

HARRIS INTERACTIVE**Moderator: Dan Hucko
September 9, 2004
10:30 a.m. CT**

Operator: Good day and welcome to the Harris Interactive Special Event conference call. Today's call is being recorded at this time.

For opening remarks and introduction, I would like to turn the call over to Senior Vice President of Corporate Communications and Investor Relations, Mr. Dan Hucko. Please go ahead, sir.

Dan Hucko: Good morning, ladies and gentlemen, and thank you for joining us. With me this morning are Mr. Robert Knapp, Chief Executive Officer; Mr. Gregory Novak, President and Chief Operating Officer; Mr. Bruce Newman, Chief Financial Officer; and Mr. David Vaden, Senior Vice President of Business Development and Internet Services. Also joining us today is Dr. Richard Wirthlin, founder of Wirthlin Worldwide.

A webcast replay of this entire call will be available on our website at approximately 1 p.m. Eastern time today, and it will be archived there for at least 30 days. However, no telephone replay on this call will be available.

During today's call, we will be discussing pretax earnings and non-GAAP measure, and therefore we have included reconciliation to the most comparable GAAP measure, net earnings per share,

in the press release that we filed on Form 8-K this morning with the SEC, and also posted on our website.

Also during this call, we may make a number of forward-looking statements. These statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ from those discussed. The factors that could cause actual results to differ are readily available in the risk factor section of our most recent annual report dated September 26, 2003, and filed with the SEC on Form 10-K. We assume no obligation to update the information provided in this conference call.

And now I'd like to introduce Bob Knapp, our CEO.

Robert Knapp: Well, thanks, and good morning, everyone. This is a great day for Harris Interactive.

We're really excited to announce that yesterday we signed an agreement to acquire Wirthlin Worldwide, a privately held, \$50 million opinion research and consulting firm, which is headquartered in Reston, Virginia.

The acquisition adds 300 new clients and a tremendous amount of intellectual and managerial talent including five senior leaders and over 50 research analysts. It expands our product portfolio and strengthens our business in important business sectors like branding, government, financial services, and consumer package goods. It adds offices in Washington, D.C., the Midwest, the UK, and China. And, importantly, it makes a significant contribution to our revenue and profit.

I'm thrilled about this milestone because our companies share a common vision of what it takes to be a dominant force in market research. We both know that clients demand deep strategic insight and analysis combined with innovative and efficient methods of collecting market data. We both have dedicated our organizations to building strong client relationships that endure well

beyond one-off project work, and we both know that deep in our hearts helping our clients make measurable improvements in their businesses means we, and our clients, will thrive.

This acquisition is further evidence of our renewed focus on growth, both organic and acquisitive and a definitive step toward our goal of reaching \$500 million in revenue in five years. We will continue to use the cash we generate to change the scale, capabilities, and reach of our company. In a moment, our president, Greg Novak, and our senior vice president of business development, David Vaden, will give you more details about the structure of the deal and the opportunities for our combined operations.

But, first, it's my distinct pleasure to introduce Dr. Richard Wirthlin, one of the icons of the modern market research industry. Dick was Ronald Reagan's chief strategist and pollster from 1968 to 1988, including his 1980 and 1984 presidential campaign. He is the founder and former chairman and CEO of Wirthlin Worldwide and, we're happy to say, the newest member of our board of directors. Dick?

Richard Wirthlin: Well, thank you very much, Bob. Today is a great day and surely the culmination of a lot of very hard work by many very good people. Gordon Black, the Harris founder, and I have known and really respected and admired one another for over 20 years. Consequently, when the opportunity of putting our two organizations together, I was intrigued. As our discussions continued and expanded to include others I, and the members of my team, realized that both of our companies share a common heritage as well as a common vision of the future of the market research industry.

We were very interested in Harris Interactive not only because of the quality of their people but because of their position as world leaders in online research. Now, over 40 years, the Wirthlin Worldwide team have been passionate about helping our clients build measurable value for our clients, and many of our clients are, in turn, world leaders in their industries. For example, half of

the Fortune 500 and 75 of the top 100 companies have come to Wirthlin Worldwide for research and consulting services.

