RENTRAK CORP
Form 10-K
June 11, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended: March 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 000-15159

RENTRAK CORPORATION

(Exact name of registrant as specified in its charter)

Oregon	**93-0780536**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
7700 NE Ambassador Place, Portland, Oregon	**97220**
(Address of principal executive offices)	**(Zip Code)**

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

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	**The NASDAQ Stock Market LLC (NASDAQ Global Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. x

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the last sales price ($13.83) as reported by the Nasdaq Global Market, as of the last business day of the Registrant s most recently completed second fiscal quarter (September 30, 2008), was $143,445,631.

The number of shares outstanding of the Registrant s Common Stock as of June 4, 2009 was 10,391,087 shares.

Documents Incorporated by Reference

The Registrant has incorporated into Part III of Form 10-K, by reference, portions of its Proxy Statement for its 2009 Annual Meeting of Shareholders.

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RENTRAK CORPORATION

2009 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

Certain information included in this Annual Report on Form 10-K (including Management s Discussion and Analysis of Financial Condition and Results of Operations regarding revenue growth, gross profit margin and liquidity) constitutes 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. Our forward-looking statements are based on our current expectations and are subject to numerous risks and uncertainties. As such, our actual future results, performance or achievements may differ materially from the results expressed in, or implied by, our forward-looking statements. Please refer to Item 1A. Risk Factors in this Annual Report on Form 10-K for a discussion of reasons why our actual results may differ materially from our forward-looking statements. We assume no future obligation to update our forward-looking statements or to provide periodic updates or guidance.

Where You Can Find More Information

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (Exchange Act). We also make available, free of charge on our website at www.rentrak.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC s Public Reference Room located at 100 F Street, NE, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Rooms. The SEC also maintains an Internet website at http://www.sec.gov/ where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (503) 284-7581.

Overview

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.

Our PPT Division focuses on managing our business operations that facilitate the delivery of home entertainment content products (DVDs, Blu-ray Discs, etc.) (Units) 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. Effective April 1, 2007, we realigned and moved our Direct Revenue Sharing (DRS) line of business from the AMI Division to the PPT Division. Prior period information has been reclassified to conform to the current presentation.

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

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basis, provide unique data collection, management, analysis and reporting functions, resulting in business information valuable to our clients.

PPT Division

Pay-Per-Transaction System

We distribute Units principally to Retailers through our PPT System. The PPT System has various product programs that enable Retailers to obtain Units at a significantly lower cost per Unit than if they purchased the Units from wholesale video distributors. Through our PPT system, Retailers are given monthly access to a wide selection of box office hits, independent releases, documentaries, and foreign films from the industry s leading suppliers.

After the Retailer is approved for participation in the PPT System, Units are subleased to the Retailer, generally for a low initial up-front fee plus a percentage of revenues generated by the Retailer from rentals and/or sales to consumers. We retain a portion of most fees and remit the balance to the appropriate motion picture studio or other licensee or owner of the rights to certain video programming content (Program Suppliers) that hold the distribution rights to the Units. Due to the lower cost of bringing Units in the door, Retailers generally obtain a greater number of Units under the PPT System than they would if they purchased Units directly from a wholesale distributor (generally 2 to 4 times the quantity). This benefits Retailers because having more Units available generally results in higher volumes of rental transactions thereby increasing Retailer revenue, while lowering their risks and reducing their cost of capital. The Program Supplier benefits from an increase in the total number of Units shipped, resulting in increased Program Supplier revenues and opportunity for increased profit, as well as incremental shelf space for secondary titles that otherwise may not be ordered due to the risk associated with a higher wholesale cost. The perceived benefit to the consumer is the potential for more copies of newly released hit theatrical titles and a greater selection of direct to video titles or independent films.

Marketing and Relationships with Program Suppliers

We currently market our PPT System throughout the U.S. and Canada. This system greatly simplifies the landscape for each Program Supplier by consolidating the thousands of individual independent retailers participating in our PPT System into one business partner. Program Suppliers negotiate one lease/service arrangement with Rentrak and our PPT System manages the rest, including marketing and sales of content to PPT retailers, order fulfillment, collection of point of sale (POS) data, audit, billing of revenue sharing fees and collection of payments.

During fiscal 2009, we offered titles from a number of Program Suppliers including, but not limited to: First Look Studios; Genius Products, Inc.; Lions Gate Films, Inc.; Maple Pictures Corp; Paramount Home Entertainment, Inc.; Sony Pictures Home Entertainment, Inc.; Summit Distribution, LLC; Twentieth Century Fox Home Entertainment, Inc.; Universal Studios Home Entertainment LLC; and Warner Brothers New Line Home Entertainment and Warner Home Video divisions. Our arrangements with our Program Suppliers are of varying duration, scope and formality. In some cases, we have obtained Units pursuant to contracts or arrangements with Program Suppliers on a title-by-title basis and, in other cases, the contracts or arrangements provide that all titles released for distribution by such Program Supplier will be provided to us for the PPT System. Many of our agreements with Program Suppliers may be terminated upon relatively short notice. Therefore, there is no assurance that any of the Program Suppliers will continue to distribute Units through the PPT System. Even if titles are otherwise available from Program Suppliers, there is no assurance that they will be made available on terms acceptable to us or the Retailers we service. During the last three years, we have not experienced any material difficulty acquiring suitable Units for our markets on acceptable terms and conditions from Program Suppliers.

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During fiscal 2009, 2008 and 2007, we had several Program Suppliers that supplied product in excess of 10% of our total revenues as follows:

	2009	2008	2007
Program Supplier 1	17%	17%	17%
Program Supplier 2	15%	17%	20%
Program Supplier 3	13%	12%	2%
Program Supplier 4	11%	15%	12%
Program Supplier 5	6%	7%	16%

There were no other Program Suppliers who provided product that generated 10% or more of our total revenues for the years ended March 31, 2009, 2008 or 2007. Our agreement with our fifth largest Program Supplier expired in fiscal 2007, although we continue to receive product from one of its divisions. 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.

Certain Program Suppliers have requested, and we have provided, financial or performance commitments, including advances or guarantees, as a condition of obtaining certain titles. We determine whether to provide such commitments on a case-by-case basis, depending upon the Program Supplier s success with such titles prior to home video distribution and our assessment of expected success in the home video rental market. At March 31, 2009, we had such guarantees with six Program Suppliers in amounts totaling approximately $1.1 million. We expect to make these payments during the first quarter of fiscal 2010. Most of these amounts were included in cost of sales during fiscal 2009, since we recognize these costs on each title s release date.

Ordering and Distribution of Units

Our proprietary Rentrak Profit Maker Software (the RPM Software) and Video Retailer Essentials Software (the VRE Software) allow retailers participating in the PPT System (Participating Retailers) to order Units through these systems and provide the Participating Retailers with substantial information regarding all offered titles. Ordering occurs via a networked computer interface (RPM Software) or over the Internet (VRE Software). To further assist the Participating Retailers in ordering, we also produce a monthly product catalog (Ontrak) both in print and electronic media.

To be competitive, Participating Retailers must be able to rent their Units on the street date announced by the Program Supplier for the title. We contract with third-party fulfillment providers to distribute our Units via both ground, which is our primary method, and overnight air courier to assure delivery to Participating Retailers on or prior to the street date. The handling and freight costs of such distribution were approximately 3.4%, 3.3% and 3.2% of our cost of sales in fiscal 2009, 2008 and 2007, respectively.

Computer Operations

To participate in our PPT System, Participating Retailers must have Rentrak approved computer software and hardware to process all of their rental and sale transactions. Our RPM Software resides on the Participating Retailer s POS computer system and transmits a record of PPT transactions to us over a telecommunications network. The RPM Software or web-based VRE Software also assists the Participating Retailer in ordering newly released titles and in managing its inventory of Units.

Our PPT information system processes these transactions and prepares reports for Program Suppliers and Participating Retailers. In addition, it identifies variations from statistical norms for potential audit action. This information system also transmits information on new titles available, analytic information on active leased Units, and sends confirmation of orders made via the RPM Software or VRE system.

Auditing of Participating Retailers

From time to time, we audit Participating Retailers in order to verify that they are reporting all rentals and sales of Units in a consistent, accurate and timely manner. Several different types of exception reports are produced weekly. These reports are designed to identify any Participating Retailers whose PPT business activity varies from our statistical norms. Depending upon the results of our analysis of these reports, we may conduct an in-store audit. Audits may be performed with or without notice and any refusal to allow such an audit can be cause for immediate termination from the PPT System. If audit violations are found, the

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Participating Retailer is subject to fines, audit fees, immediate removal from the PPT System and/or repossession of all leased Units.

Seasonality

We believe that the home video industry is somewhat seasonal because Program Suppliers tend to theatrically release their most promising movies during two periods of the year, early summer and during the holidays in the fourth calendar quarter. Since the release of movies to home video usually follows the theatrical release by approximately three to five months (although significant variations occur on certain titles), the seasonal peaks of movies for home video also generally occur just prior to and/or during the fourth quarter holidays and in late winter/early spring. We believe our volume of rental transactions and resulting revenues and earnings reflect, in part, this seasonal pattern. However, changes in the release of Program Suppliers titles available to Rentrak for Participating Retailers may obscure any seasonal effect.

Competition

The PPT Division continues to be affected by the changing dynamics in the home video rental market. This market is highly competitive, constantly changing 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 and can easily shift from one provider to another. Some examples include renting Units of product from our Participating Retailers, purchasing previously viewed Units from our Participating Retailers, ordering product via online subscriptions and/or online distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the internet, purchasing and owning the Unit directly or selecting an at-home pay-per-view or on demand option from a satellite or cable provider. Our PPT system focuses on the traditional brick and mortar retailer serviced by a distributor on a wholesale basis: for example, a Retailer purchases Units from a distributor and then offers the Units for rental or sale to the general public. As described in greater detail above, our PPT System offers Participating Retailers an alternative method of obtaining Units. Accordingly, we face intense competition from all of the wholesale distributors, including Ingram Entertainment, Inc., Video Product Distributors, Inc. and Entertainment One. These and other wholesale distributors have extensive distribution networks, long-standing relationships with Program Suppliers and Retailers, and, in some cases, significantly greater financial resources. In the past, certain wholesale distributors offered Units to Retailers on a revenue sharing basis. However, to our knowledge, none do so today.

