$ (11,373,310)
Add back loss from discontinued operations, net	1,220	3,111,767
Loss from continuing operations	(848,508)	(8,261,543)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Stock-based compensation	1,953,884	1,441,240
Warrant derivative liability expense	506,786	-
Depreciation	225,281	172,671
Amortization of intangible assets	149,280	313,938
Loss on sale of available-for-sale securities	36,349	116,454
Amortization of debt issue costs	24,972	77,505
Amortization of debt discount	12,000	1,239,061
Equity method pick up from investment	-	653,231
Write-off of deferred acquisition costs	-	96,954
Loss on settlement of debt	-	20,121
Loss on disposal of property and equipment	-	15,385
Provision for bad debts	(87,084)	252,236
Changes in operating assets and liabilities:		
Increase in accounts receivable	(7,268,876)	(1,565,763)
Increase in prepaid expenses and other current assets	(155,341)	(150,046)
Increase in other assets	(515)	(145,006)
Increase in accounts payable	2,219,724	1,492,102
Increase (decrease) in accrued expenses	1,377,328	(436,329)
Increase (decrease) in accrued interest	2,614	(35,105)
Increase in deferred revenue	141,493	100,935
Increase in deferred rent	13,573	-
Net cash used in operating activities	(1,697,040)	(4,601,959)
Cash flows from investing activities:		
Purchases of property and equipment	(86,851)	(322,548)
Proceeds from sales of property and equipment	-	13,000
Proceeds from sale of available-for-sale securities	21,429	1,034,000
Deferred acquisition costs	-	(10,619)
Net cash (used in) provided by investing activities	(65,422)	713,833
Cash flows from financing activities:		
Proceeds from common stock and warrants issued for cash	2,257,000	2,912,500
Proceeds from stock options exercised	15,200	-
Proceeds from factor, net	1,893,593	-
Proceeds from issuance of notes payable	-	1,300,000

Principal payments on notes payable		(400,000)		(4,523,573)
Principal payments on capital leases		(8,108)		(8,002)
Net cash provided by (used in) financing activities		3,757,685		(319,075)
Cash flows from discontinued operations:				
Cash flows from operating activities		-		(1,563,145)
Cash flows from investing activities-acquisition		-		(1,885,624)
Cash flows from investing activities-divestiture		(250,000)		4,591,676
Net cash (used in) provided by discontinued operations		(250,000)		1,142,907
Net increase (decrease) in cash and cash equivalents		1,745,223		(3,064,294)
Cash and cash equivalents at beginning of period		183,871		3,675,483
Cash and cash equivalents at end of period	$	1,929,094	$	611,189

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

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Supplemental disclosure of cash flow information:		
Interest paid	$ 412,364	$ 261,796
Income taxes paid	$ -	$ -
Non-cash investing and financing activities:		
Unrealized loss on available-for-sale securities	$ 863,650	$ 197,704
Issuance of common stock to eliminate or modify price protection for warrants	$ 508,497	$ -
Issuance of common stock for services to be rendered	$ 124,000	$ 189,000
Issuance of common stock to pay accrued interest payable	$ 13,266	$ -
Issuance of common stock to extend debt maturity date	$ 12,000	$ -
Issuance of common stock and warrants in business combination	$ -	$ 5,746,442
Issuance of common stock and warrants in debt settlement	$ -	$ 611,000
Issuance of shares in Options Media Group Holdings, Inc. to settle accounts payable	$ -	$ 54,611

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

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(Unaudited)

Note 1. Nature of Operations and Basis of Presentation

Overview

Outsiders Entertainment, Inc. was incorporated on March 4, 2002 under the laws of the State of Delaware. On August 28, 2007, the name was changed to Customer Acquisition Network Holdings, Inc. On June 25, 2008, the name was changed to interCLICK, Inc (the "Company").

Customer Acquisition Network, Inc. ("CAN") was formed in Delaware on June 14, 2007.

On August 28, 2007, Customer Acquisition Network Holdings, Inc. ("Holdings") entered into an Agreement and Plan of Merger and Reorganization (the "CAN Merger Agreement") by and among Holdings, Customer Acquisition Network, Inc. ("CAN"), and CAN Acquisition Sub Inc., a newly formed, wholly-owned Delaware subsidiary of Holdings ("CAN Acquisition Sub"). The merger transaction contemplated under the CAN Merger Agreement (the "CAN Merger") was consummated on August 28, 2007, at which time CAN Acquisition Sub was merged with and into CAN, and CAN, as the surviving corporation, became a wholly-owned subsidiary of Holdings.

On August 31, 2007, the Company entered into and consummated an Agreement and Plan of Merger (the "Desktop Merger"), wherein the Company acquired 100% of Desktop Interactive, Inc. ("Desktop"), a privately-held Delaware corporation engaged in the Internet advertising business.