Our strong client base, experienced senior management, and worldwide consulting and technology services, when combined with Harris's powerful and growing Internet platform, is, in my view, a very formidable business combination. We have built a strong set of relationships with senior executives and research leaders from these companies. We are constantly looking for innovative ways to help these clients and to grow these relationships and, to that end, have developed some of the most innovative and, I believe, cutting-edge research and consulting technologies and products for our industry. While we are proud of what we do in this area, we are excited about how much more we can offer to our clients now that we are able to tap into the powerful tools and database that Harris Interactive has. The positive feedback we have already received even this morning from a number of our top clients encourages my belief that we will deepen many of these relationships. Like these clients, the entire Wirthlin team believes that the Harris Interactive and Wirthlin Worldwide combination will be a force in the marketplace, and we look forward to a rewarding future together.

I personally am very eager to contribute in any way that I can to the success of this new venture. Thank you for your time, and now I'd like to turn the call over to my friend and new partner, Greg Novak.

Greg Novak: Thank you, Dr. Wirthlin. We very much appreciate your participation in this call today. The addition of Wirthlin Worldwide to the Harris Interactive family joins together an acknowledged leader in strategic insights with a premier innovation firm in this industry. We can now provide our mutual clients with a portfolio of service offerings far in excess all the rest had achieved individually. Wirthlin is a company with deep concern for satisfying customers ((inaudible)) quality and an organization with critical mass that is formally organized in employees process and discipline to achieve operating results. The long process of bringing these two firms together has

forced a platform where shared vision of the future and our combined place within it will be a compelling integration force as we move forward.

Let me review a few of the operational highlights. First, the acquisition synergies that we have identified assure that the combination is accretive in fiscal 2005. The minimal customer overlap and diverse nature of our product offerings create the large cross-sell opportunity with our 1,000 combined clients. The opportunity to convert additional data collection to our Internet methodology provides increased financial leverage for our shareholders, who add \$40 million of revenue and 2 cents per share pretax earnings to our income statement in fiscal 2005 alone, who gained significant experience managerial talent and more than 50 world-class sales-oriented customer relationship managers at a critical time in our growth process. We will build our strength in offerings and key service areas that will allow us to deepen long-lived relationships with our clients. We will add 12 customer-centric locations, strengthening our presence in the Midwest United States, the UK, and expanding our presence into China with offices in Hong Kong and Shanghai.

After reviewing a number of acquisition opportunities in this industry and thoroughly measuring the risks and potential rewards of those combinations, I truly believe that this is an outstanding opportunity for both leverage and for growth, and I'm extremely excited about the future. Thank you very much, and I'd like to turn over to Dave Vaden to review the financial aspects of the deal.

David Vaden: Thanks, Greg. As the leader of a team at Harris Interactive responsible for direction of the company's acquisition and alliance program and global management of the Internet research panel, I am grateful for the efforts leading up to this announcement. While our relationship with the Wirthlin family extends back decades, we've been actively working with the founder, advisors, and senior team and Wirthlin for over one year to carefully plan this combination and our future together. Along with identification of growth opportunities, our joint planning has revealed synergies and cost savings of over \$1 million in fiscal 2005 alone.

The transaction was structured as a stock purchase. It was consummated for \$41.8 million in total consideration with \$20.4 million in cash and \$21.4 million in Harris Interactive stock. The Wirthlin business generates over \$50 million in annual revenue representing over 20 percent of the combined firm. This merger was long in the making but well worth it. Wirthlin Worldwide is a first-class operation, and this is a high-quality very fair deal that will be rapidly accretive and boost our revenue and profit this fiscal year. And now I'd like to turn it back to Bob to discuss our revised guidance before he wraps it up.

Robert Knapp: Thanks, David. Greg and David have given you the operational and the financial details, and I'd like to tell you how this deal will add to our revenue and earnings for fiscal '05. First quarter revenues should increase to \$40 million to \$42 million, up from the \$37 million to \$39 million we guided in July. Earnings remain unchanged with pretax earnings staying between 4 and 6 cents per share and post-tax or net earnings, in the 3 to 4-cent range for the first quarter.

For the remainder of the year, we expect that Wirthlin will contribute between \$40 million and \$42 million, boosting our full fiscal year revenue guidance to about \$210 million to \$215 million. We now expect pretax earnings to increase 1 to 2 cents and come in between 32 to 36 cents per share. Post-tax, or net earnings, should increase a penny and hit the 21 cents to 23 cents-per-share range for the fiscal year.