We also face direct competition from the Program Suppliers. All major Program Suppliers work directly with major Retailers, including Blockbuster, the world s largest chain of home video specialty stores, Hollywood Video/Movie Gallery, the second largest chain, and Netflix, which is an online mail delivery subscription retailer. Many of the major Program Suppliers have direct revenue sharing arrangements with these retailers and a few mid-size retailers like Hastings Entertainment or Video Warehouse. We do not believe that the Program Suppliers have executed direct revenue sharing agreements with other smaller Retailers, but there can be no assurance that they will not do so in the future.

We also compete with businesses that use alternative distribution methods to provide video entertainment directly to consumers, such as the following: (1) online movie rental subscription services, such as Netflix; (2) direct broadcast satellite providers, such as DIRECTV and Echostar; (3) cable providers, such as Time Warner and Comcast, which offer pay-per-view and video-on-demand, or VOD, content; (4) telecommunication providers, such as AT&T and Verizon; and (5) delivery of programming via the Internet, such as Apple s iTunes, Hulu.com and Google s YouTube. Technological improvements in any of these distribution methods, perceived greater convenience by customers, as well as lower pricing models, may make these options more attractive to consumers and thereby materially diminish the demand for Unit rentals in brick and mortar locations. Such a consequence could have a material adverse effect on our results of operations and financial condition.

Direct Revenue Sharing (DRS)

Our Traditional DRS service, managed through our RevShare Essentials system, is tailored to meet the needs of major studios (Twentieth Century Fox Home Entertainment, Universal Studios Home Entertainment, Paramount Pictures Home Entertainment, Warner Home Video, etc.) and major independent program suppliers (Lions Gate Films, Summit Distribution, etc.) (collectively DRS clients),

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whose titles we provide our Retailers through our PPT system, and who also provide packaged goods home entertainment content directly to large brick-and-mortar and online retailers (Blockbuster Entertainment, Movie Gallery, Netflix, etc.) (collectively DRS retailers) on a revenue sharing basis. For each DRS client, we collect, process, audit, summarize and report the number of rental and previously viewed sales transactions and corresponding revenue generated on each title distributed to each DRS retailer on a revenue sharing basis. We also provide in-depth Inventory tracking by Title, Retailer and by store. Additionally, we conduct numerous periodic physical audits of DRS retailers combined with mystery shopping and electronic auditing, using multiple methods of validation and recovery, to insure all DRS inventory is utilized in a manner consistent with the terms of its revenue sharing arrangement with our DRS clients.

We launched our Digital DRS business in the quarter ended March 31, 2009. The Digital Download Essentials service collects, processes, audits and reports on rented and purchased movie and television content downloaded and/or streamed via the internet. This Web-based reporting service, which is accessible 24-hours-a-day, seven-days-a-week, provides studios and television networks with a single integrated solution capable of collecting, verifying, consolidating and reporting all internet based rental and sales transactions on a global basis.

For a number of years, our only direct competitor to our Traditional DRS business has been SuperComm, Inc., a small subsidiary of Sony Pictures Home Entertainment (SPHE). SuperComm was originally founded in 1991 as a third-party revenue sharing provider to the supermarket segment of the home entertainment business. It was later sold to SPHE, which now relies on it for the services (collection, analysis, configuring and reporting of data) it requires to manage its DRS relationships. We do not believe that SuperComm provides DRS services to any home entertainment content providers other than SPHE.

We believe MediaMorph, recently founded by veterans of the digital entertainment and online advertising industries, is a direct competitor to our Digital DRS business. To the best of our knowledge, MediaMorph is not competing with our Traditional DRS business since they appear to only be marketing a solution for managing digital transactions.

There are a number of risks that may adversely affect the size and profitability of our Traditional and Digital DRS businesses. First and foremost, our business is dependent on the DRS clients maintaining DRS relationships with the DRS retailers. Should the DRS clients end their DRS relationships, they would have no need for our DRS services. Second, our current DRS clients could decide to invest the resources necessary to provide DRS services internally. Third, SPHE could decide to improve SuperComm s service offering, or sell it to a third party who will do the same, and successfully compete for one or more of our DRS clients. Fourth, our DRS clients could decide that the benefits of our services are dramatically less than the current cost structure warrants, ultimately leading to reduced DRS revenues. Fifth, MediaMorph and other competitors could successfully establish significant client bases that limit Rentrak s Digital DRS growth and/or lead to a decline in our DRS revenues. Lastly, if the overall size of the home entertainment rental market contracts significantly, and/or the large brick-and-mortar and online retailers share of the overall rental market declines significantly, as it did when Movie Gallery closed a substantial number of stores, the amount of data we process and audit on behalf of our DRS clients would also be reduced, resulting in a corresponding decrease in our DRS revenues.

Formovies.com

Formovies.com is a website designed and hosted by us, dedicated to providing our Retailers with an effective online marketing tool. The site is filled with entertainment content such as top rentals, upcoming releases, DVD of the week, theatrical show times, movie trivia and more. Each site is individually branded to contain the store name of our Participating Retailer, allowing them to promote their store with coupons or special promotions they enter and control on their custom site. Retailers collect e-mail addresses from their customers and the site sends a weekly newsletter announcing new releases and promotions each week.

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AMI Division

The AMI Division concentrates on expanding the customer base of our Essentials Suite of business information services offered primarily on a recurring subscription basis. Through patent pending software systems and business processes, we provide clients services from our Essentials Suite .

Essentials Suite

Currently included in the Essentials Suite are the following:

- Box Office Essentials for reporting domestic and international gross receipt theatrical ticket sales;
- Home Entertainment Essentials for reporting retail sales and rental data on DVDs and related products across the U.S. and Canada;
- Supply Chain Essentials for managing the flow of products and funds at every point in the supply chain until the product reaches the consumer; and
- Multi-Screen Essentials provides a comprehensive suite of analytical tools related to tracking content in the multi-screen viewing environment, which includes OnDemand Essentials for measuring and reporting anonymous video on demand (VOD) usage data.

Box Office Essentials

Box Office Essentials primarily reports domestic and international theatrical gross receipt ticket sales to motion picture studios (BOE clients) and movie theater owners. Rentrak provides BOE clients with access to box office performance data pertaining to specific motion pictures and movie theater circuits, both real-time and historical. Data is currently collected for virtually all movie theaters in North America, Guam and Puerto Rico and is primarily obtained via electronic connectivity to theater box offices. BOE clients include Walt Disney, Twentieth Century Fox, Paramount Pictures, Sony, Universal, Warner Brothers and numerous other clients who subscribe to our syndication services.

Box Office Essentials continues to expand internationally. The international customer base will initially focus on the international distributor community, much as the domestic service successfully targeted motion picture studios in Hollywood, California. In order to successfully implement our current expansion plan, we will require more information technology resources to support the compilation of data content from various territories throughout the world as well as our data processing center located in our Portland office.

Our primary competitor is Nielsen EDI, which is a service of Nielsen Entertainment and part of VNU Media Measurement & Information. A principal difference between our products and our competitor s is our use of technology to drive content acquisition and real-time data polling from content providers. Since the market in which we operate is comprised of a small number of major customers, client relations and retention are critical. Our competitor has significantly greater financial resources than us, which could enable it to surpass our technological advancements. This, combined with brand name recognition and the long-standing relationships between Nielsen and our BOE clients, could have a material adverse effect on our ability to grow this line of business.

Home Entertainment Essentials

Home Entertainment Essentials provides accurate and comprehensive retail sales and rental data on DVD, UMD, Blu-ray Disc and video games. Through two separate web-based applications, Home Entertainment Essentials users can access current weekly and historical title and market level consumer sales and rental grosses to competitively benchmark industry performance.

Our rental application, Home Video Essentials , measures DVD, Blu-ray Disc and video game rentals from the brick-and-mortar and online channels across North America. We cover approximately 50% of the video specialty retailers within the United States, and approximately 90% in Canada. Clients have 24/7 web-access to current weekly market and title-level projection data on consumer rental spending and activity. Additionally, clients have access to historical data dating back to 2001. Clients include all the home entertainment divisions of the major and mini-major Hollywood studios such as Warner Home Video, Buena Vista Home Entertainment (Disney), Paramount/DreamWorks Home Entertainment,

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Universal Studios Home Entertainment, Sony Pictures Home Entertainment, Twentieth Century Fox Home Entertainment, Lionsgate Entertainment, Walden Media, The Weinstein Company, and Vivendi Visual Entertainment. Microsoft Corporation has been a long-time subscriber to the video game rental data.

Home Video Essentials rental data is published in the industry trade magazines Video Business, Daily Variety, and Billboard Magazine, as well as USA Today, The New York Times online and Entertainment Weekly.

Competitors include Adams Media Research and Home Media Retailing Research, although they do not offer a web-based database. Another key difference between our services and those of our competitors is that we collect daily POS bar code scan data from video retailers, which we believe provides a more reliable sample base and greater accuracy.

Our retail application, Retail Essentials , reports U.S. brick-and-mortar consumer sales estimates of DVDs to motion picture studios and retailers. We provide our clients with access to national consumer sales estimates at the industry level, by format and at the title level. Data is collected from thousands of retail locations throughout the U.S. via weekly data feeds and projected nationally. Existing clients for the retail application include motion picture studios, talent agencies and production companies. Our primary competitor for our Retail Essentials product is Nielsen VideoScan.

