

RENTRAK CORP

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number: 000-15159

RENTRAK CORPORATION

(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction
of incorporation or organization)

93-0780536
(I.R.S. Employer
Identification No.)

7700 NE Ambassador Place, Portland, Oregon
(Address of principal executive offices)

97220
(Zip Code)

Registrant's telephone number, including area code: 503-284-7581

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

Common stock \$0.001 par value
(Class)

10,506,658
(Outstanding at February 2, 2009)

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FORM 10-Q
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Rentrak Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except per share amounts)

	December 31,	March 31,
	2008	2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,835	\$26,862
Marketable securities	29,496	4,986
Accounts receivable, net of allowances for doubtful accounts of \$643 and \$572	18,110	15,032
Note receivable	436	396
Advances to program suppliers, net of program supplier reserves of \$14 and \$17	82	95
Taxes receivable and prepaid taxes	2,210	1,455
Deferred income tax assets	103	253
Other current assets	735	1,296
Total Current Assets	56,007	50,375
Property and equipment, net of accumulated depreciation of \$8,978 and \$7,731	6,337	6,145
Other assets	566	629
Total Assets	\$ 62,910	\$57,149
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 9,619	\$ 6,768
Accrued liabilities	520	671
Deferred rent, current portion	90	90
Accrued compensation	1,094	930
Deferred revenue	1,566	873
Total Current Liabilities	12,889	9,332
Deferred rent, long-term portion	944	989
Deferred income tax liabilities	676	226
Taxes payable, long-term	2,189	1,965
Notes payable	748	965
Total Liabilities	17,446	13,477
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value; 30,000 shares authorized; shares issued and outstanding: 10,507 and 10,605	11	11
Capital in excess of par value	46,420	47,189
Accumulated other comprehensive income (loss)	(385)	170
Accumulated deficit	(582)	(3,698)
Total Stockholders' Equity	45,464	43,672
Total Liabilities and Stockholders' Equity	\$ 62,910	\$57,149

See accompanying Notes to Condensed Consolidated Financial Statements.

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Rentrak Corporation and Subsidiaries Condensed Consolidated Income Statements (Unaudited) (In thousands, except per share amounts)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2008	2007	2008	2007
Revenue	\$22,973	\$23,875	\$72,653	\$70,890
Cost of sales	15,752	16,937	48,915	47,827
Gross margin	7,221	6,938	23,738	23,063
Selling and administrative	6,746	6,319	20,303	19,036
Income from operations	475	619	3,435	4,027
Other income (expense):				
Interest income	388	399	764	1,216
Interest expense	—	(3)	(2)	(7)
	388	396	762	1,209
Income before income taxes	863	1,015	4,197	5,236
Provision (benefit) for income taxes	(375)	468	1,081	2,331
Net income	<u>\$ 1,238</u>	<u>\$ 547</u>	<u>\$ 3,116</u>	<u>\$ 2,905</u>
Basic net income per share	<u>\$ 0.12</u>	<u>\$ 0.05</u>	<u>\$ 0.29</u>	<u>\$ 0.27</u>
Diluted net income per share	<u>\$ 0.11</u>	<u>\$ 0.05</u>	<u>\$ 0.28</u>	<u>\$ 0.26</u>
Shares used in per share calculations:				
Basic	10,538	10,757	10,587	10,747
Diluted	10,994	11,280	11,104	11,263

See accompanying Notes to Condensed Consolidated Financial Statements.

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Rentrak Corporation and Subsidiaries Condensed Consolidated Statements of Cash Flows (Unaudited) (In thousands)

	For the Nine Months Ended December 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 3,116	\$ 2,905
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Tax benefit from stock-based compensation	(18)	483
Depreciation and amortization	1,256	1,043
Loss on disposal of fixed assets	121	13
Adjustment to allowance for doubtful accounts	71	(108)
Stock-based compensation	393	753
Excess tax benefits from stock-based compensation	(1)	(260)
Deferred income taxes	818	(593)
(Increase) decrease in:		
Accounts receivable	(3,305)	1,955
Note receivable issued to customer	21	(11)
Advances to program suppliers	14	76
Interest and dividends receivable	(113)	1
Taxes receivable and prepaid taxes	(752)	(313)
Other assets	526	(389)
Increase (decrease) in:		
Accounts payable	3,037	(2,718)
Taxes payable	224	242
Accrued liabilities and compensation	13	(545)
Deferred rent	(45)	(46)
Deferred revenue	694	603
Net cash provided by operating activities	6,070	3,091
Cash flows from investing activities:		
Purchase of marketable securities	(30,000)	—
Maturity of marketable securities	4,986	9,717
Purchase of property and equipment	(1,786)	(1,835)
Proceeds from sale of assets	1	—
Net cash provided by (used in) investing activities	(26,799)	7,882
Cash flows from financing activities:		
Issuance of common stock	140	756
Excess tax benefits from stock-based compensation	1	260
Repurchase of common stock	(1,284)	(1,222)
Net cash used in financing activities	(1,143)	(206)
Effect of foreign exchange translation on cash	(155)	(8)
Increase (decrease) in cash and cash equivalents	(22,027)	10,759
Cash and cash equivalents:		
Beginning of period	26,862	11,351
End of period	\$ 4,835	\$22,110
Supplemental cash flow information:		
Cash paid during the period for income taxes, net	\$ 809	\$ 2,512
Deferred gain related to forgiven loan for capital assets	219	—
Unrealized losses on marketable securities, net of tax of \$218	286	—
Accounts receivable converted to notes receivable	60	—
Supplemental non-cash information		
Common stock withheld in payment of exercise price for stock options	\$ —	\$ 179

See accompanying Notes to Condensed Consolidated Financial Statements.

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Rentrak Corporation and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share amounts)

	Common Stock		Capital In Excess of Par Value	Cumulative Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2006	10,697,336	\$ 11	\$ 48,069	\$ 181	\$ (12,850) ⁽¹⁾	\$ 35,411 ⁽¹⁾
Net income	—	—	—	—	5,887 ⁽¹⁾	5,887 ⁽¹⁾
Unrealized loss on foreign currency translation	—	—	—	(49)	—	(49)
Comprehensive income						5,838 ⁽¹⁾
Common stock issued pursuant to stock plans	321,359	—	465	—	—	465
Common stock used to pay for option exercises and taxes	(114,172)	—	(131)	—	—	(131)
Common stock issued pursuant to warrant exercise	12,705	—	—	—	—	—
Deferred stock units granted to Board of Directors	—	—	358	—	—	358
Stock-based compensation expense - options	—	—	498	—	—	498
Common stock repurchased	(193,500)	—	(1,948)	—	—	(1,948)
Income tax benefit from stock option and warrant exercises	—	—	844	—	—	844
Balance at March 31, 2007	10,723,728	11	48,155	132	(6,963) ⁽¹⁾	41,335 ⁽¹⁾
Net income	—	—	—	—	4,594	4,594
Reclassification adjustment relating to substantial liquidation of foreign investment				(181)	—	(181)
Unrealized gain on foreign currency translation	—	—	—	219	—	219
Comprehensive income						4,632
Common stock issued pursuant to stock plans	170,563	—	1,027	—	—	1,027
Common stock used to pay for option exercises and taxes	(15,828)	—	(208)	—	—	(208)
Common stock issued in exchange for deferred stock units	9,000	—	—	—	—	—
Deferred stock units granted to Board of Directors, net	—	—	650	—	—	650
Stock-based compensation expense - options	—	—	325	—	—	325
Common stock repurchased	(282,799)	—	(3,253)	—	—	(3,253)
Cumulative effect of adoption of FIN 48	—	—	—	—	(1,329)	(1,329)
Income tax benefit from stock-based compensation	—	—	493	—	—	493
Balance at March 31, 2008	10,604,664	11	47,189	170	(3,698)	43,672
Net income	—	—	—	—	3,116	3,116
Unrealized loss on foreign currency translation	—	—	—	(267)	—	(267)
Unrealized loss on investments, net of tax	—	—	—	(288)	—	(288)
Comprehensive income						2,561
Common stock issued pursuant to stock plans	17,575	—	140	—	—	140
Deferred stock units granted to Board of Directors	—	—	155	—	—	155
Stock-based compensation expense - options	—	—	238	—	—	238
Common stock repurchased	(115,581)	—	(1,284)	—	—	(1,284)
Income tax effect from stock-based compensation	—	—	(18)	—	—	(18)
Balance at December 31, 2008	<u>10,506,658</u>	<u>\$ 11</u>	<u>\$ 46,420</u>	<u>\$ (385)</u>	<u>\$ (582)</u>	<u>\$ 45,464</u>

(1) Revised. Refer to our Annual Report on Form 10-K for the fiscal year ended March 31, 2008 for additional information.