Before we get to Q&A, I just wanted to add a few more points regarding our growth that you might be interested in. The first is in the July issue of "Inside Research." Harris Interactive was named the 13th largest market research firm in the United States. In August, they named us the 15th largest market research firm in the world, and in September they name us the fastest-growing market research firm in the world unseating Taylor Nelson Sofres, who had held that position for three years. We estimate that this acquisition will get us up to around number 12 in that ranking,

as the 12th largest market research firm in the world. But, as we stated, we are not going to stop there.

As a final note, I'd like to thank everyone on the Harris Interactive management team for all the work and the effort put in to making this possible for us, and I'd also like to thank Dr. Wirthlin and his extraordinary executive team and support staff for making this an absolutely pleasurable process, one filled with very, very specific integration work well in advance of the actual consummation of the deal. It was an extraordinary combination of work on both sides and thanks to all.

Now I'd like to open it up for questions and also I wanted to let you know that even though he didn't speak, Bruce Newman, our CFO, stands at the ready to help interpret the details of this deal. Operator?

Operator: Thank you. The question-and-answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touchtone telephone. If you are using a speakerphone, please make sure your mute button is turned off to allow your signal to reach our equipment. Once again, that is star one to ask a question.

Now I'll take our first question from Doug Anmuth with Lehman Brothers.

Doug Anmuth: Thanks, guys, congratulations on the acquisition this morning.

Robert Knapp: Thanks, Doug.

Doug Anmuth: A couple of questions for you. I think that David mentioned that the deal has been about a year in the works here. I'm kind of wondering what the history is between Wirthlin and Harris in

terms of, you know, is there any kind of business relationship? Was Wirthlin a HISBI client prior to the acquisition? And then I'm wondering, of the \$50 million in revenue, how much is online currently, and how much of that business is currently outsourced? And then how you kind of see the international opportunity, going forward, given that it looks like there's 20 percent, 25 percent of Wirthlin revenue that may already be overseas? Thanks, guys.

Robert Knapp: Thanks, Doug. First, there was really no business relationship between the two firms prior to this point. Wirthlin Worldwide was not a HISBI client. For those on the phone, HISBI – that's the service bureau portion of our business – there was really no client relationship. There was a friendship and a cordial relationship and a sort of business industry relationship between Gordon Black and Dick that goes back, as we mentioned, many, many years. And the other thing we should put in perspective is, even though – David pointed out that we have been working on this for – approximately about 10 months – that a lot of that was, in fact, getting to know one another in the early stages, and there weren't really deal discussions in those first six months. There were discussions about ensuring that we had the same view of what the business could become if we actually were to join forces in some way. So I think it's important to point out that a lot of that was the getting-to-know process, but the deal actually was done fairly expeditiously when we decided to enter into the agreement.

As far as your question about percentage of revenue at Wirthlin that is Internet-based, it's not appreciable to the point that we can even quote a number. That's not been the focus of the firm, and I think that's what has gotten us all excited, and I know Dr. Wirthlin was excited about the fact that we can take our deep Internet business, combine it with their deep relationship-oriented strategic business, and then combine it to basically produce a one-two punch that where both sides and both sets of clients benefit distinctly. So there really isn't any Internet revenue to speak of.

As far as Internet – or – I'm sorry – international expansion, I think you've seen in our material that a good percentage, about 23 percent of the revenue that Wirthlin enjoys, comes from places like the UK and also there are, I think, just under 10 people on the ground in a couple of offices in China, which is less about the specific revenue that those offices contribute and more about the capability that adds to offering full international services to our multinational clients that, most likely, don't reside in China themselves. So we've got a good combination. We pulled this together, I think pretty efficiently, and we're all looking toward expansion in Asia and also putting our UK operations together. Here, again, where those operations spend a tremendous amount of time comparing clients lists and approaches and methodologies and all those things that on the face don't seem important but are critically important for the success of a research company.

Doug Unmuth: One quick follow-up – you mentioned the 15 percent to 20 percent potential to transition over to the Internet – over what kind of timeframe do you think that can take place?