Home Entertainment Essentials retail sales data is published in the industry trade publications Video Business Magazine, Variety, DVD News, as well as The New York Times online, The Los Angeles Times and Entertainment Weekly.

Supply Chain Essentials

Supply Chain Essentials (SCE) is supply chain management software developed by us which allows clients to manage the flow of products and funds at every point in the supply chain until the product reaches the consumer. It does not depend on any third party software code. We host the software for customers access under an application service provider s model and license its use. A typical client for SCE is any company that receives orders (business to business or business to consumer), maintains warehouses and issues purchase orders to vendors. We are targeting potential clients through both direct sales and strategic alliances with established logistics and supply chain entities.

Companies like SAP, Oracle, Manhattan Associates, High Jump and Red Prairie already offer logistics and supply chain software. To various degrees, these types of software solutions require specialized personnel and IT infrastructure with a relatively high initial investment, making the solution cost prohibitive for smaller to mid-sized companies. Since we host our software, our clients generally pay a monthly service fee which is significantly lower than our competitors pricing, making our offering more attractive to a broader range of customers. Furthermore, our software provides web presence to traditional retail companies, known as brick and mortar companies, as well as integration with their existing software infrastructure.

Multi-Screen Essentials

We are developing a comprehensive suite of analytical tools related to tracking content in the multi-screen viewing environment. We have currently launched component products for individual screens that will ultimately feed into cross platform products and analytical services. With each new component product launched we expect to secure additional revenue from our current customer base while expanding the markets for our services. The component products that are currently commercially launched include OnDemand Essentials , TV Essentials and Mobile TV Essentials . These products are described below.

OnDemand Essentials (ODE) provides cable operators, content providers (including broadcast/cable networks and studios) and advertisers with a transactional tracking and reporting system to view and analyze the viewership of on demand content. The service utilizes a Web-based, near real-time reporting system that provides clients with instant access to the crucial information needed to track on demand content, trends, consumer behavior and more. Our ODE Content Provider site enables users to view and analyze the viewership of on demand content across all cable multiple system operators (MSOs) with whom we have agreements in place. Through a secure, browser-based application, ODE users have access to current and historical market-level and individual content performance.

Participating distributors using this service represent over 70 million set-top boxes from 28 MSOs (including all of the top 25 MSOs who are offering video on demand programming).

As of March 2009, we had over 100 network and studio clients for the service, such as Viacom, Inc., Turner Broadcasting System, Inc. and Warner Bros. Studios. Rentrak is the leader in on demand television measurement, setting the stage for expansion of our services to traditional television, broadband and mobile.

TV Essentials provides our clients with the ability to analyze anonymous audience viewing of programming and advertising across linear and interactive television, VOD and Digital Video Recorder (DVR). Utilizing proprietary technology to process massive amounts of click-stream data, the TV Essentials system is able to aggregate and report second-by-second information from millions of digital set-top boxes. The system can isolate individual market, network, series, or telecast performance, administer national and local estimates, and provide an evaluation of influencing factors such as psychographics, demographics, weather, etc. Currently TV Essentials processes data from more than ten million set top boxes of cable, satellite and telco providers to help advertisers, agencies and networks make business decisions to drive increased revenue.

The majority of our data is provided by our data partners, which include cable and satellite operators as well as telephone companies. In November 2008, we entered into an agreement with DISH Network Corporation to report the measurement of DISH Network set-top box click-stream television data from millions of set top boxes. DISH Network will use our TV Essentials reporting system together with other DISH Network tools to analyze anonymous audience viewing of programming and advertising for linear television and generate detailed viewer measurement information. In December 2008, we entered into an agreement with an AT&T subsidiary to measure AT&T U-verse TV viewing patterns across traditional broadcast and cable network linear television, VOD and DVR programming aggregated on a totally anonymous basis from all set-top boxes across AT&T s U-verse distribution footprint. As part of the agreement, AT&T co-markets with us our TV Essentials service to content providers, local TV stations and marketing clients.

In addition, in March 2009, we entered into an agreement with Charter Communications to begin a linear TV measurement trial. The trial will focus on the relationship between linear television and on demand viewing patterns.

Mobile OnDemand Essentials delivers content on demand reporting for mobile platforms, allowing networks the opportunity to see aggregated data from all carriers. The system helps our clients derive immediate answers to questions that have traditionally required fielding extensive market research and consumer panel studies. We have announced one customer for this product (NBCU). As we expand the customer list for this product we will also have the opportunity to provide industry level reporting.

We are also in process of developing other research tools, such as the following:

- Mobile TV Essentials , which is designed to deliver audience viewing metrics of linear video programming (television as it exists today, excluding VOD and DVR) and linear video advertising watched on mobile phones;

- Internet Video Essentials , which is a measurement service tailored to help clients manage their ad-supported online content. The product focuses specifically on the usage of online video, versus the counting of Web page views, banner impressions or other online features.

Our primary competitors for the Multi-Screen product suite are Nielsen and Taylor Nelson Sofres (TNS), companies with significantly greater resources than Rentrak. Nielsen has the established currency on which the industry depends and has announced plans to provide cross platform measurement services based on their current sampling methodology. TNS has a system that processes data from a sample of 100,000 satellite homes. Both are formidable competitors with significant

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resources; however, we believe Rentrak is well positioned to provide the granular level processing from millions of set tops boxes and the user-friendly system that networks, agencies and advertisers are demanding.

Other Division

The Other Division includes 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. The completion date for this new service is dependent upon the capabilities of various industry participants and is contingent upon the availability of the data from those participants, the successful testing and processing of automated data feeds, as well as the timing of receipt of those data feeds.

Significant Customers

There were no customers that accounted for 10% or more of our total revenue in fiscal 2009, 2008 or 2007.

Trademarks, Copyrights, Proprietary Rights and Patents

We have registered our RENTRAK, PPT, Pay Per Transaction, Entertainment Essentials, Box Office Essentials, Home Video Essentials, Home Entertainment Essentials, Supply Chain Essentials, OnDemand Essentials, Video Game Essentials, Retail Essentials, AdEssentials, Business Intelligence Essentials, TV Essentials, Mobile TV Essentials, ForMovies, ForMovies.com, Ontrak, RPM and other marks under federal trademark laws. We have applied for and obtained registered status in several foreign countries for many of our trademarks. Our trademark registrations will remain valid for an unlimited period, as long as we continue using the trademarks in commerce or as long as we intend to resume use of the mark during any period of non-use. We claim a copyright on our RPM Software and consider it to be proprietary. We have also filed notice and claim a copyright on our Essentials software. Our copyright in our software is expected to last for at least 95 years from the first sale or licensing of the software. Our trademarks, copyrights and other proprietary rights give us the power to prevent competitors from competing with us unfairly. We believe that our intellectual property is important to our marketing efforts and the competitive value of our services and we intend to take appropriate action to halt any infringement and protect against improper usage.

We have applied for patents related to certain of our proprietary technologies, primarily for our Essentials Suite of products. We believe our proprietary technologies provide us with advantages over our competitors technologies.

Employees

As of March 31, 2009, including all subsidiaries, we employed 243 full-time employees and 28 part-time employees. We consider our relations with our employees to be good.

Financial Information About Industry Segments

See Note 15 of Notes to the Consolidated Financial Statements for information regarding our business segments and revenue by product line.

Geographic Information

Most of our revenues are generated within the U.S. and Canada, with Canada accounting for less than 10% of total revenues. All of our long-lived assets are located within the U.S.

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ITEM 1A. RISK FACTORS

Deterioration in the economy could impact our business.

We primarily operate within the entertainment industry. Our overall success depends on the success of our Participating Retailers and Program Suppliers within our PPT Division as well as networks, studios, cable operators and others within our AMI Division. For example, our Participating Retailers rely on their customers to rent DVDs, and this spending may be considered discretionary on the part of many of those consumers. Also, our BOE clients success is dependent on the interest and ability of end consumers to attend movie theaters. If the overall economy continues to deteriorate, such as in the case of a prolonged recession, our Participating Retailers, Program Suppliers, studios, etc. could experience reduced revenues as a result of their customers shift in spending and change in behavior. This change could have a material adverse effect on our financial condition, results of operations and liquidity.

Additionally, if our Participating Retailers and customers of our Essentials services experience financial difficulties, they may be unable to continue with our services, and/or may be unable to continue to pay us in a timely manner, if at all. We have noticed a slow-down in collections within our PPT Division during the past few months. A continuation of this trend could negatively affect our results of operations, financial condition and cash flows.

If our efforts to attract, retain and grow our base of Participating Retailers are not successful, our operations may be adversely affected.

The success of our current PPT Division business depends on traditional brick and mortar retailers actively participating in our PPT System. Declines in the numbers of Participating Retailers and the volumes of Units leased by Participating Retailers from us could ultimately lead to reductions in revenue and have an adverse impact on our results of operations, financial condition and cash flows.

Our Participating Retailers could establish relationships with Program Suppliers and enter into direct revenue sharing agreements.

If our Participating Retailers formed direct revenue sharing relationships with Program Suppliers, the need for our PPT system would be greatly reduced, which could have an adverse impact on our business, financial condition and liquidity.

If the financial stability of our Participating Retailers and their performance of their obligations under our PPT System declines, our results of operations, financial condition and cash flows may be adversely impacted.

Our ultimate success is highly dependent on the successful operations of our Participating Retailers. If their business declines due to changes in the economy, customer behavior, competition, management issues or other factors, they may be unable to meet their financial obligations to us. This could negatively affect our results of operations, financial condition and cash flows.

A loss of a significant Program Supplier, our ability to retain our base of Program Suppliers along with the quality and volumes of content they provide, and adverse changes in terms of our revenue sharing agreements with Program Suppliers could result in a decline in revenues and results of operations and have an adverse impact on our financial condition.