See accompanying Notes to Condensed Consolidated Financial Statements.

RENTRAK CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Rentrak Corporation have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with the accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine-month periods ended December 31, 2008 are not necessarily indicative of the results to be expected for the entire fiscal year ending March 31, 2009. The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and footnotes thereto included in our 2008 Annual Report to Shareholders.

The Condensed Consolidated Financial Statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly our financial position, results of operations and cash flows. Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

Note 2. Net Income Per Share

Basic net income per share (“EPS”) and diluted EPS are computed using the methods prescribed by Statement of Financial Accounting Standards (“SFAS”) No. 128, “Earnings per Share.” Following is a reconciliation of the shares used for the basic EPS and diluted EPS calculations (in thousands):

	<u>Three Months Ended</u> <u>Dec. 31,</u>		<u>Nine Months Ended</u> <u>Dec. 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Basic EPS:				
Weighted average number of shares of common stock outstanding	10,538	10,757	10,587	10,747
Diluted EPS:				
Effect of dilutive deferred stock units, stock options and warrants	456	523	517	516
	<u>10,994</u>	<u>11,280</u>	<u>11,104</u>	<u>11,263</u>
Options not included in diluted EPS because the exercise price of the options was greater than the average market price of the common shares for the period	45	—	—	—
Performance-based options not included in diluted EPS	<u>345</u>	<u>—</u>	<u>345</u>	<u>—</u>

Note 3. Business Segments, Significant Suppliers and Major Customers

We operate in two business segments, our Pay-Per-Transaction (“PPT”) Division and Advanced Media and Information (“AMI”) Division, and, accordingly, we report certain financial information by individual segment under this structure. The PPT Division focuses on managing our business operations that facilitate the delivery of home entertainment content products and related rental and sales information for that content to our Participating Retailers on a revenue sharing basis. The AMI Division concentrates on the management and growth of our Essentials Suite™ of business information services, primarily offered on a recurring subscription basis, which are no longer in the early stages. Effective July 1, 2008, our Multi-Screen Essentials line of business was moved from the Other Division to the AMI Division. Prior period information has been reclassified to conform to the current presentation.

We did not have any revenues from our Other Division in the fiscal 2009 or fiscal 2008 periods.

Assets are not specifically identified by segment as the information is not used by the chief operating decision maker to measure the segments’ performance.

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Certain information by segment was as follows (in thousands):

	PPT	AMI	Other ⁽¹⁾	Total
Three months ended December 31, 2008				
Sales to external customers	\$19,749	\$3,224	\$ —	\$22,973
Depreciation and amortization	23	288	146	457
Income (loss) from operations	2,937	208	(2,670)	475
Three months ended December 31, 2007				
Sales to external customers	\$21,190	\$2,685	\$ —	\$23,875
Depreciation and amortization	22	191	182	395
Income (loss) from operations	2,828	301	(2,510)	619
Nine months ended December 31, 2008				
Sales to external customers	\$63,299	\$9,354	\$ —	\$72,653
Depreciation and amortization	77	741	438	1,256
Income (loss) from operations	10,377	768	(7,710)	3,435
Nine months ended December 31, 2007				
Sales to external customers	\$63,339	\$7,551	\$ —	\$70,890
Depreciation and amortization	60	518	465	1,043
Income (loss) from operations	11,241	855	(8,069)	4,027

⁽¹⁾ Includes revenue and expenses relating to products and/or services which are still in early stages, as well as corporate expenses and other expenses which are not allocated to a specific segment.

Additional results of operations information by segment was as follows:

(Dollars in thousands)	Three Months Ended December 31, ⁽¹⁾			
	2008		2007	
	Dollars	% of revenues	Dollars	% of revenues
PPT Division				
Revenues	\$19,749	100.0%	\$21,190	100.0%
Cost of sales	14,913	75.5	16,395	77.4
Gross margin	<u>\$ 4,836</u>	<u>24.5%</u>	<u>\$ 4,795</u>	<u>22.6%</u>
AMI Division				
Revenues	\$ 3,224	100.0%	\$ 2,685	100.0%
Cost of sales	839	26.0	542	20.2
Gross margin	<u>\$ 2,385</u>	<u>74.0%</u>	<u>\$ 2,143</u>	<u>79.8%</u>
(Dollars in thousands)	Nine Months Ended December 31, ⁽¹⁾			
	2008		2007	
	Dollars	% of revenues	Dollars	% of revenues
PPT Division				
Revenues	\$63,299	100.0%	\$63,339	100.0%
Cost of sales	46,815	74.0	46,408	73.3
Gross margin	<u>\$16,484</u>	<u>26.0%</u>	<u>\$16,931</u>	<u>26.7%</u>
AMI Division				
Revenues	\$ 9,354	100.0%	\$ 7,551	100.0%
Cost of sales	2,100	22.5	1,419	18.8
Gross margin	<u>\$ 7,254</u>	<u>77.5%</u>	<u>\$ 6,132</u>	<u>81.2%</u>

⁽¹⁾ Percentages may not add due to rounding.

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Revenue by service activity was as follows (in thousands):

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2008	2007	2008	2007
Order processing fees	\$ 2,129	\$ 2,362	\$ 6,752	\$ 5,814
Transaction fees	12,756	14,033	41,438	41,788
Sell-through fees	3,294	3,227	10,078	10,693
DRS fees	1,438	1,387	4,606	4,563
Essentials Suite™	3,224	2,685	9,354	7,551
Other	132	181	425	481
	<u>\$22,973</u>	<u>\$23,875</u>	<u>\$72,653</u>	<u>\$70,890</u>

During the three and nine-month periods ended December 31, 2008 and 2007, we had Program Suppliers that supplied product which generated in excess of 10% of our total revenues as follows:

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2008	2007	2008	2007
Program Supplier 1	16.1%	13.1%	12.8%	13.0%
Program Supplier 2	15.4%	16.0%	13.7%	16.8%
Program Supplier 3	14.6%	16.5%	14.7%	17.2%
Program Supplier 4	12.4%	19.7%	17.1%	16.7%

There were no other Program Suppliers who provided product to our PPT Division that accounted for 10% or more of our total revenues for the three or nine-month periods ended December 31, 2008 or 2007. Although management does not believe that the relationships with our significant Program Suppliers will be terminated in the near term, a loss of any one of these suppliers could have an adverse effect on our financial condition and results of operations.

There were no customers that accounted for 10% or more of our total revenue in the three or nine-month periods ended December 31, 2008 or 2007.

Note 4. Stock-Based Compensation

We account for stock-based compensation pursuant to SFAS No. 123R, "Share-Based Payment." Stock option activity for the first nine months of fiscal 2009 was as follows:

	Options	Weighted Average
	Outstanding	Exercise Price
Outstanding at March 31, 2008	1,044,276	\$ 6.26
Granted	344,875	11.10
Exercised	(17,575)	7.98
Forfeited	—	—
Outstanding at December 31, 2008	<u>1,371,576</u>	7.46

On October 10, 2008 and November 6, 2008, we granted nonqualified stock options exercisable for a total of 344,875 shares of our common stock pursuant to our 2005 Stock Incentive Plan to 15 employees. The options have an exercise price of \$11.10 per share. The options are subject to vesting provisions based on attaining performance goals comparable to those applicable to the SAR awards discussed in Note 8 and will expire on August 30, 2011 to the extent not previously exercised or terminated. Vesting will be accelerated if a change in control occurs before the performance criteria are met. The fair value of the performance-based options was estimated using the Black-Scholes valuation model, the same methodology we have historically used for other option awards. However, as of December 31, 2008, no compensation cost has been recognized for these options as we do not currently have sufficient information with which to determine that the conditions are probable of being achieved.