On January 4, 2008, Holdings consummated an Agreement and Plan of Merger (the "Options Merger"), wherein Holdings formed, Options Acquisition Sub, Inc. ("Options Acquisition"), and Options Newsletter, Inc. ("Options Newsletter" or "Options") was merged with and into Options Acquisition, which was the surviving corporation and a wholly-owned subsidiary of Holdings. On June 23, 2008, Options Acquisition was sold to Options Media Group Holdings, Inc ("OPMG").

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 cash flows for the three and nine months ended September 30, 2009 and 2008 and our financial position as of September 30, 2009 have been made. The results of operations for such interim periods 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 for the fiscal year ended December 31, 2008, as filed with the SEC on March 31, 2009. The December 31, 2008 balance sheet is derived from those statements.

All references to outstanding shares, options, warrants and per share information have been adjusted to give effect to the one-for-two reverse stock split effective October 23, 2009.

Note 2. Liquidity

Although the Company has had historical net losses and net cash used in operations through September 30, 2009, the Company's revenues and gross margins have experienced positive trends. In June 2009, the Company completed a private placement resulting in net proceeds of $2,257,000. At September 30, 2009, the Company had cash of $1,929,094 and positive working capital of $2,699,017. The Company also has a factoring agreement (Crestmark Commercial Capital Lending, LLC ("Crestmark"). The unused amount under the line of credit was $2,555,687 at September 30, 2009 and allows the Company to convert up to 80% of eligible accounts receivable quickly to cash. For all of these reasons, the Company expects that it has sufficient cash and borrowing capacity to meet its working capital needs for at least the next 12 months.

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

(Unaudited)

Note 3. Significant Accounting Policies

Use of Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of our unaudited condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our unaudited condensed consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. Significant estimates include the valuation of accounts receivable and allowance for doubtful accounts, purchase price fair value allocation for business combinations, estimates of depreciable lives and valuation of property and equipment, valuation and amortization periods of intangible assets and deferred costs, valuation of goodwill, valuation of discounts on debt, valuation of derivatives, valuation of investment in available-for-sale securities, valuation of common shares, options and warrants granted for services or recorded as debt discounts or other non-cash purposes including business combinations, the valuation allowance on deferred tax assets, estimates of the tax effects of business combinations and sale of subsidiary, and estimates in equity investee's losses.

Principles of Consolidation

The consolidated financial statements include the accounts of interCLICK, Inc. and its wholly-owned subsidiary and Options Acquisition through its sale date. All significant inter-company balances and transactions have been eliminated in the consolidation. As a result of the Options Divestiture, the results of Options Acquisition are reported as "Discontinued Operations".

Fair Value Measurements

On January 1, 2008, the Company adopted the provisions of the predecessor to Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurements and Disclosures". All references to Topic 820 include the predecessor. ASC Topic 820 defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value and expands disclosure of fair value measurements. In February 2008, ASC Topic 820 was amended in order to delay the effective date of ASC Topic 820 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Excluded from the scope of ASC Topic 820 are certain leasing transactions accounted for under ASC Topic 840, "Leases." The exclusion does not apply to fair value measurements of assets and liabilities recorded as a result of a lease transaction but measured pursuant to other pronouncements within the scope of ASC Topic 820.

Reclassifications

Certain amounts in the accompanying 2008 financial statements and those previously issued for the three and six months ended June 30, 2009 have been reclassified at September 30, 2009. In particular, bad debt expense is now included in general and administrative expenses. Merger, acquisition, divestiture and investor relations costs are now included in general and administrative expenses. Ad serving costs have been reclassified from general and administrative costs to cost of revenues. Whereas all compensation costs (including stock-based compensation) had been included in general and administrative expenses, a portion of these costs have been allocated to both sales and marketing expenses and technology support expenses.

Discontinued Operations

On June 23, 2008, the Company completed the sale of its Options Acquisition subsidiary pursuant to an Agreement of Merger and Plan of Reorganization. The amounts associated with the sale of this subsidiary are reported as discontinued operations in the accompanying unaudited condensed consolidated financial statements, in accordance with ASC 820-20-45. In addition, certain allocable corporate expenses pertaining to Options Acquisition are also included in discontinued operations.

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(Unaudited)

Note 3. Significant Accounting Policies (Continued)

Accounting for Derivatives

The Company evaluates its options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, “Derivatives and Hedging”. The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liability at the fair value of the instrument on the reclassification date.