We rely on our Program Suppliers for Units we sublease to Participating Retailers. A decrease in the number of Program Suppliers participating in our system, a decline in the financial stability of our Program Suppliers and/or a decline in the quality (rental appeal) and quantity (number of theatrical titles) of the content they produce would result in a reduction in overall Units available to Participating Retailers. Additionally, many of our agreements with Program Suppliers may be terminated upon relatively short notice. Therefore, there is no assurance that any of the Program Suppliers will continue to distribute Units through the PPT System, continue to have titles available which we can distribute on a profitable basis, or continue to remain in business. Even if titles are otherwise available from Program Suppliers, there is no assurance that they will be made available on terms acceptable to us. A loss of any of our significant suppliers or a change in any one of the above conditions could have a material adverse effect on our financial condition, results of operations and liquidity.

Our Participating Retailers may lose a competitive advantage if Program Suppliers (studios) change the timing of the release of movies to the various distribution channels.

In the PPT Division, historically, after the initial release of a movie to theaters, studios would then exclusively distribute the movie to the home video retail market (typically 90 to 120 days after the theatrical release) prior to distributing it in other forms throughout the industry, such as video-on-demand. This creates a competitive advantage for our Participating Retailers due to the early distribution window. Some studios have started testing the simultaneous release of their movies to the home video market and through cable, satellite and Internet video-on-demand channels on the same date. Should a majority of the studios change the timing of their release windows, or eliminate the exclusive distribution window for the home video retail market, our Participating Retailers may experience reduced revenue as consumers would have simultaneous access to movies via additional distribution channels. Since we share in that revenue, this would negatively impact our results of operation, financial condition and cash flows.

If our efforts to attract, retain and grow our base of clients who subscribe to our Essentials services are not successful, we may not be able to expand those lines and our operations may be adversely affected.

The success of our AMI Division depends on effective software solutions, marketing, sales and customer relations in regards to existing services as well as our clients acceptance of future enhancements and new services. If we are unable to retain existing clients and/or secure new clients, our operating costs may exceed our revenues, which could have an adverse impact on our results of operations, financial condition, cash flows and liquidity.

We may be unable to obtain requisite data and other content to source our systems which provide our Essentials services.

Our Essentials services rely on data which is collected from a wide variety of sources. Once received, the data must be reviewed, processed and, at times, converted to our required file format. If we are unable to obtain quality data feeds and/or process that data timely, we may not be able to meet the needs of our clients. Thus, we could lose clients, which would have an adverse impact on our ability to grow our Essentials lines of business, which could have an adverse impact on our results of operations, financial condition, cash flows and liquidity.

Our Essentials services are highly dependent on Information Technology resources.

If we are unable to attract, hire and retain high quality information technology personnel at reasonable rates, we may not be able to timely meet the needs of existing clients and may not be able to enhance existing services or develop new lines of business. This could have an adverse effect on our results of operations, financial condition, cash flows and liquidity.

The market for on demand advertising has been slow to develop and may not grow for several years.

The success of our on demand ad tracking module is dependent on the market adoption of on demand advertising, the rollout of dynamic ad insertion technology by the operator and the automation of files regarding the location of advertising in on demand content. If the market does not evolve, we may be unable to recoup our investment.

Multi-Screen Essentials faces competition from companies with significantly greater resources than us and the marketplace may be slow in adapting to the new technology, which could negatively affect the future prospects for Multi-Screen Essentials.

Our primary competitors currently are Nielsen and TNS (Taylor Nelson Sofres). Each of these competitors

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has significantly greater resources than us, which could allow them to become more formidable competitors with enhanced technology service solutions. Additionally, the data providers may be reluctant or ultimately decide not to grant us adequate access to their digital transaction data. The owners of the data may impose more restrictions on the use and reporting of that data, which may make it difficult to realize the full extent of viable services we anticipate. The marketplace (e.g. advertisers, advertising agencies and television networks) may be reluctant to adopt a new standard of viewership measurement. These factors, if they occur, could have a material adverse effect on our ability to grow this line of business as well as on our results of operations, cash flows and financial position.

Measurement services are receiving a high level of consumer group and government scrutiny to assure privacy protection around advertising targeting methodologies.

While we are confident that our anonymous data aggregation methodologies are fully compliant with all current privacy laws, it is possible that the perception of more transparency of set top box data could result in additional government restrictions or limitations on our products. We believe it is unlikely that we will be required to change or limit our products, but, if such additional government restrictions are imposed, this could slow down our ability to meet our projections or result in additional cost not currently anticipated.

Our DRS business is dependent on the studios maintaining direct revenue sharing relationships with the largest brick-and-mortar and online retailers.

We currently collect, process, audit, summarize and report transactional data relating to rental and sales activity of Units at very large traditional and online retailers who have revenue sharing agreements directly with major studios. There are a number of risks that may adversely affect the size and profitability of our DRS business. First and foremost, our business is dependent on the DRS clients maintaining DRS relationships with the DRS retailers. Should the DRS clients end their DRS relationships, they would have no need for our DRS services. Second, our current DRS clients could decide to invest the resources necessary to provide DRS services internally. Third, SPHE could decide to improve SuperComm s service offering, or sell it to a third party who will do the same and successfully compete for one or more of our DRS clients. Fourth, our DRS clients could decide that the benefits of our services are not in line with the current cost structure, ultimately leading to reduced DRS revenues. Fifth, MediaMorph and other competitors could successfully establish significant client bases that limit Rentrak s Digital DRS growth and/or lead to a decline in our DRS revenues. Lastly, if the overall size of the home entertainment rental market contracts significantly, and/or the large brick-and-mortar and online retailers share of the overall rental market declines significantly, as it did when Movie Gallery closed a substantial number of stores, the amount of data we process and audit on behalf of our DRS clients would also be reduced, resulting in a corresponding decrease in our DRS revenues.

These and other factors could potentially reduce the need for our services and the quantity of data we process, which would negatively affect our results of operations, financial condition and liquidity.

We face intense competition in the markets in which we operate and those in which we are currently developing new service offerings.

Some of our competitors have extensive distribution networks, long-standing relationships with our suppliers and customers, stronger brand name recognition and significantly greater financial resources than us. These factors may enable our competition to have increased bargaining and purchasing power relating to resources that could enable them to operate in a more cost effective manner and/or to surpass our technological advancements. This could have a material adverse effect on our ability to grow our lines of business.

Our PPT business is greatly influenced by 1) technological advancements, 2) consumer behaviors and demand; and 3) changes in the industries in which we operate.

The markets in which our PPT division operates are highly competitive, rapidly changing and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices

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from which to select their entertainment content and can easily shift from one provider to another. Some examples include renting Units of product from our Participating Retailers, ordering product directly via online subscriptions and/or online distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the internet, purchasing and owning the Unit directly or selecting an at-home pay-per-view or video-on-demand option. Our systems primarily rely on the end consumer choosing to rent Units from traditional brick and mortar retailers. Technological advancements, changes in distribution methods as well as lower pricing models may make other options more attractive to consumers and thereby materially diminish the demand for obtaining Units via traditional retailers. Such a consequence could have a material adverse effect on our results of operations and financial condition.

Our services are highly dependent on the effective and efficient use of technology and our overall information management infrastructure.

If we are unable to acquire, establish and maintain our information management systems to ensure accurate, reliable and timely data processed in an efficient and cost effective manner, we may not be able to meet the needs of existing clients and may not be able to enhance existing services or develop new lines of business. This could have an adverse effect on our business and long-term growth.

The loss of our executive officers and key employees could have an adverse impact on our business and development initiatives.

We believe that the development of our business has been, and will continue to be, dependent on certain key executives and employees of Rentrak. The loss of any of these individuals could have a material adverse effect upon our business and development, and there can be no assurance that adequate replacements could be found in the event of their unavailability.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our headquarters in Portland, Oregon where we lease 58,800 square feet of office space. The lease for this space expires on December 31, 2016. We also maintain an office in Los Angeles, California where we lease 4,000 square feet of space utilized for our Box Office Essentials business. The lease for this space expires in July 2009 and we are currently negotiating a new agreement. Effective April 1, 2009, we entered into a two-year lease agreement for office space in New York, New York, which will be utilized for servicing clients of our Multi-Screen Essentials lines of business. We anticipate that these spaces will be adequate for our near-term business needs.

ITEM 3. LEGAL PROCEEDINGS

We may, from time to time, be a party to legal proceedings and claims that arise in the ordinary course of our business. In the opinion of management, the amount of any ultimate liability with respect to these potential actions is not expected to materially affect our financial condition or results of operations. We currently have no material outstanding litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our security holders during the fourth quarter of the fiscal year covered by this report.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Price and Dividends

Our common stock, $.001 par value, is traded on the NASDAQ Global Market, where its prices are quoted under the symbol RENT. As of June 4, 2009 there were 216 holders of record of our common stock.

The following table sets forth the reported high and low sales prices of our common stock for each of the quarters in the last two fiscal years as regularly quoted on the NASDAQ Global Market:

Fiscal 2009	High	Low
Quarter 1	$ 14.30	$ 11.83
Quarter 2	15.80	13.16
Quarter 3	14.19	9.01
Quarter 4	12.98	8.44
Fiscal 2008	**High**	**Low**
Quarter 1	$ 16.45	$ 13.70
Quarter 2	15.37	10.56
Quarter 3	16.15	13.10
Quarter 4	14.45	9.95

Holders of our common stock are entitled to receive dividends if, as, and when declared by the Board of Directors out of funds legally available therefor, subject to the dividend and liquidation rights of any preferred stock that may be issued.

No cash dividends have been paid or declared during the last ten fiscal years. The present policy of the Board of Directors is to retain earnings to provide funds for operation and expansion of our business. We do not intend to pay cash dividends in the foreseeable future.