As of December 31, 2008, unrecognized stock-based compensation related to outstanding, but unvested options was \$0.1 million, which will be recognized over the weighted average remaining vesting period of 2.5 years.

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Deferred stock unit (“DSU”) activity for the first nine months of fiscal 2009 was as follows:

	Units <u>Outstanding</u>	Weighted Average Grant Date <u>Fair Value</u>
Outstanding at March 31, 2008 ⁽¹⁾	72,000	\$ 12.75
Granted	55,500	12.58
Issued	—	—
Forfeited	—	—
Outstanding at December 31, 2008	<u>127,500</u> ⁽¹⁾	12.67

- (1) Of the 127,500 DSUs outstanding at December 31, 2008, 72,000 were vested. However, the DSUs are not issued until the director holding such DSUs retires from the Board.

During the first quarter of fiscal 2009, 45,000 DSUs were granted. The total value of these DSUs was \$0.5 million and is being recognized over the three-year vesting period. During the second quarter of fiscal 2009, 10,500 DSUs were granted to two new Board members. The total value of these DSUs was \$0.2 million and is being recognized over the three-year vesting period.

As of December 31, 2008, the unrecognized compensation expense related to unvested DSUs was \$0.5 million, which will be recognized over the weighted average remaining vesting period of 2.4 years.

Note 5. Marketable Securities and Fair Market Value Disclosures

During the second quarter of fiscal 2009, we purchased \$30.0 million of short-term marketable securities, which we have classified as “available for sale” securities. Pursuant to SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” our marketable securities are marked to market on a quarterly basis, with unrealized gains and losses being excluded from earnings and reflected as a component of other comprehensive income.

Effective April 1, 2008, we adopted the provisions of SFAS No. 157, “Fair Value Measurements,” for our financial assets and liabilities. The adoption of this portion of SFAS No. 157 did not have any effect on our financial position or results of operations and we do not expect the adoption of the provisions of SFAS No. 157 related to non-financial assets and liabilities to have an effect on our financial position or results of operations. Although the adoption of SFAS No. 157 did not impact our results of operations, we are now required to provide additional disclosures as part of our financial statements.

SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring the fair value of our financial assets and liabilities and are summarized into three broad categories:

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs, including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.; and
- Level 3 – significant unobservable inputs, including our own assumptions in determining fair value.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Following are the disclosures related to our financial assets pursuant to SFAS No. 157 (in thousands):

	<u>December 31, 2008</u>	
	<u>Fair Value</u>	<u>Input Level</u>
Available for sale marketable securities:		
Municipal tax exempt bond fund	\$ 29,496	Level 1

The fair value of our available for sale securities is determined based on quoted market prices for identical securities on a quarterly basis.

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Note 6. Forgiveness of State of Oregon Loan

In June 2008, the State of Oregon forgave in full our outstanding \$0.2 million note payable related to our fiscal 2007 corporate headquarters renovations. The related \$0.2 million gain was deferred and is being amortized against lease expense over the remaining lease term at the rate of approximately \$6,000 per quarter.

Note 7. Multi-Screen Contract – Deferred Revenue

During the fourth quarter of fiscal 2008, we entered into a long-term agreement with a customer/supplier relating to our Essentials™ line of business, in which we are developing reporting tools specifically relating to their unique business requirements. We recognize revenue in accordance with Statement of Position 81-1, “Accounting for Performance of Construction-Type and Certain Production-Type Contracts,” applying the completed-contract method. As of December 31, 2008, we had received payments totaling \$1.0 million and incurred related costs of \$0.1 million, both of which have been deferred. We will recognize the revenue and related costs when the development project is completed.

Note 8. Stock Appreciation Rights Plan

In October 2008, we adopted the Rentrak Corporation Stock Appreciation Rights Plan (the “SAR Plan”), pursuant to which up to a total of 500,000 stock appreciation rights (“SARs”) may be awarded to our key employees. Upon vesting, each SAR gives the holder the right to receive, in cash, an amount equal to the increase in the value of a share of our common stock over the base price. The base price will be equal to the closing sale price of a share of our common stock as quoted on The Nasdaq Stock Market on the grant date.

On October 10, 2008 and November 6, 2008, we granted a total of 277,625 SARs to 42 employees. The base price of the SARs for both grant dates was \$11.10. Vesting of the SAR awards is subject to performance goals based on the achievement of minimum amounts of operating income by various lines of business. The performance goals relate to the two-year period ending March 31, 2011. Each individual SAR award is subject to a performance goal associated with the relevant line of business, with about 70% of the awards tied to combined operating results for Multi-Screen and OnDemand Essentials™ and the remaining awards to operating results for our PPT Division, Box Office Essentials™, Home Entertainment Essentials™ or Supply Chain Essentials™. We will determine whether the performance goals have been met by no later than June 15, 2011 and vested SARs will be settled in cash based on the closing sale price of our common stock on August 30, 2011 and paid no later than September 30, 2011. The SARs will vest in full if a change in control occurs before the performance criteria are met. As of December 31, 2008, no compensation cost has been recognized for these SARs as we do not currently have sufficient information with which to determine that the conditions are probable of being achieved.

Note 9. Stock Repurchases

During the three-month period ended December 31, 2008, we repurchased a total of 115,581 shares of our common stock at an average price of \$11.11 per share, which totaled approximately \$1.3 million. The stock repurchase plan, approved by our Board of Directors in January 2006, authorizes the purchase of up to 1,000,000 shares of our common stock and does not have an expiration date. Following these repurchases, a total of 591,880 shares had been repurchased pursuant to this plan at an average price of \$10.96 per share and 408,120 shares remained available for repurchase under this plan.

Note 10. Income Taxes

Our effective tax rate, which was a benefit of 43.5% and a provision of 25.8% in the three and nine-month periods ended December 31, 2008, respectively. The rates included a benefit for: i) the enactment of an extension of the federal Research and Experimentation credit; ii) earnings on investments in tax exempt municipal bonds; and iii) favorable tax return adjustments related to the filing of our fiscal 2008 tax returns.

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Our unrecognized tax benefits increased \$0.5 million in both the three and nine-month periods ended December 31, 2008 in conjunction with uncertain tax positions related to prior tax filings and uncertain tax positions included in the current year tax computations. Unrecognized tax benefits totaled \$2.2 million at December 31, 2008, all of which would reduce our effective tax rate if recognized.

Note 11. Line of Credit Amendment

Our \$15.0 million line of credit agreement with Wells Fargo Bank, National Association was amended effective December 1, 2008 to extend the maturity date from December 1, 2008 to December 1, 2011.

Note 12. New Accounting Pronouncements

SFAS No. 162

In May 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 162, “The Hierarchy of Generally Accepted Accounting Principles,” which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to AU Section 4311, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” We believe that our accounting principles and practices are consistent with the guidance in SFAS No. 162, and, accordingly, we do not expect the adoption of SFAS No. 162 to have a material effect on our financial position or results of operations.

SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities,” which requires certain disclosures related to derivative instruments. SFAS No. 161 is effective prospectively for interim periods and fiscal years beginning after November 15, 2008. We do not have any derivative instruments that fall under the guidance of SFAS No. 161 and, accordingly, we do not expect the adoption of SFAS No. 161 to have any effect on our financial position or results of operations.

SFAS No. 141R and SFAS No. 160

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations,” and SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements.” SFAS Nos. 141R and 160 require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at “full fair value” and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both statements are effective for periods beginning on or after December 15, 2008 and earlier adoption is prohibited. SFAS No. 141R will be applied to business combinations occurring after the effective date and SFAS No. 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. We are currently evaluating what impact, if any, the adoption of SFAS Nos. 141R and 160 will have on our financial position or results of operations. We believe that the impact, if any, will be immaterial.