Cumulative Effect of Change in Accounting Principle

On January 1, 2009, the Company determined that certain of its warrants previously issued contain round-down protection (price protection) and such instruments are not considered indexed to a company’s own stock because neither the occurrence of a sale of common shares by the Company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares. Accordingly, the warrants with price protection qualify as derivatives and need to be separately accounted for as a liability under ASC Topic 815. In accordance with ASC Topic 815, the cumulative effect of the change in accounting principle has been applied retrospectively and has been recognized as an adjustment to the opening balance of equity. The cumulative-effect adjustment amounts recognized in the statement of financial position as a result of the initial adoption of this policy were determined based on the amounts that would have been recognized if the policy had been applied from the issuance date of the instrument. As a result of the accounting change, the accumulated deficit as of January 1, 2009 decreased from $15,258,506, as originally reported, to $13,814,054 and additional paid-in capital decreased from $24,908,509, as originally reported, to $23,044,043.

Recently Issued Accounting Standards

In May 2009, the Financial Accounting Standards Board (“FASB”) issued an accounting standard that became part of ASC Topic 855, “Subsequent Events”. ASC Topic 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC Topic 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. ASC Topic 855 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of ASC Topic 855 did not have a material effect on the Company’s financial statements.

In June 2009, the FASB issued an accounting standard whereby the FASB Accounting Standards Codification (“Codification”) will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. ASC Topic 105 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in ASC Topic 105. All other accounting literature not included in the Codification is non-authoritative. The Codification is not expected to have a significant impact on the Company’s financial statements.

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

(Unaudited)

Note 4. Intangible Assets

Intangible assets, which were all acquired from the Desktop business combination, consisted of the following at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Customer relationships	$ 540,000	$ 540,000
Developed technology	790,000	790,000
Domain name	683	683
	1,330,683	1,330,683
Accumulated amortization	(869,850)	(720,570)
Intangible assets, net	$ 460,833	$ 610,113

Customer relationships are fully amortized as of September 30, 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. Accordingly, this resulted in accelerated amortization in which the majority of costs were amortized during the two-year period following the acquisition date of the intangible.

Developed technology is being amortized on a straight-line basis over five years.

The domain name is fully amortized as of September 30, 2009 and was amortized over its remaining life of six months following the acquisition date of the intangible.

The following is a schedule of estimated future amortization expense of intangible assets as of September 30, 2009:

Year Ending December 31,	
2009	$ 39,500
2010	158,000
2010	158,000
2011	105,333
Total	$ 460,833

Note 5. Investment in Available-For-Sale Marketable Securities

The following represents information about available-for sale securities held at September 30, 2009:

Securities in loss positions more than 12 months	Cost	Aggregate Unrealized losses	Aggregate Fair Value
Options Media Group Holdings, Inc. ("OPMG")	$ 1,789,926	$ 1,061,354	$ 728,572

At the closing of the Options Divestiture on June 23, 2008, the Company, as Options Acquisition's sole stockholder, received as part of the divestiture 12,500,000 shares of OPMG's common stock. The OPMG shares were valued at $3,750,000 using a price of $0.30 per share, which was based on a private placement for OPMG shares that was occurring at the same time of the Options Divestiture. From June 23, 2008 forward, the Company accounted for the investment in OPMG under the equity method until September 18, 2008, at which time the Company's ownership percentage fell to below 20% and the Company lost significant influence and control over the investee. From June 23, 2008 through September 18, 2008, the Company recognized an aggregate of $653,231 of its proportionate share of the investee losses. During that same period, the Company sold an aggregate of 4.7 million OPMG shares having a basis of $1,180,496 for proceeds of $1,034,000, resulting in a loss of $146,496. On September 30, 2008, the Company gave 100,000 OPMG shares having a basis of $24,568 in order to settle $54,611 of accounts payable, resulting in a gain of $30,042.

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Note 5. Investment in Available-For-Sale Marketable Securities (Continued)

While the OPMG closing stock price on September 30, 2009 was $0.13 per share, management has deemed the market for OPMG shares to be inactive in nature due to the extremely low average volume of shares traded. In May 2009, the Company sold some of its shares of OPMG to an unrelated third party for $0.10 per share. Accordingly, the Company has utilized the $0.10 per share price from the May 2009 sale to value its remaining 7.3 million OPMG shares resulting in a fair value of $728,572 as of September 30, 2009. As a result of the valuation, the Company maintains a $1,061,354 unrealized loss on available-for-sale equity securities in the stockholders' section of the accompanying condensed consolidated balance sheet. The Company has determined that the decline in the fair value of its investment in OPMG below its cost basis is not other than temporary as of September 30, 2009, based on the extent and length of time over which the market value has been less than cost; a due diligence inquiry the Company made relating to OPMG's prospects; an understanding that OPMG is taking steps to raise additional capital; and because the Company has both the ability and the intent to keep its investment in OPMG for a period sufficient to allow for an anticipated recovery in market value. Our co-chairmen are OPMG's largest debt holders.