Issuer Repurchases of Equity Securities

We repurchased the following shares of our common stock in open market transactions during the fourth 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
January 1 to January 31		$		408,120
February 1 to February 28	38,800	11.06	38,800	369,320
March 1 to March 31	62,837	9.20	62,837	306,483
Total	101,637	9.91	101,637	306,483

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.

Securities Authorized for Issuance

Information regarding securities authorized for issuance under equity compensation plans is included in Item 12.

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Stock Performance Graph

This chart compares the five-year cumulative total return on our common stock with that of the Nasdaq Composite index and a group of peer companies selected by us. The chart assumes $100 was invested on March 31, 2004, in our common stock, the Nasdaq Composite index and the peer group, and that any dividends were reinvested. The peer group is composed of companies within the video distribution business as follows: Hastings Entertainment, Inc., Blockbuster, Inc. and Netflix, Inc. The peer group index utilizes the same methods of presentation and assumptions for the total return calculation as does Rentrak and the Nasdaq Composite index. All companies in the peer group index are weighted in accordance with their market capitalizations.

	Base Period	Indexed Returns Year Ended				
Company/Index	**03/31/04**	**03/31/05**	**03/31/06**	**03/31/07**	**03/31/08**	**03/31/09**
Rentrak Corporation	$ 100.00	$ 126.34	$ 116.42	$ 178.22	$ 137.97	$ 102.62
Nasdaq Composite	100.00	101.44	120.49	127.08	118.90	78.48
Peer Index	100.00	47.19	57.71	57.02	66.97	70.34

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ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share amounts)	Year Ended March 31, 2009	2008	2007	2006	2005
Statement of Operations Data					
Revenues:					
PPT Division	$ 82,320	$ 82,805	$ 97,899	$ 87,157	$ 93,697
AMI Division	12,646	10,383	7,822	6,126	4,818
Other Division					23
Total revenues	94,966	93,188	105,721	93,283	98,538
Cost of sales	62,575	61,814	72,242	65,111	69,882
Gross margin	32,391	31,374	33,479	28,172	28,656
Operating expenses:					
Selling and administrative expense	26,888	25,683	25,188	22,241	20,046
Net loss from litigation settlements					225
Asset impairment	257	85			27
Total operating expenses	27,145	25,768	25,188	22,241	20,298
Income from operations	5,246	5,606	8,291	5,931	8,358
Other income, net	1,108	1,651	1,514	1,014	322
Income before income tax provision	6,354	7,257	9,805	6,945	8,680
Income tax provision	(991)	(2,663)	(3,918)	(2,549)	(3,437)
Net income	$ 5,363	$ 4,594	$ 5,887	$ 4,396	$ 5,243
Basic net income per share	$ 0.51	$ 0.43	$ 0.55	$ 0.42	$ 0.52
Diluted net income per share	$ 0.49	$ 0.41	$ 0.53	$ 0.40	$ 0.49
Shares used in per share calculations:					
Basic	10,561	10,728	10,632	10,575	10,081
Diluted	11,047	11,227	11,170	11,047	10,592

	March 31, 2009	2008	2007	2006	2005
Balance Sheet Data					
Working capital	$ 43,244	$ 41,043	$ 37,924	$ 30,796	$ 25,802
Total assets	59,878	57,149	60,016	54,217	45,083
Long-term liabilities	2,938	4,145	2,338		51
Stockholders equity	46,977	43,672	41,335	35,411	29,933

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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.

Our PPT Division focuses on managing our business operations that facilitate the delivery of home entertainment content products (DVDs, Blu-ray Discs, etc.) (Units) 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 Traditional and Digital Direct Revenue Sharing (DRS) services, which encompasses the collection, tracking, auditing and reporting of transaction and revenue data generated by DRS retailers, such as Blockbuster Entertainment, Movie Gallery and Netflix, to our respective DRS clients 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 primarily 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 overall economic trends and 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 and can easily shift from one provider to another. 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 (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the internet, purchasing and owning the Unit directly, or selecting an at-home pay-per-view or on demand option from a satellite or cable provider. 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 stabilize and maintain our current level of overall PPT revenue and earnings, we have implemented strategies to obtain new Participating Retailers, as well as assist in the retention and growth of our current Participating Retailers. The popularity of other choices an end consumer has to obtain entertainment content has been growing and our Participating Retailers market share has been negatively affected. Thus, for the foreseeable future, we expect their market share to experience low to mid single digit annual percentage declines and we are evaluating other initiatives to offset the effect this trend has on our PPT revenue and earnings.

We continue to be in good standing with our Program Suppliers and we make on-going efforts to strengthen those business relationships through enhancements to our current service offerings and the development of new service offerings, such as the addition of Blu-ray product.

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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 continue to allocate 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 21.8% in fiscal 2009 compared to fiscal 2008.

The AMI lines of business which contribute most of the revenues currently are Box Office Essentials , which reports domestic and international gross receipt theatrical ticket sales, and OnDemand Essentials , which measures and reports anonymous video on demand (VOD) usage data. Additionally, we are making significant investments in TV Essentials , which provides our clients with the ability to analyze anonymous audience viewing of programming and advertising across linear and interactive television, VOD and Digital Video Recorder (DVR).

Box Office Essentials primarily reports domestic and international theatrical gross receipt ticket sales to motion picture studios and movie theater owners. Rentrak provides studios with access to box office performance data pertaining to specific motion pictures and movie theater circuits, both real-time and historical. Data is currently collected for virtually all movie theaters in North America, Guam and Puerto Rico and is primarily obtained via electronic connectivity to theater box offices. We continue to make on-going efforts to strengthen our business relationships with our existing clients as well as focus on our syndication services and international expansion plans.

OnDemand Essentials provides cable operators, content providers (including broadcast/cable networks and studios) and advertisers with a transactional tracking and reporting system to view and analyze the viewership of on demand content. During fiscal 2009, we added thirteen new content providers to our OnDemand Essentials roster of subscribers, including FX, InDemand Networks, Magnolia Pictures and Spike TV for a total of over 100 OnDemand Essentials service clients to date. We currently have 28 Multiple System Operators (MSOs), including the top 25 MSOs who offer video on demand programming, representing over 70 million set-top boxes, supporting our OnDemand Essentials services. We are well positioned to grow this business by adding new clients and adjusting rates as the business activity increases and as advanced advertising technology is rolled out by the industry.

Through a recent, new partnership with SeaChange International, the leading provider of video on demand and IPTV software, Rentrak and SeaChange will provide a seamless process for dynamic video on demand ad insertion, verification and reporting. Together, the companies will integrate solutions to dramatically improve the ability of MSOs, networks and advertisers to monetize VOD advertising on a regional and national basis. Advanced TV advertising includes VOD, requests for information (RFIs), long-form showcases, DVR advertising, interactive program guide advertising, addressable advertising, creative versioning and advanced trafficking systems.

TV Essentials comprehensive suite of research tools enables customers to analyze anonymous audience viewing of programming and advertising across linear and interactive television, video on demand and DVR across all three TV platforms cable, satellite and telecommunications. Utilizing proprietary technology to process massive amounts of click-stream data, our TV Essentials system is able to aggregate and report second-by-second information from 100 million digital set-top boxes. Today, based on data from our current operator partners, we are translating viewing patterns from over 10 million digital set-top boxes into insights for our clients and we expect success in this area to continue and increase its rate of growth.

We are making good progress on expanding our data partners for our TV Essentials services from our commercial relationships today with AT&T and Charter Communications. In addition to those partners, we also have a relationship with DISH Network (Dish) to provide TV Essentials for their internal use for a

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subscription fee as we work toward commercialization of that relationship. The Dish relationship has resulted in the creation of our DVR and iTV reporting, which can be rolled out to other partners as the data to drive those services becomes available to us. We are also working on securing national ad occurrence data in order to launch the ad module of TV Essentials services as well as build research capabilities to begin creating syndicated products for our measurement service. Rentrak recently entered into TV Essentials customer relationships with our first two networks, the Inspiration Network and HDNet. A version of the system designed specifically for local stations is also in beta trials with several network groups.

We continue new product development for other component products as we work toward measuring and comparing entertainment consumption across multiple platforms, which will help us expand our Multi-Screen Essentials suite of services. Mobile Essentials has been developed to provide a comprehensive system to track usage and consumer dynamics in the mobile sector including video, video clips, games, music, mobile web, small message servicing (SMS) data (also known as text messaging), ring tones, wallpaper and other mobile content. We recently announced our first Mobile Essentials customer, NBC Universal. Online Video Essentials is being developed to measure and analyze advertiser-supported online video usage across the Internet.

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 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.

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 and/or buy-out fees generated when retailers purchase Units at the end of the lease term; and
- Traditional and Digital 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 ; and

Multi-Screen Essentials , which includes OnDemand 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

	Year Ended March 31, [1]					
	2009		2008		2007[2]	
(Dollars in thousands)	Dollars	% of revenues	Dollars	% of revenues	Dollars	% of revenues
Revenues:						
PPT Division	$ 82,320	86.7%	$ 82,805	88.9%	$ 97,899	92.6%
AMI Division	12,646	13.3	10,383	11.1	7,822	7.4
	94,966	100.0	93,188	100.0	105,721	100.0
Cost of sales	62,575	65.9	61,814	66.3	72,242	68.3
Gross margin	32,391	34.1	31,374	33.7	33,479	31.7
Operating expenses:						
Selling and administrative	26,888	28.3	25,683	27.6	25,188	23.8
Asset impairment	257	0.3	85	0.1		
	27,145	28.6	25,768	27.7	25,188	23.8
Income from operations	5,246	5.5	5,606	6.0	8,291	7.8
Other income (expense):						
Interest income	1,110	1.2	1,517	1.6	1,521	1.4
Interest expense	(2)		(10)		(7)	
Other income, net			144	0.2		
	1,108	1.2	1,651	1.8	1,514	1.4
Income before income tax provision	6,354	6.7	7,257	7.8	9,805	9.3
Income tax provision	991	1.0	2,663	2.9	3,918	3.7
Net income	$ 5,363	5.6%	$ 4,594	4.9%	$ 5,887	5.6%

(1) Percentages may not add due to rounding.