EITF 07-3

In June 2007, the Emerging Issues Task Force (“EITF”) issued EITF 07-3, “Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development Activities,” which states that non-refundable advance payments for services that will be consumed or performed in a future period in conducting research and development activities on behalf of the company should be recorded as an asset when the advance payment is made and then recognized as an expense when the research and development activities are performed. EITF 07-3 is applicable prospectively to new contractual arrangements entered into in fiscal years beginning after December 15, 2007. The adoption of EITF 07-3 effective April 1, 2008 did not have a material effect on our financial position or results of operations.

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SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities,” which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The adoption of SFAS No. 159 effective April 1, 2008 did not have any effect on our financial position or results of operations.

SFAS No. 157

Effective April 1, 2008, we adopted the provisions of SFAS No. 157, “Fair Value Measurements,” for our financial assets and liabilities. The adoption of this portion of SFAS No. 157 did not have any effect on our financial position or results of operations and we do not expect the adoption of the provisions of SFAS No. 157 related to non-financial assets and liabilities to have an effect on our financial position or results of operations.

Note 13. Subsequent Event

On January 1, 2009, our forgivable \$0.7 million loan with the Portland Development Commission became due. We are in the process of completing the documentation with regard to our compliance with the program requirements.

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

Forward-Looking Statements

Certain information included in this Quarterly Report on Form 10-Q (including Management’s Discussion and Analysis of Financial Condition and Results of Operations regarding revenue growth, gross profit margin and liquidity) constitute forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking words such as “may,” “will,” “expects,” “intends,” “anticipates,” “estimates” or “continues” or the negative thereof or variations thereon or comparable terminology. The following factors are among the factors that could cause actual results to differ materially from the forward-looking statements: our ability to retain and grow our customer base of retailers participating in the Pay-Per-Transaction system (the “PPT System”) (“Participating Retailers”) and customers for our business intelligence software and services; the financial stability of the Participating Retailers and their performance of their obligations under our PPT System; business conditions and growth in the video industry and general economic conditions, both domestic and international; customer demand for movies in various media formats; competitive factors, including increased competition, expansion of revenue sharing programs other than the PPT System by motion picture studios or other licensees or owners of the rights to certain video programming content (“Program Suppliers”) and new technology; the continued availability of home entertainment content products (DVDs, Blue-ray Discs, etc.) (collectively “Units”) leased/licensed to home video specialty stores and other retailers from Program Suppliers; the loss of significant Program Suppliers; our ability to successfully develop and market new services, including our business intelligence services, to create new revenue streams; and the development of similar business intelligence services by competitors with substantially greater financial and marketing resources than our company. This Quarterly Report on Form 10-Q further describes some of these factors. In addition, some of the important factors that could cause actual results to differ from our expectations are discussed in Item 1A to our fiscal 2008 Form 10-K, which was filed with the Securities and Exchange Commission on June 13, 2008. These risk factors have not significantly changed since the filing of the fiscal 2008 Form 10-K.

Business Trends

Our corporate structure includes separate Pay-Per-Transaction (“PPT”) and Advanced Media and Information (“AMI”) operating divisions and, accordingly, we report certain financial information by individual segment under this structure.

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Our PPT Division focuses on managing our business operations that facilitate the delivery of home entertainment content products (DVDs, Blu-ray Discs, etc.) and related rental and sales information for the content to home video specialty stores and other retailers, on a revenue sharing basis. We lease product from various suppliers, typically motion picture studios. Under our PPT System, retailers sublease that product from us and rent it to consumers. Retailers then share a portion of the revenue from each retail rental transaction with us and we share a portion of the revenue with the studio. Since we collect, process and analyze rental and sales information at the title level, we report that information to both the studio and the respective retailers.

Our PPT Division also includes our Direct Revenue Sharing (“DRS”) services, which collects, tracks, audits and reports the results of DRS retailers, such as Blockbuster Entertainment, Movie Gallery and Netflix, to the respective DRS client under established agreements on a fee for service basis.

Our AMI Division concentrates on the management and growth of our Essentials Suite™ of business information services. Our Essentials Suite™ software and services, offered on a recurring subscription basis, provide unique data collection, management, analysis and reporting functions, resulting in business information valuable to our clients.

The PPT Division

The financial results from the PPT Division continue to be affected by the changing dynamics in the home video rental market as well as trends in overall economic conditions. This market is highly competitive and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices from which to select their entertainment content. Some examples include renting Units of product from our Participating Retailers or other Retailers, purchasing previously viewed Units from our Participating Retailers or other Retailers, ordering product via online subscriptions and/or online distributors, subscribing to at-home movie channels, purchasing and owning the Unit directly, or selecting an at-home “pay-per-view” or “on-demand” option. Our PPT system focuses on the traditional “brick and mortar” retailer. We believe that our system successfully addresses the many choices available to consumers and affords our Participating Retailers the opportunity to stock their stores with a wider selection of titles and a greater supply of popular box office releases. Many of our arrangements are structured so that the Participating Retailers pay minimal upfront fees and lower per transaction fees in exchange for ordering Units of all titles offered by a particular Program Supplier (referred to as “output” programs). Since these programs usually result in more overall Units rented, our Participating Retailers’ revenue and the corresponding share with the studios also increase.

In an effort to further stabilize and grow our overall PPT revenue and earnings streams, we have implemented strategies to obtain new Participating Retailers, as well as assist in the retention and growth of our current Participating Retailers.

We continue to be in good standing with our Program Suppliers and we make on-going efforts to enhance those business relationships through improvement of current services offered and the development of new service offerings.

We are also continually seeking to develop business relationships with new Program Suppliers. Our relationships with Program Suppliers typically may be terminated without cause upon thirty days’ written notice by either party.

AMI and Other Divisions

We are also allocating significant resources towards our business information service offerings, both those services that are currently operational as well as those that are in various stages of development. Our suite of business information services has been well received in the various targeted markets to date, as our offerings fit well with the needs identified by those market participants. Our Essentials™ business information service offerings which are fully operational and no longer in significant stages of development, realized a revenue increase of 24% in the first nine months of fiscal 2009 compared to the first nine months of fiscal 2008. We intend to continue to invest in our existing, as well as new, business information services in the near-term as we expand the markets we serve and our service lines. The cost

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of these investments will likely lower our earnings in the short-term. Longer-term, we believe these services will provide significant future revenue and earnings streams and contribute to our overall success.

In December 2008, we entered into an agreement with an AT&T subsidiary to measure AT&T U-verse(SM) TV viewing patterns across traditional broadcast and cable network linear television, Video On Demand (“VOD”) and Digital Video Recorder (“DVR”) programming aggregated on a totally anonymous basis from all set-top boxes across AT&T’s U-verse distribution footprint.

We receive completely anonymous data which cannot be matched, traced or targeted to any specific subscriber or to the name, physical address, IP address, telephone number or any other personally identifiable information of any specific TV viewer.

As part of the agreement, AT&T will co-market with us our TVEssentials™ service to content providers, local TV stations and marketing clients. The data will provide programmers, advertisers and marketing agencies with information regarding programming and advertising such as the total number of subscribers watching a particular program, average length of time customers viewed a program, and to what extent subscribers fast forwarded through all commercial breaks or just specific commercials via a DVR. We believe the anonymous data from the full U-verse subscriber base meets a significant market demand for non-sample viewership data.

Sources of Revenue

Revenue by segment includes the following:

PPT Division

- order processing fees generated when Units are ordered by, and distributed to, retailers;
- transaction fees generated when retailers rent Units to consumers; additionally, certain arrangements include guaranteed minimum revenues from our customers; we recognize the guaranteed minimum revenue on the street (release) date in accordance with Statement of Position 00-2, “Accounting by Producers or Distributors of Films,” (“SOP 00-2”) provided all other revenue recognition criteria are met;
- sell-through fees generated when retailers sell previously-viewed rental Units to consumers;
- buy-out fees generated when retailers purchase Units at the end of the lease term; and
- DRS fees from data tracking and reporting services provided to Program Suppliers.