Note 6. Notes Payable – Related Party, Factor Agreement and Other Obligations

Notes Payable – Related Party

Notes payable – related party consisted of the following at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
6% Senior secured promissory note payable - related party	$ -	$ 400,000
Less: Current maturities	-	(400,000)
Amount due after one year	$ -	$ -

On June 5, 2009, the Company and the noteholder, one of our co-chairmen, agreed to extend the maturity date for $100,000 of the notes payable from June 30, 2009 to December 31, 2009. In exchange, this portion of the notes payable was converted to a 6% unsecured convertible note, convertible at the rate of $4.00 per share. The modification of this debt instrument was substantial and, therefore under GAAP, the debt was deemed to be extinguished and replaced with new debt. The conversion feature was the only consideration given to the noteholder for the maturity date extension. As the conversion feature's exercise price exceeded the quoted trade price of the underlying stock at the date of the modification, it did not have any intrinsic value. Accordingly, the Company did not record any entries pertaining to the aforementioned replacement of the noteholder's debt. On September 29, 2009, the entire principal amount of the convertible note payable of $100,000 was repaid.

On June 22, 2009, the Company repaid $100,000 of the remaining $300,000 of senior secured promissory note payable. In addition, the Company and the noteholder agree to extend the maturity date for the remaining $200,000 of the notes payable from June 30, 2009 to December 31, 2009. In exchange, the noteholder received 5,000 common shares having a fair value of $12,000, which was treated as debt discount and was being amortized over the remaining term of the debt. Additionally, the Company issued 5,528 common shares in lieu of cash as payment for $13,266 of accrued interest related to the notes payable. On August 19, 2009, the entire principal amount of the senior secured note payable of $200,000 was repaid along with a portion of the accrued interest of $1,874. Accordingly, the remaining unamortized portion of the debt discount of $11,500 was recognized as interest expense during the three months ended September 30, 2009.

Accrued interest related to above notes at September 30, 2009 and December 31, 2008 was $6,296 and $16,948, respectively.

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Note 6. Notes Payable – Related Party, Factor Agreement and Other Obligations (Continued)

Factor Agreement

On November 13, 2008, the Company entered into a revolving credit facility, in the form of an Accounts Receivable Financing Agreement (the "Agreement"), with Crestmark to finance certain eligible accounts receivable of the Company, as defined in the Agreement, up to a maximum credit line of $3.5 million (subsequently increased to $4.5 million on February 3, 2009, $5.5 million on April 30, 2009, and to $7.0 million on September 2, 2009), which would represent gross factored accounts receivable less a 20% reserve holdback by Crestmark. The Crestmark credit facility has an interest rate equal to prime plus 1.0% (overall interest rate of 4.25% at September 30, 2009) and is secured by all of the Company's assets except property and equipment financed elsewhere and the Company's investment in OPMG shares, which had been pledged to secure the 6% senior secured promissory note payable – related party. In addition, the Company pays 0.575% (decreased to 0.375% on September 2, 2009) per 30 days on each invoice amount until the invoice is paid. The Crestmark credit facility was for an initial term of six months expiring May 12, 2009 (extended on March 3, 2009 for one year to May 12, 2010) and renews automatically unless terminated by either party not less than 30 days and not more than 90 days prior to the next anniversary date. The balance due on the Crestmark credit facility at September 30, 2009 was $4,444,313, which is net of the 20% reserve of $1,114,698 that is presented as Due from factor, a current asset. The unused amount under the line of credit available to the Company at September 30, 2009 was $2,555,687.

The following is a summary of accounts receivable factored as well as factor fees incurred for the three and nine months ended September 30, 2009:

	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009
Accounts receivable factored	$ 8,790,480	$ 24,498,489
Factoring fees incurred	$ 200,188	$ 447,675

Note 7. Net Earnings (Loss) per Share

Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed using the weighted average number of common and potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of the incremental common shares issuable upon exercise of stock options and warrants (using the treasury stock method) as well as nonvested common shares and convertible debt. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive. Accordingly, potentially dilutive securities for the nine months ended September 30, 2009 and for the three and nine months ended September 30, 2008 have not been included in the calculation of the diluted net loss per share as such effect would have been anti-dilutive. As a result, the basic and diluted loss per share amounts for the nine months ended September 30, 2009 and for the three and nine months ended September 30, 2008 are identical.

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Note 7. Net Earnings (Loss) per Share (Continued)

Components of basic and diluted earnings per share for the three months ended September 30, 2009 were as follows:

	For the Three Months Ended September 30, 2009		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income from continuing operations	$ 151,348		
Basic EPS			
Income available to common stockholders	$ 151,348	20,628,033	$ 0.01
Effect of Dilutive Securities			
Stock options	-	1,565,617	
Warrants	-	158,012	
Nonvested common stock	-	23,448	
Convertible debt	1,496	24,728	
Diluted EPS			
Income available to common stockholders + assumed conversions	$ 152,844	22,399,838	$ 0.01

Options to purchase 252,500 common shares and warrants to purchase 428,460 common shares were outstanding during the three months ended September 30, 2009, but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares. The options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted earnings per common share when their effect is dilutive.