(2) Revenue amounts for fiscal 2007 have been reclassified for the reclassification of DRS revenue to our PPT Division from our AMI Division during fiscal 2008.

Certain results of operations information by segment was as follows:

	PPT	AMI	Other[1]	Total
Year Ended March 31, 2009				
Sales to external customers	$ 82,320	$ 12,646	$	$ 94,966
Depreciation and amortization	99	1,080	571	1,750
Income (loss) from operations	14,648	901	(10,303)	5,246
Year Ended March 31, 2008				
Sales to external customers	$ 82,805	$ 10,383	$	$ 93,188
Depreciation and amortization	86	718	629	1,433
Income (loss) from operations	15,216	1,271	(10,881)	5,606

Year Ended March 31, 2007[2]				
Sales to external customers	$ 97,899	$ 7,822	$	$ 105,721
Depreciation and amortization	49	1,257	430	1,736
Income (loss) from operations	21,167	(1,052)	(11,824)	8,291

(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.

(2) Revenue and income (loss) from operations amounts for fiscal 2007 have been reclassified for the reclassification of DRS revenue to our PPT Division from our AMI Division during fiscal 2008.

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Additional results of operations information by segment was as follows:

	Year Ended March 31, (1)					
	2009		2008		2007(2)	
(Dollars in thousands)	Dollars	% of segment revenues	Dollars	% of segment revenues	Dollars	% of segment revenues
PPT Division						
Revenues	$ 82,320	100.0%	$ 82,805	100.0%	$ 97,899	100.0%
Cost of sales	59,492	72.3	59,856	72.3	70,019	71.5
Gross margin	$ 22,828	27.7%	$ 22,949	27.7%	$ 27,880	28.5%
AMI Division						
Revenues	$ 12,646	100.0%	$ 10,383	100.0%	$ 7,822	100.0%
Cost of sales	3,083	24.4	1,958	18.9	2,223	28.4
Gross margin	$ 9,563	75.6%	$ 8,425	81.1%	$ 5,599	71.6%

(1) Percentages may not add due to rounding.

(2) Revenue amounts for fiscal 2007 have been reclassified for the reclassification of DRS revenue to our PPT Division from our AMI Division during fiscal 2008.

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

Year Ended March 31,	2009	2008	2007
Order processing fees	$ 8,644	$ 7,593	$ 9,136
Transaction fees	53,274	54,324	64,935
Sell-through fees	13,432	14,093	15,356
DRS	6,410	6,171	7,586
Essentials Suite	12,646	10,383	7,822
Other	560	624	886
	$ 94,966	$ 93,188	$ 105,721

Revenue

Revenue increased $1.8 million, or 1.9% to $95.0 million, in fiscal 2009 compared to $93.2 million in fiscal 2008. The increase in revenue in fiscal 2009 compared to fiscal 2008 was primarily due to increased order processing fees and increased revenue from our Essentials Suite of products, as described more fully below.

Revenue decreased $12.5 million, or 11.9% to $93.2 million, in fiscal 2008 compared to $105.7 million in fiscal 2007. The decrease in revenue in fiscal 2008 compared to fiscal 2007 was primarily due to decreases within our PPT Division, partially offset by an increase from our Essentials Suite of products in our AMI Division, as described more fully below.

PPT Division

PPT revenues decreased $0.5 million, or 0.6% in fiscal 2009 compared to fiscal 2008 and decreased $15.1 million, or 15.4% in fiscal 2008 compared to fiscal 2007. Detail of our PPT Division revenue by service line was as follows (in thousands):

Year Ended March 31,	2009	2008	2007
Order processing fees	$ 8,644	$ 7,593	$ 9,136
Transaction fees	53,274	54,324	64,935
Sell-through fees	13,432	14,093	15,356
DRS	6,410	6,171	7,586
Other	560	624	886
	$ 82,320	$ 82,805	$ 97,899

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Order processing fees increased $1.1 million, or 13.8%, in fiscal 2009 compared to fiscal 2008 and decreased $1.5 million, or 16.9%, in fiscal 2008 compared to fiscal 2007. Order processing fees were affected by the following:

Year Ended March 31,	**2009**	**2008**	**2007**
Units shipped (in thousands)	6,554	6,268	7,385
Fee per Unit	$ 1.32	$ 1.21	$ 1.24

	Fiscal 2009 compared to fiscal 2008	**Fiscal 2008 compared to fiscal 2007**
Percentage increase (decrease) in Units shipped	4.6%	(15.1)%
Effect of increase (decrease) in Units shipped on revenue	$ 0.4 million	$ (1.4) million
Increase (decrease) in fee per Unit	$ 0.11	$ (0.03)
Effect of increase (decrease) in fee per Unit on revenue	$ 0.7 million	$ (0.1) million

The increase in volume in fiscal 2009 compared to fiscal 2008 was due to more theatrical releases which were made available from Program Suppliers in the current fiscal year compared to the prior fiscal year. The timing of new releases tends to fluctuate from studio to studio. In addition, a new Program Supplier began providing product in fiscal 2009. These factors were partially offset by a decline in the number of Participating Retailers from the prior year and a decline in the average quantity of product ordered per theatrical release due to the mix of product and economic factors.

The decrease in volume in fiscal 2008 compared to fiscal 2007 was due to an overall weakness in the quality of titles released in fiscal 2008 compared to fiscal 2007 and the decline in volume due to the significant reduction of Units received from one of our major Program Suppliers during fiscal 2008. This Program Supplier represented 6%, 7% and 16%, respectively, of our total revenues during fiscal 2009, 2008 and 2007.

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 $1.1 million, or 1.9%, in fiscal 2009 compared to fiscal 2008 and decreased $10.6 million, or 16.3%, in fiscal 2008 compared to fiscal 2007.

The transaction fee revenue decrease in fiscal 2009 compared to fiscal 2008 was primarily due to a 5.6% decline in rental transactions offset by a shift in mix to studios with more guarantees. Rental transactions declined due to the overall market conditions, including changes in consumer behavior, technological advances in entertainment content delivery and the perceived value of other alternatives. The rate per transaction increased by 3.9% due to the timing and magnitude of guarantees. The guaranteed rate per Unit drives rates up during the first month of the rental cycle. When there are fewer guarantees or more guarantee Units reach the second and third months of the rental cycle, rates per transaction decrease.

The decrease in fiscal 2008 compared to fiscal 2007 was primarily due to lower rental transactions. Rental transactions at our Participating Retailers decreased 14%, while the overall rate per transaction decreased by 3%. Rental transactions declined due to the overall market conditions noted above and the reduction in Units received from one of our Program Suppliers noted above. The rate per transaction decreased due to the timing and magnitude of guarantees.

Sell-through fees decreased $0.7 million, or 4.7%, in fiscal 2009 compared to fiscal 2008 primarily due to an overall decline in Units available for sale on average, taking release dates and product sell-through restrictions into account.

Sell-through fees decreased $1.3 million, or 8.2%, in fiscal 2008 compared to fiscal 2007 primarily due to an overall decrease in the volume of Units released.

DRS fees increased $0.2 million, or 3.9%, in fiscal 2009 compared to fiscal 2008. DRS fees increased due to adding new clients to this service offering.

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DRS fees decreased $1.4 million, or 18.7%, in fiscal 2008 compared to fiscal 2007 primarily due to the loss of one major studio customer.

AMI Division

Revenues from our AMI division increased $2.3 million, or 21.8%, in fiscal 2009 compared to fiscal 2008 and $2.6 million, or 32.7%, in fiscal 2008 compared to fiscal 2007. The Box Office Essentials revenues increased $0.6 million, or 12.1%, from fiscal 2008 to fiscal 2009, primarily the result of an increase in syndication client revenue, as the result of adding new clients, and rate increases for existing accounts. The OnDemand Essentials revenues increased $1.1 million, or 30.2 %, from fiscal 2008 to fiscal 2009 mostly attributable to additional new client subscriptions, custom enhancements made for specific clients and rate increases for existing accounts. Revenues related to our Essentials business information service offerings have increased primarily due to our continued investment in and successful marketing of these offerings and successful retention of clients. We expect continued future increases in these Essentials revenues as well, as a result of further investments and additional successful launches of those services.

Other Division

We did not have any revenues from our Other Division in fiscal 2009, 2008 or 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 all 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 increased $0.8 million, or 1.2%, to $62.6 million in fiscal 2009 compared to $61.8 million in fiscal 2008 and decreased $10.4 million, or 14.4%, in fiscal 2008 compared to $72.2 million in fiscal 2007. Cost of sales as a percentage of revenue was 65.9% in fiscal 2009, 66.3% in fiscal 2008 and 68.3% in fiscal 2007.

The fluctuations in cost of sales in fiscal 2009 compared to fiscal 2008 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 being produced by our AMI Division. We achieve higher gross margins on our AMI Division revenue than on our PPT Division revenue. In addition, as revenues increase in our AMI Division, cost of sales as a percentage of revenues should decrease as most of our AMI Division costs are fixed.

The decrease in cost of sales in fiscal 2008 compared to fiscal 2007 was primarily due to the decrease in revenues discussed above, as well as to the decrease in cost of sales as a percentage of revenue. The decrease in cost of sales as a percentage of revenue was primarily due to a shift to more AMI Division revenue in fiscal 2008 as compared to PPT Division revenue. Also, effective April 1, 2007, we increased the estimated lives of our capitalized software to five years from three years based on a review of our previous usage of such internally developed software. Therefore, costs associated with amortizing this software decreased in fiscal 2008 compared to fiscal 2007.