AMI Division

Subscription fee revenues from:

- Box Office Essentials™;
- Home Entertainment Essentials™;
- Supply Chain Essentials™;
- OnDemand Essentials™; and
- Multi-Screen Essentials™.

Other Division

- revenue relating to other products and/or services which are still in the development stage, including AdEssentials™, which will capture census-level data regarding viewing patterns of on-demand advertising for reporting to marketers and advertising agencies.

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Results of Operations

(Dollars in Thousands)	Three Months Ended December 31, ⁽¹⁾			
	2008		2007	
	Dollars	% of revenues	Dollars	% of revenues
Revenues:				
PPT	\$19,749	86.0%	\$21,190	88.8%
AMI	3,224	14.0	2,685	11.2
	22,973	100.0	23,875	100.0
Cost of sales	15,752	68.6	16,937	70.9
Gross margin	7,221	31.4	6,938	29.1
Selling and administrative	6,746	29.4	6,319	26.5
Income from operations	475	2.1	619	2.6
Other income (expense):				
Interest income	388	1.7	399	1.7
Interest expense	—	—	(3)	—
	388	1.7	396	1.7
Income before income tax provision (benefit)	863	3.8	1,015	4.3
Income tax provision (benefit)	(375)	(1.6)	468	2.0
Net income	<u>\$ 1,238</u>	<u>5.4%</u>	<u>\$ 547</u>	<u>2.3%</u>

(Dollars in Thousands)	Nine Months Ended December 31, ⁽¹⁾			
	2008		2007	
	Dollars	% of revenues	Dollars	% of revenues
Revenues:				
PPT	\$63,299	87.1%	\$63,339	89.3%
AMI	9,354	12.9	7,551	10.7
	72,653	100.0	70,890	100.0
Cost of sales	48,915	67.3	47,827	67.5
Gross margin	23,738	32.7	23,063	32.5
Selling and administrative	20,303	27.9	19,036	26.9
Income from operations	3,435	4.7	4,027	5.7
Other income (expense):				
Interest income	764	1.1	1,216	1.7
Interest expense	(2)	—	(7)	—
	762	1.1	1,209	1.7
Income before income tax provision	4,197	5.8	5,236	7.4
Income tax provision	1,081	1.5	2,331	3.3
Net income	<u>\$ 3,116</u>	<u>4.3%</u>	<u>\$ 2,905</u>	<u>4.1%</u>

(1) Percentages may not add due to rounding.

Certain information by segment was as follows (in thousands):

	PPT	AMI	Other ⁽¹⁾	Total
Three months ended December 31, 2008				
Sales to external customers	\$19,749	\$3,224	\$ —	\$22,973
Depreciation and amortization	23	288	146	457
Income (loss) from operations	2,937	208	(2,670)	475
Three months ended December 31, 2007				
Sales to external customers	\$21,190	\$2,685	\$ —	\$23,875
Depreciation and amortization	22	191	182	395
Income (loss) from operations	2,828	301	(2,510)	619
Nine months ended December 31, 2008				
Sales to external customers	\$63,299	\$9,354	\$ —	\$72,653
Depreciation and amortization	77	741	438	1,256
Income (loss) from operations	10,377	768	(7,710)	3,435
Nine months ended December 31, 2007				
Sales to external customers	\$63,339	\$7,551	\$ —	\$70,890
Depreciation and amortization	60	518	465	1,043

Income (loss) from operations	11,241	855	(8,069)	4,027
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⁽¹⁾ Includes revenue and expenses relating to products and/or services which are still in early stages, as well as corporate expenses and other expenses which are not allocated to a specific segment.

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Additional results of operations information by segment was as follows:

<u>(Dollars in thousands)</u>	Three Months Ended December 31, ⁽¹⁾			
	2008		2007	
	Dollars	% of revenues	Dollars	% of revenues
PPT Division				
Revenues	\$19,749	100.0%	\$21,190	100.0%
Cost of sales	14,913	75.5	16,395	77.4
Gross margin	<u>\$ 4,836</u>	<u>24.5%</u>	<u>\$ 4,795</u>	<u>22.6%</u>
AMI Division				
Revenues	\$ 3,224	100.0%	\$ 2,685	100.0%
Cost of sales	839	26.0	542	20.2
Gross margin	<u>\$ 2,385</u>	<u>74.0%</u>	<u>\$ 2,143</u>	<u>79.8%</u>

<u>(Dollars in thousands)</u>	Nine Months Ended December 31, ⁽¹⁾			
	2008		2007	
	Dollars	% of revenues	Dollars	% of revenues
PPT Division				
Revenues	\$63,299	100.0%	\$63,339	100.0%
Cost of sales	46,815	74.0	46,408	73.3
Gross margin	<u>\$16,484</u>	<u>26.0%</u>	<u>\$16,931</u>	<u>26.7%</u>
AMI Division				
Revenues	\$ 9,354	100.0%	\$ 7,551	100.0%
Cost of sales	2,100	22.5	1,419	18.8
Gross margin	<u>\$ 7,254</u>	<u>77.5%</u>	<u>\$ 6,132</u>	<u>81.2%</u>

⁽¹⁾ Percentages may not add due to rounding.

Revenue by service activity was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Dec. 31,		Dec. 31,	
	2008	2007	2008	2007
Order processing fees	\$ 2,129	\$ 2,362	\$ 6,752	\$ 5,814
Transaction fees	12,756	14,033	41,438	41,788
Sell-through fees	3,294	3,227	10,078	10,693
DRS fees	1,438	1,387	4,606	4,563
Essentials Suite™	3,224	2,685	9,354	7,551
Other	132	181	425	481
	<u>\$22,973</u>	<u>\$23,875</u>	<u>\$72,653</u>	<u>\$70,890</u>

Revenue

Revenue decreased \$0.9 million, or 3.8%, to \$23.0 million in the three-month period ended December 31, 2008 (the third quarter of fiscal 2009) compared to \$23.9 million in the three-month period ended December 31, 2007 (the third quarter of fiscal 2008). Revenue increased \$1.8 million, or 2.5%, to \$72.7 million in the nine-month period ended December 31, 2008 compared to \$70.9 million in the nine-month period ended December 31, 2007. The changes in revenue are described more fully below.

PPT Division

PPT revenues decreased \$1.4 million, or 6.8%, in the three-month period ended December 31, 2008 compared to the same period of the prior fiscal year and were flat in the nine-month comparable periods as detailed below (in thousands):

	Three Months Ended		Nine Months Ended	
	Dec. 31,		Dec. 31,	
	2008	2007	2008	2007
Order processing fees	\$ 2,129	\$ 2,362	\$ 6,752	\$ 5,814
Transaction fees	12,756	14,033	41,438	41,788
Sell-through fees	3,294	3,227	10,078	10,693
DRS	1,438	1,387	4,606	4,563
Other	132	181	425	481

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Order processing fees decreased \$0.2 million, or 9.9%, and increased \$0.9 million, or 16.1%, respectively, in the three and nine-month periods ended December 31, 2008 compared to the same periods of the prior fiscal year. Order processing fees were affected by the following:

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2008	2007	2008	2007
Units shipped (in thousands)	1,807	1,751	5,186	4,693
Fee per Unit	\$ 1.18	\$ 1.35	\$ 1.30	\$ 1.24
	Three-month period ended December 31, 2008 compared to three- month period ended December 31, 2007		Nine-month period ended December 31, 2008 compared to nine- month period ended December 31, 2007	
	<u>December 31, 2007</u>		<u>December 31, 2007</u>	
Percentage increase in Units shipped	3.2%		10.5%	
Effect of increase in Units shipped on revenue	\$ 0.1 million		\$ 0.6 million	
Increase (decrease) in fee per Unit	\$ (0.17)		\$ 0.06	
Effect of increase (decrease) in fee per Unit on revenue	\$ (0.3) million		\$ 0.3 million	

The increases in volume in the fiscal 2009 periods compared to the same periods of fiscal 2008 were due to more theatrical releases in the current periods compared to the prior fiscal year periods. The timing of new releases tends to fluctuate from studio to studio.