Options to purchase 4,599,167 common shares, warrants to purchase 1,126,025 common shares, and 23,448 nonvested common shares were outstanding during the nine months ended September 30, 2009, but were not included in the computation of diluted loss per share because the effects would have been anti-dilutive. The options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted earnings per common share when their effect is dilutive.

Note 8. Stockholders' Equity

Preferred Stock

The Company is authorized to issue up to 10,000,000 preferred shares having a par value of $0.001 per share, of which none was issued and outstanding at September 30, 2009 and December 31, 2008.

Common Stock

The Company is authorized to issue up to 140,000,000 common shares having a par value of $0.001 per share, of which 20,644,856 and 18,922,596 shares were issued and outstanding at September 30, 2009 and December 31, 2008, respectively. At the Company's 2009 annual meeting that was held on October 23, 2009, the stockholders of the Company voted to approve a 1 for 2 reverse stock split of the Company's common stock. Each stockholder entitled to a fractional share as a result of the reverse stock split received a full share in lieu of any such fractional share. Accordingly, all share amounts have been retroactively restated to reflect the reverse stock split.

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Note 8. Stockholders' Equity (Continued)

Common Stock (Continued)

During the period from May 18, 2009 through June 17, 2009, the Company entered into separate agreements with investors that had purchased equity units in the Company during 2008. These equity units had consisted of common shares and warrants to purchase common shares, both of which contained price protection clauses. As a result of these agreements, the Company issued 352,500 common shares in exchange for (i) the elimination of price protection on 650,000 common shares, the elimination of price protection on warrants to purchase 314,940 common shares, and (iii) the repricing of warrants to purchase 272,565 common shares from an exercise price of $5.00 per share to $2.80 per share. Accordingly, the warrant derivative liability was valued at the date of the agreements relinquishing the price protection clauses and the difference was recorded to warrant derivative liability expense in the accompanying unaudited consolidated statements of operations. As a result of the common shares issued in connection with the elimination of round-down protection for the warrants, an additional $150,514 was recorded to warrant derivative liability expense in the accompanying unaudited consolidated statement of operations. Then, the pertinent portion of the warrant liability of $508,497 was reclassified to equity by an increase in common stock of $352 and an increase in additional paid-in capital of $508,145.

On June 1, 2009, the Company issued 75,000 common shares to a consultant for services to be rendered over a 12-month period. The shares have a fair value of $186,000, of which $62,000 was recognized as of September 30, 2009, and the remaining $124,000 remains deferred and is included in prepaid expenses and other current assets on the accompanying unaudited consolidated balance sheet.

On June 22, 2009, the Company issued 5,000 common shares having a fair value of $12,000 in order to extend the maturity date for a portion of its notes payable – related party (see Note 6). Additionally, the Company issued 5,528 common shares to settle $13,266 of accrued interest related to the notes payable – related party (see Note 6).

On June 22, 2009, the Company closed a private placement whereby the Company sold to four investors (one of whom was a co-chairman of the Company's Board of Directors) (i) 1,250,000 common shares and (ii) three-year warrants to purchase 312,500 common shares at an exercise price of $2.80 per share for gross proceeds of $2,500,000, of which $243,000 and three-year warrants to purchase 112,500 common shares at an exercise price of $2.80 per share was paid in direct placement costs. As part of the private placement, the Company agreed to file a registration statement within 60 days of closing and that said registration statement would be declared effective within 120 days of closing, subject to liquidated damages. On August 21, 2009, the Company filed the registration statement, which then became effective on August 31, 2009. As a result, no liquidated damages are due or shall become due regarding the registration rights (see Note 10).

Warrant Grants

On June 22, 2009, as part of a private placement, the Company issued three-year warrants to purchase 425,000 common shares exercisable at $2.80 per share (see above).

A summary of the Company's warrant activity during the nine months ended September 30, 2009 is presented below:

	No. of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Balance Outstanding, 12/31/08	701,025	$	4.68			
Granted	425,000	$	2.80			
Exercised	-		-			
Forfeited	-		-			
Expired	-		-			
Balance Outstanding, 9/30/09	1,126,025	$	3.44	3.1	$	-
Exercisable, 9/30/09	1,126,025	$	3.44	3.1	$	-

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Note 8. Stockholders' Equity (Continued)

Warrant Grants (Continued)

Certain of the Company's warrants contain round-down protection (price protection), which caused the warrants to be treated as derivatives (see Note 9). The fair value of the warrant derivative liability was $267,789 as of September 30, 2009 and has been recorded as a liability in the accompanying unaudited condensed consolidated balance sheet. The change in fair value (taking into consideration the cumulative effect of the change in accounting principle adopted on January 1, 2009) of the warrant derivative liability of $356,272 during the nine months ended September 30, 2009 has been recorded in the accompanying unaudited condensed consolidated statement of operations as other income (expense).