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

Selling and administrative expenses increased $1.2 million, or 4.7%, to $26.9 million in fiscal 2009 compared to $25.7 million in fiscal 2008, and increased $0.5 million, or 2.0%, in fiscal 2008 compared to $25.2 million in fiscal 2007.

The increase in selling and administrative expenses in fiscal 2009 compared to fiscal 2008 was primarily due to the continued expansion of our Essentials lines of business. As a percentage of revenues, selling and administrative expenses were 28.3% in fiscal 2009 compared to 27.6% in fiscal 2008, primarily due to our continued investment in our Essentials line of business in fiscal 2009.

Selling and administrative expense in fiscal 2008 compared to fiscal 2007 included an increase of $0.6 million in stock-based compensation related to the issuance of deferred stock units on April 2, 2007. In addition, selling and administrative expense increased $0.5 million related to the hiring of additional personnel associated with the expansion of our AMI Division. These factors were offset by a $0.6 million decrease in our bonus accrual in fiscal 2008 compared to fiscal 2007. As a percentage of revenues, selling and administrative expense increased to 27.6% in fiscal 2008 compared to 23.8% in fiscal 2007 primarily due to the increase in dollars spent in fiscal 2008 combined with decreased revenues over which to spread fixed costs.

Asset Impairment

During fiscal 2009, we recorded a $257,000 asset impairment charge related to various components of our Essentials lines of business, which had been in development. Management concluded that it was likely the components would not be placed in service in the foreseeable future. However, this asset impairment charge does not significantly alter management s plans for the expansion of its Essentials services.

During fiscal 2008, we recorded an $85,000 impairment charge to write off a component of one of our Essentials lines of business, which had been in development. Management concluded that it was likely the asset would not be placed in service in the foreseeable future.

Interest Income

Interest income was $1.1 million, $1.5 million and $1.5 million, respectively, in fiscal 2009, 2008 and 2007. The decrease in fiscal 2009 compared to fiscal 2008 was due to lower interest rates on investments we had in place during the first half of fiscal 2009. Interest income was flat in fiscal 2008 compared to fiscal 2007 as increases due to higher average cash balances were offset by lower interest rates. Our average combined cash and investment balance was $35.2 million, $33.8 million and $30.2 million for fiscal 2009, 2008 and 2007, respectively.

Other Income, Net

Other income, net, in fiscal 2008 related to the recognition of the cumulative translation adjustment of our Rentrak U.K. subsidiary. The subsidiary had remained a legal entity as we were actively pursuing certain business activities. Since the liquidation of the subsidiary was substantially complete as of March 31, 2008, we recognized the cumulative translation adjustment of $181,000 related to this subsidiary and

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wrote off assets of $37,000. Accordingly, the net effect of these two amounts of approximately $144,000 was recognized as other income, net, in fiscal 2008.

Income Taxes

Our effective tax rate was 15.6%, 36.7% and 40.0%, respectively, in fiscal 2009, 2008 and 2007. Our effective tax rate differs from the federal statutory tax rate primarily due to state income taxes and other adjustments as noted below.

In fiscal 2009, our tax rate was positively affected by the following factors: $0.3 million for federal and state research and experimentation credits, $0.3 million for earnings on investments in tax exempt municipal bonds, $0.3 million for changes in our FIN 48 reserve, which includes $0.8 million of favorable settlements relating to our recently completed federal tax audit offset by an additional reserve of $0.5 million primarily for tax positions taken in prior fiscal years, and $0.8 million for income exempt in foreign jurisdictions.

In fiscal 2008, our tax rate was positively affected by $0.6 million of federal and state research and experimentation credits and negatively affected by a $0.1 million change associated with our adoption of FIN 48.

Inflation

We believe that the impact of inflation was minimal on our business in fiscal 2009, 2008 and 2007.

Liquidity and Capital Resources

Our sources of liquidity include our cash and cash equivalents, marketable securities, 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 March 31, 2010.

Cash and cash equivalents and marketable securities increased $2.7 million to $34.5 million at March 31, 2009 compared to $31.8 million at March 31, 2008. This increase resulted primarily from $8.0 million provided by operating activities, partially offset by $3.0 million used for the purchase of equipment and capitalized IT costs and by $2.3 million used for the repurchase of common stock. Our current ratio was 5.3:1.0 at March 31, 2009 and 5.4:1.0 at March 31, 2008.

Accounts receivable, net of allowances, increased $1.0 million to $16.0 million at March 31, 2009 compared to $15.0 million at March 31, 2008, primarily due to increases in receivables due to higher revenues in our AMI division, as well as the timing of payments received on Units shipped with minimum guaranteed revenues. In addition, an increase in the aging of our accounts receivable in our PPT Division has contributed to the overall increase in accounts receivable. Collection of our PPT Division accounts receivable has slowed due to the overall state of the economy. However, we are able to contractually recover certain bad debts from our Program Suppliers and we believe we have sufficient reserves to cover any losses which exceed those amounts.

During fiscal 2009, we spent $3.0 million on property and equipment, including $2.1 million for the capitalization of internally developed software for our business information service offerings. We anticipate spending a total of approximately $4.1 million on property and equipment in fiscal 2010, including approximately $3.4 million for the capitalization of internally developed software, primarily for our business information service offerings. The remaining capital expenditures in fiscal 2010 will be primarily for computer equipment.

Deferred revenue increased $0.6 million to $1.5 million at March 31, 2009 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 March 31, 2009, 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.

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Taxes payable, net of taxes receivable and prepaid taxes, decreased to $11,000 at March 31, 2009 compared to $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, increased to $0.6 million at March 31, 2009 compared to a net asset of $27,000 at March 31, 2008 due primarily 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 $1.1 million at March 31, 2009 represents amounts received for qualified renovations on our corporate headquarters and free rent for the first three months of the lease terms. The deferred rent is being amortized against rent expense over the term of the related lease at the rate of approximately $24,000 per quarter.

Our notes payable, which totaled $1.0 million at March 31, 2008, were all forgiven during fiscal 2009. The notes payable included a $0.7 million loan from the Portland Development Commission (PDC), a $0.2 million loan from the State of Oregon and a $58,000 conditional grant from the PDC, all of which were related to our fiscal 2007 corporate headquarters renovations. The $1.0 million gain related to the note forgiveness was recorded as an offset to leasehold improvements and is being amortized as an offset to depreciation expense over the life of the related leases at the rate of $30,000 per quarter through December 2016. The balance of the deferral related to the note forgiveness was $0.9 million at March 31, 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 217,218 shares in fiscal 2009 at an average price of $10.55 per share. Through March 31, 2009, a total of 693,517 shares had been repurchased under this plan at an average price of $10.81 per share and 306,483 shares remained available for purchase. This plan does not have an expiration date. We do not have an established plan for definitive repurchases of shares in any period. All repurchases of shares are determined by a designated officer.

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 March 31, 2009, we determined that we were in compliance with the financial covenants at March 31, 2009. At March 31, 2009, we had no outstanding borrowings under this agreement.

Contractual Payment Obligations

A summary of our contractual commitments and obligations as of March 31, 2009 was as follows (in thousands):

	Payments Due By Fiscal Period				
Contractual Obligation	**Total**	**2010**	**2011 and 2012**	**2013 and 2014**	**2015 and beyond**
Operating leases	$ 9,334	$ 1,195	$ 2,399	$ 2,417	$ 3,323
Program Supplier guarantees	1,087	1,087			
Management contracts(1)	2,274	2,274			
	$ 12,695	$ 4,556	$ 2,399	$ 2,417	$ 3,323

(1) Most of our employment contracts with executive management have a one-year term subject to extension. The above amounts do not include any additional payments which may be required in the event of termination or a change in control. See also Item 11 for details of our fiscal 2009 executive compensation.

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Critical Accounting Policies and Estimates

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Following is a discussion of our critical accounting policies and estimates.

Revenue Recognition

We follow Statement of Position (SOP) 00-2, Accounting by Producers or Distributors of Films, and recognize revenue when all of the following conditions are met:

- Persuasive evidence of an arrangement exists;
- The products or services have been delivered;
- The license period has begun (which is referred to as the street date for a product);
- The arrangement fee is fixed or determinable; and
- Collection of the arrangement fee is reasonably assured.

PPT agreements generally provide for an initial order processing fee and continuing transaction fees based on a percentage of rental revenues earned by the retailers upon renting the Units to their customers. Initial order processing fees cover the direct costs of accessing Units from Program Suppliers and handling, packaging and shipping of the Units to the retailer. Once the Units are shipped, we have no further obligation to provide services to the retailer.

We recognize order processing fees as revenue on the street date and recognize transaction fees when the Units are rented to the consumers, provided all other revenue recognition criteria have been met. Certain arrangements include guaranteed minimum revenues from our customers. In these arrangements, we recognize the guaranteed minimum revenue on the street date, provided all other revenue recognition criteria are met.

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 will develop reporting tools specifically relating to their unique business requirements. We will 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. We will recognize the revenue and related costs when the development project is completed, which is scheduled to occur during the second quarter of fiscal 2010.

We recognize other services revenue, including DRS revenue in our PPT Division, and business information services revenue in our AMI Division, ratably over the period of service.

Allowance for Doubtful Accounts

Credit limits are established through a process of reviewing the financial history and stability of each customer. We regularly evaluate the collectibility of accounts receivable by monitoring past due balances. If it is determined that a customer may be unable to meet its financial obligations, a specific reserve is established based on the amount we expect to recover. An additional general reserve is provided based on aging of accounts receivable and our historical collection experience. If circumstances change related to specific customers, overall aging of accounts receivable or collection experience, our estimate of the recoverability of accounts receivable could materially change. Our allowance for doubtful accounts totaled $597,000 and $572,000, respectively, at March 31, 2009 and 2008. See also Schedule II, Valuation and Qualifying Accounts included in Item 8 of this Annual Report on Form 10-K.