Fees per Unit are affected by our mix of Units received from Program Suppliers with varying rates of upfront fees and tend to fluctuate from period to period.

Transaction fees decreased \$1.3 million, or 9.1% in the three-month period ended December 31, 2008 compared to the same period of the prior fiscal year. The transaction fee decrease for the three-month period was primarily due to fewer revenue generating rental transactions during the period related to non-guaranteed Units. The revenue on guaranteed Units is recognized at the beginning of the lease term and, therefore, rental transactions occurring in approximately the first half of the product lease typically do not generate additional transaction fee revenue until the revenue guarantees have been met. Total rental transactions at our Participating Retailers increased 2.4% in the three-month period ended December 31, 2008 compared to the same period of the prior fiscal year, while the rate per transaction remained flat, excluding the impact of minimum revenue guarantees on guaranteed Units.

Transaction fees decreased \$0.4 million, or 0.8%, in the nine-month period ended December 31, 2008 compared to the same period of the prior fiscal year. The nine-month period transaction fees decreased due to a reduction in total rental transactions, partially offset by increases in Units shipped compared to the prior fiscal year period. Total rental transactions at our Participating Retailers decreased 6.6% in the nine-month period ended December 31, 2008 compared to the same period of the prior fiscal year, while the rate per transaction increased \$0.01, excluding the impact of minimum revenue guarantees on guaranteed Units. The decrease in rental transactions for the nine-month period ended December 31, 2008 was due to a temporary shift in consumer behavior towards viewing televised events, such as the Olympics and election year politics (conventions and debates). We expect rental transactions to fluctuate in the months ahead based on product flow. Historically, consumers have continued to rent movies during economic downturns, so we expect a stable flow of rental transactions in the future. However, since this is highly dependent on consumer behavior, there can be no assurance regarding transaction activity in future periods.

Sell-through fees increased \$0.1 million, or 2.1%, and decreased \$0.6 million, or 5.8%, respectively, in the three and nine-month periods ended December 31, 2008 compared to the same periods of the prior fiscal year. The increase in the three-month period was primarily due to an increase in the number of Units purchased at the end of their lease term. The decrease in the nine-month period was due to an 8% decrease in the number of sell-through transactions. The decrease in the nine-month period was affected

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by an overall decline in Units available for sale on average, taking release dates and product sell-through restrictions into account over the comparable period of the prior fiscal year.

DRS fees were relatively flat in the three and nine-month periods ended December 31, 2008 compared to the same periods of the prior fiscal year primarily due to no significant change in the amount and quality of product released and made available to Retailers by our Program Suppliers.

AMI Division

AMI revenues increased \$0.5 million, or 20.1%, and \$1.8 million, or 23.9%, respectively, in the three and nine-month periods ended December 31, 2008 compared to the same periods of the prior fiscal year. Revenues related to our Essentials™ business information service offerings have increased primarily due to our continued investment in, and marketing of, these offerings.

Other Division

We did not have any revenues from our Other Division in the first nine months of fiscal 2008 or fiscal 2007.

Cost of Sales

Cost of sales consists of order processing costs, transaction costs, sell-through costs, handling and freight costs in the PPT Division and costs in the AMI Division associated with certain Essentials™ business information service offerings. These expenditures represent the direct costs to produce revenues.

In the PPT Division, order processing costs, transaction costs and sell through costs represent the amounts due to the Program Suppliers that hold the distribution rights to the Units. Freight costs represent the cost to pick, pack and ship orders of Units to the Participating Retailers. Our cost of sales can also be impacted by the release dates of Units with guarantees. We recognize the guaranteed minimum costs on the release date. The terms of some of our agreements result in 100% cost of sales on titles in the first month in which the Unit is released, which results in lower margins during the initial portion of the revenue sharing period. Once the Unit's rental activity exceeds the required amount for these guaranteed minimums, margins generally expand during the second and third months of the Unit's revenue sharing period. However, since these factors are highly dependent upon the quality, timing and release dates of new products, margins may not expand to any significant degree during any period. As a result, it is difficult to predict the impact these Program Supplier Revenue Sharing programs with guaranteed minimums will have on future results of operations in any reporting period.

In the AMI Division, a portion of the Essentials™ business information service offerings costs represent costs associated with the operation of a call center for our Box Office Essentials™ services, as well as costs associated with amortizing capitalized internally developed software used to provide the corresponding services and direct costs incurred to obtain, cleanse and process data and maintain our systems.

Cost of sales decreased \$1.2 million, or 7.0%, and increased \$1.1 million, or 2.3%, respectively, in the three and nine-month periods ended December 31, 2008 compared to the same periods of the prior fiscal year. Cost of sales as a percentage of revenue was 68.6% and 67.3%, respectively, in the three and nine-month periods ended December 31, 2008 compared to 70.9% and 67.5%, respectively, in the same periods of the prior fiscal year.

The fluctuations in cost of sales were primarily due to the fluctuations in revenue, as well as the decreases in cost of sales as a percentage of revenue. The decreases in cost of sales as a percentage of revenue were primarily due to the timing and magnitude of Units shipped with minimum guarantees, as well as to a larger percentage of our revenue coming from our AMI Division. We achieve higher gross margins on our AMI Division revenue than on our PPT Division revenue.

Selling and Administrative

Selling and administrative expenses consist primarily of compensation and benefits, development, marketing and advertising costs, legal and professional fees, communications costs, depreciation and

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amortization of tangible fixed assets and software, real and personal property leases, as well as other general corporate expenses.

Selling and administrative expenses increased \$0.4 million, or 6.8%, to \$6.7 million in the third quarter of fiscal 2009 compared to \$6.3 million in the third quarter of fiscal 2008, and increased \$1.3 million, or 6.7%, to \$20.3 million in the nine-month period ended December 31, 2008 compared to \$19.0 million in the same period of the prior fiscal year.

The increases in selling and administrative expenses in the three and nine-month periods ended December 31, 2008 compared to the same periods of the prior fiscal year were primarily due to the continued expansion of our Essentials™ lines of business. As a percentage of revenues, selling and administrative expenses were 29.4% and 27.9%, respectively, for the three and nine-month periods ended December 31, 2008 compared to 26.5% and 26.9%, respectively, for the comparable periods of the prior fiscal year, primarily due to lower revenues in the three-month period ended December 31, 2008 compared to the same period of the prior year, as well as our continued investment in our Essentials™ line of business in fiscal 2009.

Interest Income

Interest income was \$0.4 million and \$0.8 million, respectively, for the three and nine-month periods ended December 31, 2008 compared to \$0.4 million and \$1.2 million, respectively, for the same periods of the prior fiscal year. The decrease in interest income in the nine-month period primarily related to lower interest rates in the current fiscal year period compared to the same period of the prior fiscal year, resulting from changes in market conditions and lower average investments in marketable securities. Our average combined cash and investment balance was \$35.1 million and \$33.9 million for the nine-month periods ended December 31, 2008 and 2007, respectively.

Income Taxes

Our effective tax rate was (43.5)% and 25.8%, respectively, in the three and nine-month periods ended December 31, 2008 and 46.1% and 44.5% in the three and nine-month periods ended December 31, 2007. Our effective tax rate typically differs from the federal statutory tax rate primarily due to state income taxes. In the third quarter of fiscal 2009, our tax rate decreased due to the following factors: the enactment of an extension of the federal Research and Experimentation credit, earnings on investments in tax exempt municipal bonds and favorable tax return adjustments related to the filing of our fiscal 2008 tax returns.

Liquidity and Capital Resources

Our sources of liquidity include our cash and cash equivalents, cash expected to be generated from future operations and investment income and our \$15.0 million line of credit. Based on our current financial projections and projected cash needs, we believe that our available sources of liquidity will be sufficient to fund our current operations, the continued current development of our business information services and other cash requirements through at least December 31, 2009.