Stock Incentive Plan and Option Grants

On February 6, 2009, the Company increased the number of common shares eligible for grant under the 2007 Incentive Stock and Award Plan (the "Plan") from 500,000 to 612,500 common shares. In addition, the 2007 Equity Incentive Plan was deemed fully used with 2,250,000 common shares reserved and any remaining shares available for grant, including the new 112,500 common shares, shall be under the Plan. On June 5, 2009, the Company increased the number of common shares eligible for grant under the Plan from 612,500 to 1,862,500 common shares. On July 27, 2009, the Company increased the number of common shares eligible for grant under the Plan from 1,862,500 to 2,112,500 common shares. On September 24, 2009, the Company increased the number of common shares eligible for grant under the Plan from 2,112,500 to 3,112,500 common shares.

On February 6, 2009, the Company granted options to purchase 310,000 common shares (all of which were under the Plan) at an exercise price of $1.52 having an aggregate fair value of $384,400 all of which expire five years from the grant date. Of the options granted, (i) 110,000 were issued to officers and vested immediately and (ii) 200,000 were issued to an employee and vest in equal increments over a four-year period each June 30 and December 31 commencing June 30, 2009, subject to continued employment by the Company.

During the three months ended June 30, 2009, the Company granted options to purchase 1,351,250 common shares (of which 1,201,250 were under the Plan) at various exercise prices ranging from $2.40 to $2.60 having an aggregate fair value of $2,873,850 all of which expire five years from the grant date. Of the options granted, (i) 600,000 were issued to officers and vest in equal increments quarterly over a four-year period commencing June 30, 2009, (ii) 150,000 were issued to a director and vest in equal increments quarterly over a four-year period commencing June 30, 2009 (iii) 583,750 were issued to employees of which 200,000 vest in equal increments quarterly over a four-year period commencing June 30, 2009 and 383,750 vest annually over a three-year period subject to continued employment by the Company.

During the three months ended September 30, 2009, the Company granted options to purchase 666,250 common shares (of which 516,250 were under the Plan) at various exercise prices ranging from $2.36 to $4.00 having an aggregate fair value of $1,930,775 all of which expire five years from the grant date. Of the options granted, (i) 250,000 were issued to an officer and vest in equal increments quarterly over a three-year period commencing September 30, 2009, (ii) 150,000 were issued to a member on the advisory board and vest in equal increments quarterly over a four-year period commencing September 30, 2009, and (iii) 266,250 were issued to employees and vest annually over a three-year period subject to continued employment by the Company.

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 term, 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 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 service period for each award. The following table summarizes the assumptions the Company utilized to record compensation expense for stock options granted during the nine months ended September 30, 2009:

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Note 8. Stockholders' Equity (Continued)

Stock Incentive Plan and Option Grants (Continued)

Assumptions	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Expected life (years)	5.0	5.0
Expected volatility	115.5% - 121.4%	52.8% - 80.0%
Weighted-average volatility	119.6%	60.5%
Risk-free interest rate	1.89% - 2.86%	3.03% - 3.73%
Dividend yield	0.00%	0%

The expected life is based on the contractual term. 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 during the nine months ended September 30, 2009 is presented below:

	No. of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, 12/31/08	2,518,394	$ 2.19		
Granted	2,327,500	$ 2.64		
Exercised	(60,000)	$ 2.44		
Forfeited	(128,750)	$ 2.61		
Expired	(57,977)	$ 2.00		
Balance Outstanding, 9/30/09	4,599,167	$ 2.41	4.0	$ 8,343,901
Exercisable, 9/30/09	1,596,041	$ 2.11	3.4	$ 3,372,654

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2009 and 2008 was $2.25 and $3.98, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2009 was $100,800. The Company expects 4,453,725 of all outstanding stock options to eventually vest.

Nonvested Common Stock Grants

On February 27, 2009, the Company granted 28,125 restricted common shares having a fair value of $56,250 (based on a quoted trading price of $2.00 per share) to an officer. The shares were issued under the 2007 Incentive Stock and Award Plan and vest in equal increments over a four-year period each June 30 and December 31 commencing June 30, 2009, subject to continued employment by the Company.

On August 7, 2009, the Company granted 10,000 restricted common shares having a fair value of $37,400 (based on a quoted trading price of $3.74 per share) to an officer. The shares were issued under the 2007 Incentive Stock and Award Plan and vest in six months, subject to continued employment by the Company.

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Note 8. Stockholders' Equity (Continued)

Nonvested Common Stock Grants (Continued)

Nonvested Shares	Shares		Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008	-		-
Granted	38,125	$	2.46
Vested	(5,274)	$	2.00
Forfeited	-		-
Nonvested at September 30, 2009	32,851	$	2.53

As of September 30, 2009, there was $6,689,949 of total unrecognized compensation costs related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.5 years.