Deferred Taxes

We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. In accordance with SFAS No. 109, deferred tax assets arise from the tax benefit of amounts expensed for financial reporting purposes but not yet deducted for tax purposes and from unutilized tax credits and NOL carry forwards. We evaluate our deferred tax assets on a regular basis to determine if a valuation

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allowance is required. To the extent it is determined the recoverability of the deferred tax assets is unlikely, we will record a valuation allowance against deferred tax assets. As of both March 31, 2009 and 2008, we had a valuation allowance of $0.1 million recorded against our net operating and capital loss carryforwards in various state and foreign jurisdictions. Net deferred tax assets and (liabilities) totaled $(0.6) million and $27,000, respectively, as of March 31, 2009 and 2008.

Capitalized Software

We account for capitalized software in accordance with SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Capitalized software, included in Property and Equipment, net, consists of costs to purchase and develop internal-use software, as well as costs to develop internal software which is used by us to provide various services to clients within our expanding Essentials Suite of services. These services provide unique data collection, management, analysis and reporting functions, resulting in business information valuable to our clients. For example, our Box Office Essentials business line reports domestic and international gross receipt theatrical ticket sales to motion picture studios and movie theatre owners. Our OnDemand Essentials business line measures and reports anonymous video on demand (VOD) usage data to our clients. Such internal and external costs to develop the internal software used to support these services are capitalized after the technological and business feasibility of the project is determined and the preliminary project stage is completed. We continue to develop our internal software systems in order to expand our service offerings. Once we begin to utilize such software in our products, these costs are amortized on a straight-line basis over the estimated economic life of the software, which is five years. Capitalized software is reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Based on these reviews, we recorded capitalized software impairment charges of $257,000 and $85,000 in fiscal 2009 and 2008, respectively. No such charges were recorded in fiscal 2007. Changes in technology could affect our estimate of the useful life of such assets. Capitalized software costs, net of accumulated amortization, totaled $3.8 million and $4.0 million at March 31, 2009 and 2008, respectively.

Stock-Based Compensation

SFAS No. 123R, Share-Based Payment, requires the measurement and recognition of compensation expense for all share-based payment awards granted to our employees and directors, including employee stock options, deferred stock units (DSUs) and stock appreciation rights (SARs) based on the estimated fair value of the award on the grant date. We utilize the Black-Scholes valuation model for valuing our stock-based awards. As of March 31, 2009, unrecognized stock-based compensation related to outstanding, but unvested, options and DSUs was $0.6 million, which will be recognized over the weighted average remaining vesting period of 2.2 years.

On October 10, 2008 and November 6, 2008, we granted 344,875 performance-based nonqualified stock options and 277,625 SARs to certain key employees. These awards are subject to vesting provisions based on attaining specific performance goals and will expire on August 30, 2011 to the extent not previously exercised or terminated. The base price for the SARs and the exercise price per option is $11.10. Vesting will be accelerated if a change in control occurs before the performance criteria are met. 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 fair value of the performance-based options was estimated to be $0.9 million using the Black-Scholes valuation model. However, as of March 31, 2009, no compensation cost has been recognized for these awards as the performance goals are not probable of being attained.

The use of the Black-Scholes valuation model to estimate the fair value of stock option awards requires us to make judgments on assumptions regarding the risk-free interest rate, expected dividend yield, expected term and expected volatility over the expected term of the award. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of expense could be materially different in the future.

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Compensation expense is only recognized on awards that ultimately vest. However, we have not reduced the stock-based compensation expense for estimated forfeitures as there is no basis for estimating future forfeitures as most unvested options are held by members of senior management and the Board of Directors. We update for forfeitures as they occur and recognize any changes to accumulated compensation expense in the period of change. If actual forfeitures are significant, our results of operations could be materially impacted.

Accounting for Unrecognized Tax Benefits

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), which is an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in tax positions and applies to situations where there is uncertainty as to the timing of the deduction, the amount of the deduction, or the validity of the deduction. FIN 48 requires that we adjust our financial statements to reflect only those tax positions that are more-likely-than-not to be sustained on audit, based on the technical merits of the position. As of March 31, 2009 and 2008, the total amount of unrecognized tax benefits was $1.2 million and $2.0 million, respectively, including penalties and interest of $30,000 and $0.3 million, respectively. All unrecognized tax benefits at March 31, 2009 would affect the effective tax rate if recognized. See Note 10 of Notes to Consolidated Financial Statements.

Marketable Securities

We classify our marketable securities 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. Dividend and interest income is recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

New Accounting Pronouncements

See Note 3 of Notes to Consolidated Financial Statements for a discussion of the impact of new accounting pronouncements.

Off-Balance Sheet Arrangements

Other than as disclosed above under Contractual Payment Obligations, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have considered the provisions of Financial Reporting Release No. 48 Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments, and Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments. We had no holdings of derivative financial or commodity instruments at March 31, 2009.

A review of our other financial instruments and risk exposures at March 31, 2009 revealed that we had exposure to interest rate risk related to our cash deposits and marketable securities. We have evaluated and assessed the potential effect of this risk and concluded that near-term changes in interest rates should not materially adversely affect our financial position, results of operations or cash flows.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Rentrak Corporation

We have audited the accompanying consolidated balance sheets of Rentrak Corporation and subsidiaries (the Company) as of March 31, 2009 and 2008, and related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the three years in the period ended March 31, 2009. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rentrak Corporation and subsidiaries as of March 31, 2009 and 2008, and the results of their consolidated operations and their consolidated cash flows for each of the three years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Rentrak Corporation and subsidiaries internal control over financial reporting as of March 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO*)* and our report dated June 2, 2009 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Portland, Oregon
June 2, 2009

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Rentrak Corporation and Subsidiaries

Consolidated Balance Sheets

(In thousands, except per share amounts)

	March 31, 2009	March 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,601	$ 26,862
Marketable securities	29,874	4,986
Accounts receivable, net of allowances for doubtful accounts of $597 and $572	15,970	15,032
Note receivable	436	396
Advances to program suppliers, net of program supplier reserves of $21 and $17	90	95
Taxes receivable and prepaid taxes	1,231	1,455
Deferred income tax assets	135	253
Other current assets	870	1,296
Total Current Assets	53,207	50,375
Property and equipment, net of accumulated depreciation of $9,472 and $7,731	6,128	6,145
Other assets	543	629
Total Assets	$ 59,878	$ 57,149
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 6,738	$ 6,768
Accrued liabilities	499	671
Deferred rent, current portion	96	90
Accrued compensation	1,100	930
Deferred revenue	1,530	873
Total Current Liabilities	9,963	9,332
Deferred rent, long-term portion	982	989
Deferred income tax liabilities	714	226
Taxes payable, long-term	1,242	1,965
Notes payable		965
Total Liabilities	12,901	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: 10,421 and 10,605	11	11
Capital in excess of par value	45,504	47,189
Accumulated other comprehensive income (loss)	(203)	170
Retained earnings (accumulated deficit)	1,665	(3,698)
Total Stockholders Equity	46,977	43,672
Total Liabilities and Stockholders Equity	$ 59,878	$ 57,149

See accompanying Notes to Consolidated Financial Statements.

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Rentrak Corporation and Subsidiaries

Consolidated Income Statements

(In thousands, except per share amounts)

	For the Year Ended March 31, 2009	2008	2007
Revenue	$ 94,966	$ 93,188	$ 105,721
Cost of sales	62,575	61,814	72,242
Gross margin	32,391	31,374	33,479
Operating expenses:			
Selling and administrative	26,888	25,683	25,188
Asset impairment	257	85	
	27,145	25,768	25,188
Income from operations	5,246	5,606	8,291
Other income (expense):			
Interest income	1,110	1,517	1,521
Interest expense	(2)	(10)	(7)
Other income, net		144	
	1,108	1,651	1,514
Income before income taxes	6,354	7,257	9,805
Provision for income taxes	991	2,663	3,918
Net income	$ 5,363	$ 4,594	$ 5,887
Basic net income per share	$ 0.51	$ 0.43	$ 0.55
Diluted net income per share	$ 0.49	$ 0.41	$ 0.53
Shares used in per share calculations:			
Basic	10,561	10,728	10,632
Diluted	11,047	11,227	11,170

See accompanying Notes to Consolidated Financial Statements.

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Rentrak Corporation and Subsidiaries

Consolidated Statements of Stockholders Equity and Comprehensive Income

For The Years Ended March 31, 2009, 2008 and 2007

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Capital In Excess of Par Value	Cumulative Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total Stockholders Equity
Balance at March 31, 2006	10,697,336	$ 11	$ 48,069	$ 181	$ (12,850)	$ 35,411
Net income					5,887	5,887
Unrealized loss on foreign currency translation				(49)		(49)
Comprehensive income						5,838
Common stock issued pursuant to stock plans	321,359		2,096			2,096
Common stock used to pay for option exercises and taxes	(114,172)		(1,762)			(1,762)
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)	41,335
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					5,363	5,363
Unrealized loss on foreign currency translation				(299)		(299)
Unrealized loss on investments, net of tax				(74)		(74)
Comprehensive income						4,990
Common stock issued pursuant to stock plans	39,175		201			201
Common stock used to pay for option exercises	(5,684)		(51)			(51)

Deferred stock units granted to Board of Directors						213						213
Stock-based compensation expense - options						274						274
Common stock repurchased	(217,218)					(2,291)						(2,291)
Income tax effect from stock-based compensation						(31)						(31)
Balance at March 31, 2009	10,420,937	$	11	$		45,504	$	(203)	$	1,665	$	46,977

See accompanying Notes to Consolidated Financial Statements.

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Rentrak Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	For the Year Ended March 31,		
	2009	**2008**	**2007**
Cash flows from operating activities:			
Net income	$ 5,363 &nb		