Cash and cash equivalents and marketable securities increased \$2.5 million to \$34.3 million at December 31, 2008 compared to \$31.8 million at March 31, 2008. This increase resulted primarily from \$6.1 million provided by operating activities, partially offset by \$1.8 million used for the purchase of equipment and capitalized IT costs and by \$1.3 million used for the repurchase of common stock. Our current ratio was 4.3:1.0 at December 31, 2008 and 5.4:1.0 at March 31, 2008.

Accounts receivable, net of allowances, increased \$3.1 million to \$18.1 million at December 31, 2008 compared to \$15.0 million at March 31, 2008, primarily due to the \$0.7 million of increased revenues during the quarter ended December 31, 2008, compared to the last quarter of fiscal 2008, as well as increased Units with minimum guaranteed revenues shipped during the third quarter of fiscal 2009 compared to the fourth quarter of fiscal 2008.

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During the first nine months of fiscal 2009, we spent \$1.8 million on property and equipment, including \$1.5 million for the capitalization of internally developed software for our business information service offerings. We anticipate spending a total of approximately \$2.8 million on property and equipment in fiscal 2009, including approximately \$2.2 million for the capitalization of internally developed software, primarily for our business information service offerings. The remaining capital expenditures in fiscal 2009 will be primarily for computer equipment.

Accounts payable increased \$2.8 million to \$9.6 million at December 31, 2008 compared to \$6.8 million at March 31, 2008, primarily due to the timing of payments due to Program Suppliers.

Deferred revenue increased \$0.7 million to \$1.6 million at December 31, 2008 compared to \$0.9 million at March 31, 2008, primarily due to a long-term agreement with a customer/supplier relating to one of our Essentials™ lines of business, in which we will develop reporting tools specifically relating to their unique business requirements. As of December 31, 2008, we had received payments totaling \$1.0 million and incurred related costs of \$0.1 million, both of which have been deferred. We will recognize the revenue and related costs when the development project is completed, which is anticipated to be in the second quarter of fiscal 2010.

Taxes receivable and prepaid taxes, net of taxes payable, increased \$0.5 million to \$21,000 at December 31, 2008 compared to a liability of \$0.5 million at March 31, 2008 primarily due to the timing of tax payments and the year-to-date provision for income taxes. Deferred income tax liabilities, net of deferred tax assets, have also increased to \$0.6 million at December 31, 2008 compared to \$27,000 at March 31, 2008 due to temporary book-tax differences related to accelerated expensing of internally developed software expenditures for tax purposes, as well as adoption of a change for tax purposes to cease recognizing short-term deferred revenue in advance of book recognition.

Deferred rent, current and long-term, of \$1.0 million at December 31, 2008 represents amounts received for qualified renovations on our corporate headquarters and free rent for the first three months of the lease term. The deferred rent is being amortized against rent expense over the term of the related lease at the rate of approximately \$22,000 per quarter.

Notes payable at December 31, 2008 represents a \$0.7 million loan from the Portland Development Commission (“PDC”) and a \$58,000 conditional grant from the PDC related to our fiscal 2007 corporate headquarters renovations. The \$0.7 million loan from the PDC does not bear interest until it becomes due, which is January 1, 2009, and contains provisions relating to forgiveness if we meet certain requirements. If the loan is not forgiven, it will accrue interest at the rate of 8.5% per annum beginning January 1, 2009. Similar terms apply to the conditional grant of \$58,000. The previously outstanding \$0.2 million loan from the State of Oregon was forgiven in June 2008. The related \$0.2 million gain was deferred and is being amortized against lease expense over the remaining lease term of approximately 8.5 years. We are in the process of completing the documentation with regard to our compliance with the PDC program requirements. It is expected that the \$0.7 million loan, along with the related \$58,000 grant, will be forgiven by the end of February 2009.

In January 2006, our board of directors adopted a share repurchase program authorizing the purchase of up to 1.0 million shares of our common stock. We repurchased 115,581 shares in the first nine months of fiscal 2009 at an average price of \$11.11 per share. Through December 31, 2008, a total of 591,880 shares had been repurchased under this plan at an average price of \$10.96 per share and 408,120 shares remained available for purchase. This plan does not have an expiration date.

We currently have a secured revolving line of credit for \$15.0 million, with a maturity of December 1, 2011. Interest on the line of credit is LIBOR plus 1.5 percent. The credit line is secured by substantially all of our assets. The line of credit includes certain financial covenants requiring: (1) a consolidated pre-tax income to be achieved each fiscal quarter of a minimum of \$1.00, and consolidated after-tax income not less than \$1.00 on an annual basis, determined at fiscal year end; (2) a minimum current ratio of 1.5:1.0, measured quarterly; and (3) a maximum debt-to-tangible net worth ratio of 1.5:1.0, measured quarterly. Based upon the financial results reported as of and for the quarter ended December 31, 2008, we determined that we

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were in compliance with the financial covenants at December 31, 2008. At December 31, 2008, we had no outstanding borrowings under this agreement.

Critical Accounting Policies and Estimates

We reaffirm the critical accounting policies and estimates as reported in our fiscal 2008 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on June 13, 2008.

New Accounting Pronouncements

See Note 12 of Notes to Condensed Consolidated Financial Statements for a discussion of new accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

There have been no material changes in our reported market risks since the filing of our fiscal 2008 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on June 13, 2008.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on that evaluation our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the fiscal year ended March 31, 2008 includes a detailed discussion of our risk factors. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K. Accordingly, the information in this Form 10-Q should be read in conjunction with the risk factors and information disclosed in our fiscal 2008 Form 10-K, which was filed with the Securities and Exchange Commission on June 13, 2008.

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

We repurchased the following shares of our common stock in open market transactions during the third quarter of fiscal 2009 pursuant to our previously-announced repurchase program:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan	Maximum number of shares that may yet be purchased under the plan
October 1 to October 31	71,500	\$ 11.79	71,500	452,201
November 1 to November 30	36,481	10.06	36,481	415,720
December 1 to December 31	7,600	9.77	7,600	408,120
Total	<u>115,581</u>	11.11	<u>115,581</u>	408,120

The stock repurchase plan, which was approved by our Board of Directors in January 2006 for a total of 1.0 million shares, does not have an expiration date.

ITEM 6. EXHIBITS

The following exhibits are filed herewith and this list is intended to constitute the exhibit index:

- 10.1 Amendment to Credit Agreement, dated December 1, 2008, to Credit Agreement with Wells Fargo Bank, National Association, dated July 15, 2002.
- 10.2 Revolving Line of Credit Note dated December 1, 2008 between Rentrak Corporation and Wells Fargo Bank, National Association.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

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SIGNATURE

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

Date: February 5, 2009

RENTRAK CORPORATION

By: /s/ Mark L. Thoenes

Mark L. Thoenes

Executive Vice President and Chief Financial Officer

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of December 1, 2008, by and between RENTRAK CORPORATION, an Oregon corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including December 1, 2011, not to exceed at any time the aggregate principal amount of Fifteen Million Dollars (\$15,000,000.00) ("Line of Credit"), the proceeds of which shall be used to finance the Borrower's general corporate purposes (other than the repurchase of Borrower's stock). Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of December 1, 2008 ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above.

SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to one eighth of one percent (0.125%) per annum (computed on the basis of a 360-day year, actual days elapsed) on the average daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears within thirty (30) days after each billing is sent by Bank.

SECTION 1.3. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal, interest and fees due under each credit subject hereto by charging Borrower's deposit account number 4496819749 with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.4. COLLATERAL.