Note 9. Fair Value of Financial Instruments

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

On January 1, 2009, we adopted a newly issued accounting standard for fair value measurements of all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the financial statements on a recurring basis. The accounting standard for those assets and liabilities did not have a material impact on our financial position, results of operations or liquidity. We did not have any significant nonfinancial assets or nonfinancial liabilities that would be recognized or disclosed at fair value on a recurring basis as of September 30, 2009.

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standard established a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

We classify assets and liabilities measured at fair value in their entirety based on the lowest level of input that is significant to their fair value measurement. Assets and liabilities measured at fair value on a recurring basis consisted of the following at September 30, 2009:

	Total Carrying Value at September 30, 2009	Fair Value Measurements at September 30, 2009 (Level 1)	(Level 2)	(Level 3)
Assets:				
Investment in available-for-sale marketable securities	$ 728,572	$ -	$ 728,572	$ -
Liabilities:				
Warrant derivative liability	$ 267,789	$ -	$ 267,789	$ -

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Note 9. Fair Value of Financial Instruments (Continued)

The Company estimates the fair value of the warrant derivative liability utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the contractual warrant term, expected volatility of our stock price over the contractual warrant term, expected risk-free interest rate over the contractual warrant term, and the expected dividend yield rate over the contractual warrant term. The Company believes this valuation methodology is appropriate for estimating the fair value of the warrant derivative liability. The following table summarizes the assumptions the Company utilized to estimate the fair value of the warrant derivative liability at September 30, 2009:

Assumptions	September 30, 2009
Expected life (years)	3.6 - 3.7
Expected volatility	115.8%
Risk-free interest rate	1.45%
Dividend yield	0.00%

The expected term is based on the contractual term. 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 fair value would increase if a higher expected volatility was used, or if the expected dividend yield increased.

There were no changes in the valuation techniques during the three months ended September 30, 2009.

Note 10. Commitments and Contingencies

Settlement with Former Owner of Options Newsletter

As part of the Options Merger, the Company became obligated to pay up to an additional $1 million (the “Earn-Out”) if certain gross revenues are achieved for the one year period subsequent to the Options Merger payable 60 days after the end of each of the quarters starting with March 31, 2008. On September 30, 2008, the Company entered into a settlement agreement with the former owner of Options Media to settle all amounts due under the $1 million Earn-Out and the January 4, 2008 employment agreement whereby the Company agreed to pay $600,000 upon execution of the settlement agreement and $500,000, payable in two equal installments on October 30, 2008 and January 15, 2009. The $1,100,000 in payments was discounted to a net present value of $1,090,230 using a discount rate of 12%. In addition, all stock options previously granted to the former owner of Options Media became fully vested immediately. As of March 31, 2009, the Company had paid the entire balance of the payable and promissory note settlement liability.

Registration Rights

On June 22, 2009, the Company closed a $2,500,000 private placement (see Note 8). As part of the offering, the Company was required to file a registration statement within 60 days of the closing date of June 22, 2009 or the Company would have been obligated to pay liquidated damages (in cash or common shares, at the Company’s option) equal to 1% per month of the total amount invested. In addition, the registration statement must have been declared effective within 120 days of closing or the Company would have been obligated to pay liquidated damages (in cash or common shares, at the Company's option) equal to 1% per month of the total amount invested. The maximum potential consideration that the Company could have been required to transfer under the registration payment arrangement was $150,000. On August 21, 2009, the Company filed the registration statement, which then became effective on August 31, 2009. The Company is obligated to maintain the effectiveness of the registration statement through December 22, 2009.

Legal Matters

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of September 30, 2009, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations.

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.

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Note 11. Concentrations

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited in the local currency in three financial institutions in the United States. The balance, at any given time, may exceed Federal Deposit Insurance Corporation insurance limits. As of September 30, 2009 and 2008, there was approximately $2,072,000 and $1,103,000, respectively, in excess of insurable limits.

Concentration of Revenues, Accounts Receivable and Affiliate Expense

For the three and nine months ended September 30, 2009 and 2008, the Company had significant customers with individual percentage of total revenues equaling 10% or greater as follows:

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Customer 1	20.9%	0.0%	12.7%	0.0%
Customer 2	0.0%	0.0%	0.0%	12.9%
Customer 3	0.0%	0.0%	0.0%	10.1%
Totals	20.9%	0.0%	12.7%	23.0%

At September 30, 2009 and 2008, concentration of accounts receivable with significant customers representing 10% or greater of accounts receivable was as follows:

	September 30, 2009	September 30, 2008
Customer 1	24.6%	0.0%
Totals	24.6%	0.0%

For the three and nine months ended September 30, 2009 and 2008, the Company made significant purchases from publishers with individual percentage of total affiliate expense (included in cost of revenues) equaling 10% or greater as follows:

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Publisher 1	33.6%	20.9%	25.0%	26.0%
Publisher 2	0.0%	0.0%	0.0%	12.5%
Totals	33.6%	20.9%	25.0%	38.5%

Note 12. Income Taxes

The Company files a consolidated U.S. income tax return that includes its U.S. subsidiary. The Company also files state income tax returns in Florida, Illinois and New York. The Company has not recorded an income tax provision or benefit for the three and nine months ended September 30, 2009 as a full valuation allowance was established in 2008 based upon the potential likelihood of realizing the deferred tax asset and taking into consideration the Company's financial position and results of operations for the current period. Future realization of the deferred tax benefit depends on the existence of sufficient taxable income within the carryforward period under the Federal tax laws. At September 30, 2009, the Company had approximately $4.3 million of federal net operating loss carryforwards which will expire from 2027 to 2029.

INTERCLICK, INC. (FORMERLY CUSTOMER ACQUISITION NETWORK HOLDINGS, INC.) AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(Unaudited)

Note 13. Related Party Transactions

Included in revenues for the three and nine months ended September 30, 2008 is approximately $0 and $43,000, respectively, of revenue from a related party affiliate which was controlled by one of our executive officers and directors who was one of the former owners of Desktop, the company we acquired on August 31, 2007.

On September 26, 2008, we sold senior secured promissory notes (the “GRQ Notes”) in the original aggregate principal amount of $1,300,000 to one of our co-chairmen, all of which has been repaid as of September 30, 2009 (see Note 6).

Note 14. Subsequent Events

On November 10, 2009, the Company signed a term sheet for office space that shall be its new corporate headquarters in New York City. The new office space shall consist of 16,840 square feet with rent of approximately $49,000 per month for a term of eight years. The Company plans to sublet the current space of its headquarters.

In preparing these condensed consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through November ––16, 2009, the date the financial statements were issued.

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

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under "Risk Factors" in Part II, Item 1A, of this report.

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

Company Overview

interCLICK provides a transparent platform enabling digital advertisers and agencies to maximize return on investment ("ROI") at unprecedented scale. The Company's platform applies traditional supply chain methodologies leveraging premium publisher inventory and third party data sources to maximize the effectiveness along the online advertising value chain.

interCLICK is a next-generation online ad network that combines complete data and inventory transparency with best in breed targeting solutions. Its premier technology platform increases campaign effectiveness and ROI by delivering highly targeted ads to the most relevant audiences with unprecedented scalability. The interCLICK platform was built to leverage leading data providers and targeting technology to deliver the most efficient campaigns at the greatest scale for advertisers.

Significant events which have affected our results of operations include:

- Our revenues for the quarter ended September 30, 2009 were $14,395,236 compared to $5,756,707 for the same quarter in 2008 and $10,648,686 in the quarter ended June 30, 2009. These increases were 150% and 35.2%, respectively. In the first nine months of 2009, our revenues were $33,467,213 compared to $13,992,303 for the same period in 2008, or an increase of approximately 139%;
- As our revenues increased, our gross margins also increased. Our gross margins were 50.4% for the third quarter 2009 as compared to 30.3% for the third quarter 2008 and 47.7% for the first nine months of 2009 compared to 26.2% for the same period of 2008;
- For the quarter ended September 30, 2009, our net income was $151,348 or $0.01 per share compared to a net loss of $3,690,263 for the quarter ended September 30, 2008 as compared to net losses of $849,728 and $11,373,310 for the nine months ended September 30, 2009 and 2008, respectively; included in the quarter ended September 30, 2009 net income was an accounting charge of $150,514 to warrant derivative liability expense for common shares issued in Q2 in order to eliminate round-down price protection on certain warrants;
- We achieved positive earnings before interest, taxes, depreciation and amortization, including stock-based compensation for four straight quarters beginning with the fourth quarter of 2008;
- We increased our credit line to $7,000,000 in September 2009 to support the growth of our business; and

- Our headcount increased to 69 people at September 30, 2009 from 64 people at June 30, 2009.

Results of Operations

The following table presents our results of operations for the three months ended September 30, 2009 and 2008. It should be noted that our results of operations and our liquidity and capital resources discussions focus primarily on the operations of interCLICK while referring to Options Acquisition Sub, Inc. ("Options") as a discontinued operation.

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008
Revenues	$ 14,395,236	$ 5,756,707
Cost of revenues	7,141,926	4,011,020
Gross profit	7,253,310	1,745,687
Total operating expenses	6,581,383	3,167,153
Operating income (loss) from continuing operations	671,927	(1,421,466)
Total other expense	(520,579)	(313,081)