As security for all indebtedness and other obligations of Borrower to Bank subject hereto, Borrower hereby grants to Bank security interests of first priority in all Borrower's accounts receivable and other rights to payment, general intangibles and equipment.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall pay to Bank immediately upon demand the full amount of all charges, costs and expenses (to include fees paid to third parties and all allocated costs of Bank personnel, excluding in-house counsel), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees. As of the date hereof, there are no such charges, costs or expenses due, and unless an Event of Default exists, Borrower shall not be liable for the costs and expenses of any collateral audits that Bank may perform.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of the State of Oregon, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. Except for the audit currently being conducted by the IRS (the "IRS Audit"), there are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated March 31, 2008, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally

accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year which could reasonably be expected to have a material adverse affect on Borrower's financial condition.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

ARTICLE III CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be reasonably satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

- (i) This Agreement and each promissory note or other instrument or document required hereby.
- (ii) Corporate Resolution: Borrowing.
- (iii) Certificate of Incumbency.
- (iv) Continuing Security Agreement – Rights to Payment.
- (v) Security Agreement - Equipment.
- (vi) Such other documents as Bank may reasonably require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as reasonably determined by Bank, in the financial condition or business of Borrower, nor any material decline, as reasonably determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies reasonably satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction (acting in good faith) of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be reasonably required in connection with such extension of credit.

ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, but only during normal business hours, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, a copy of the 10K report filed with the Securities Exchange Commission, prepared by a certified public accountant acceptable to Bank;

(b) not later than 45 days after and as of the end of each fiscal quarter, a copy of the 10Q report filed with the Securities Exchange Commission, prepared by a certified public accountant acceptable to Bank;

(c) from time to time such other information as Bank may reasonably request.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts reasonably satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's reasonable satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower which could reasonably be expected to have a material adverse affect on Borrower's financial condition or operations.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Current Ratio not less than 1.50 to 1.0 determined at each fiscal quarter end, with "Current Ratio" defined as total current assets divided by total current liabilities.

(b) Total Liabilities divided by Tangible Net Worth not greater than 1.50 to 1.0 determined at each fiscal quarter end, with "Total Liabilities" defined as the aggregate of current liabilities and non-current liabilities less subordinated debt, and with "Tangible Net Worth" as defined above.

(c) Net income after taxes not less than \$1.00 on an annual basis, determined as of each fiscal year end, and pre-tax profit not less than \$1.00 on a quarterly basis, determined as of each fiscal quarter end.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) business days after Borrower's knowledge of the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with

the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof, and (c) new capital leases or new purchase money security interest financings in any fiscal year in excess of an aggregate of \$10,000,000.00.

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity provided that (a) Borrower is the surviving entity, (b) no breach of this Agreement or any other Loan Document exists after such merger or consolidation, and (c) the other entity is engaged in a line of business reasonably similar or related to Borrower's current line(s) of business; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity unless such assets are used in a line of business reasonably similar or related to Borrower's current line(s) of business; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business.

SECTION 5.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.5 LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof and except for the acquisition of all or substantially all of the equity interests in other entities engaged in a line of business reasonably similar or related to Borrower's current line(s) of business, provided that if such entities are not contemporaneously merged into Borrower, Borrower shall cause such entities to guaranty Borrower's obligations to Bank and to grant to Bank security interests of first priority in all of their assets (of the types described in Section 1.4) pursuant to guaranties and security agreements in form and content acceptable to Bank.

SECTION 5.6 PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or which is existing as of, disclosed to Bank in writing prior to, the date hereof, and purchase money liens to the extent they secure purchase money debt permitted under Section 5.2 hereof.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an “Event of Default” under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those referred to in subsections (a) and (b) above), and with respect to any such default which by its nature can be cured, such default shall continue for a period of twenty (20) days from the date Borrower first knew (or using reasonable due diligence, should have known) of its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a “Third Party Obligor”) has incurred any debt or other liability to any person or entity, including Bank.

(e) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract of judgment against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor.

(f) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time (“Bankruptcy Code”), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor, or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) There shall exist or occur any event or condition which Bank reasonably believes impairs, or is substantially likely to impair, the prospect of payment by Borrower of its obligations under any of the Loan Documents.

(h) The dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor.

(i) Any change in ownership of an aggregate of forty percent (40%) or more of the common stock of Borrower in a single or in a series of related transactions, without Bank's prior written consent.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: RENTRAK CORPORATION
7700 NE Ambassador Place
Portland, Oregon 97220

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
PORTLAND RCBO
1300 S.W. Fifth Avenue T-13
Portland, Oregon 97201

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) Bank's continued administration of this Agreement and the other Loan Documents, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without

limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

SECTION 7.11. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Oregon selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution

procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the “Rules”). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Oregon or a neutral retired judge of the state or federal judiciary of Oregon, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator’s discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Oregon and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Oregon Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party’s presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of

the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

RENTRAK CORPORATION

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Mark Thoenes

By: /s/ Victoria K. Vohs

Mark Thoenes, Chief Financial Officer

Victoria K. Vohs, Relationship Manager

REVOLVING LINE OF CREDIT NOTE

\$15,000,000.00

Portland, Oregon
December 1, 2008

FOR VALUE RECEIVED, the undersigned RENTRAK CORPORATION (“Borrower”) promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”) at its office at Portland RCBO, 1300 S.W. Fifth Avenue, Portland, Oregon 97201, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Fifteen Million Dollars (\$15,000,000.00), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) “Business Day” means any day except a Saturday, Sunday or any other day on which commercial banks in Oregon are authorized or required by law to close.

(b) “Daily One Month LIBOR” means for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period.

(c) “Fixed Rate Term” means a period commencing on a Business Day and continuing for 3 months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than One Hundred Thousand Dollars (\$100,000.00); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(d) “LIBOR” means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) “Base LIBOR” means the rate per annum for United States dollar deposits quoted by Bank (A) for the purpose of calculating effective rates of interest for loans making reference to LIBOR, as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies, or (B) for the purpose of calculating effective rates of interest for loans making reference to the Daily One Month LIBOR Rate, as the Inter-Bank Market Offered Rate in effect from time to time for delivery of funds for one (1) month in amounts approximately equal to the principal amount of such loans. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) “LIBOR Reserve Percentage” means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable term of this Note.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum determined by Bank to be one and one half percent (1.50%) above the Daily One Month LIBOR Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be one and one half percent (1.50%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Daily One Month LIBOR Rate, each

change in the interest rate shall become effective each Business Day that the Bank determines that the Daily One Month LIBOR Rate has changed. Bank is hereby authorized to note the date, principal amount and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. At any time any portion of this Note bears interest determined in relation to LIBOR for a Fixed Rate Term, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Daily One Month LIBOR Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Daily One Month LIBOR Rate, Borrower may at any time convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select an interest rate determined in relation to the Daily One Month LIBOR Rate or a Fixed Rate Term for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection for a Fixed Rate Term, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection for a Fixed Rate Term, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Daily One Month LIBOR Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Payment of Interest. Interest accrued on this Note shall be payable on the first day of each month, commencing January 1, 2009.

(e) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

BORROWING AND REPAYMENT:

(a) Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on December 1, 2011.

(b) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) Mark Thoenes or Paul A. Rosenbaum, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect

to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

(c) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Daily One Month LIBOR Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

PREPAYMENT:

(a) Daily One Month LIBOR Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Daily One Month LIBOR Rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

- (i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.
- (ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.
- (iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.00%) above the Daily One Month LIBOR Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of December 1, 2008, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorney's fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with

the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Oregon.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

RENTRAK CORPORATION

By: /s/ Mark Thoenes

Mark Thoenes, Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Paul A. Rosenbaum, certify that:

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

Date: February 5, 2009

By: /s/ Paul A. Rosenbaum

Paul A. Rosenbaum
Chairman of the Board and Chief Executive Officer
Rentrak Corporation

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Mark L. Thoenes, certify that:

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

Date: February 5, 2009

By: /s/ Mark L. Thoenes

Mark L. Thoenes
Executive Vice President And Chief Financial
Officer
Rentrak Corporation

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Rentrak Corporation (the "Company") on Form 10-Q for the quarter ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul A. Rosenbaum, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

By: /s/ Paul A. Rosenbaum

Paul A. Rosenbaum
Chairman of the Board and Chief Executive Officer
Rentrak Corporation

February 5, 2009

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Rentrak Corporation (the "Company") on Form 10-Q for the quarter ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark L. Thoenes, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

By: /s/ Mark L. Thoenes

Mark L. Thoenes
Executive Vice President and Chief Financial Officer
Rentrak Corporation

February 5, 2009