Robert Knapp: You know, Doug, that's a great question. If you sort of twist my arm I'd say, I don't know, anywhere from one to three years. But the thing we have to be careful about is the foundation of the Wirthlin business is really strong relationships with clients, and we're going to aggressively go in and partner with our Wirthlin cohorts to introduce the benefits of Internet-based research. But, I tell you, it's not one of those things where we're going to run into their office and jam it down their throats. There are so many inherent benefits that we're going to aggressively sell it, but we have to work within the framework of the relationships that Wirthlin has built that in many instances have lasted five and 10 years. But the good news is that during the period of time where we got to know them, the Wirthlin executives and leaders are fired up about going to clients and adding this set of resources. So we're being conservative and saying over a one to three-year period we're going to make that transition happen.

Doug Unmuth: Great, thank you.

Robert Knapp: Sure.

Operator: Our next question comes from Sandra Notardonato with Adams Harkness.

Sandra Notardonato: Hi. I have a few questions here. I was wondering if you can talk about the combined company – what now are the target operating margin goals as you look out the next couple of years, once the two companies are integrated, and you begin to shift some of that revenue online?

Bruce Newman: I think the – this is Bruce – the growth rates that we've talked about, in general, from an operating margin perspective, pretty much stay as we have talked about before. Their additional revenue at margins that are just slightly below ours right now, the blend will generate, in essence, the same.

Sandra Notardonato: So the margins for Wirthlin are approximately – the operating margin – a little bit less than 10 percent?

Bruce Newman: They've been running at about a \$50 million running rate. We've had operating margins in the 8 percent to 10 percent, which actually puts them above where a traditional market research firm has been. We've been in that – a little bit over the 10-percent range. So the blended numbers aren't good, on a percentage basis, you know, changed materially from what we've already stated.

Sandra Notardonato: Okay, and can you just restate those, Bruce, so that we all know what the target operating margins are for the company?

Bruce Newman: Yeah, for fiscal 2005 we talked about being around 12 percent.

Sandra Notardonato: Mm-hm. But we've also, you know, heard the story of taking – shifting the business model all toward Internet and, longer term, those operating margins would be substantially higher than 12 percent. What I'm trying to understand is, with the combination of Wirthlin at 8 percent to 10 percent margins and Harris Interactive, hopefully, almost all of the revenue being Internet-related, we would see some level of impact on the longer-term operating – actually, not hopefully – I'm assuming that we would see a negative impact on a long-term operating margin goal.

Robert Knapp: Sandra, it's Bob. That's an excellent question. We have, in the past, guided that we would be moving our operating margins from 9 to 11 to 13 and then up into the middle and the high teens. When we've guided in that instance over – you know, looking out two, three, four years, we've assumed that there would be these kinds of acquisitions baked into that. So we're going to stand by our guidance of what we've issued in investor presentations in the past that we're going to be on a steady improvement – a march to improve those operating margins for a couple of reasons. One, not only have we factored in that there would be these types of performance numbers from acquisitions but we also have talked about the fact that we're at a point now where we've really begun to fully absorb the cost that we have invested -- or the expenses associated with the database.

So as we start cresting over a point where we're more efficiently absorbing the cost of the database, you're going to start to see that acceleration; you're going to start to see the folks at Wirthlin selling more Internet work so we get the percentages up, and it's kind of all factored in in those numbers that we've guided before.

Sandra Notardonato: Okay. You've obviously taken the time to get to know each other over the last year or so. Can you talk about specific steps that you're taking to integrate the sales force so that the cross-selling opportunity can start right away?

Robert Knapp: Yeah, a couple of things – one, you know, we have announced a while back that we had hired a new head of worldwide sales, Mike Peters, and his job specifically is to help us build major account programs, and that's where cross-selling really starts. You know, it doesn't start down in individual trenches. It starts by identifying your top – anywhere from 25 to 125 accounts. You build off the relationships you have, and so there is infrastructure and there are approaches that have been actually well on their way in their development in anticipation of joining forces with these guys. And, I don't know, Greg, did you want to add a few more points on this?

Gregory Novak: I think we've spent the kind of time over the last six months to understand how we would approach the market and how we would organize. So we're far ahead of what we've been in past acquisitions at this point, and I see us really being focused completely, entirely, by January 1st as we approach our markets in our channels. So we're well along the path, and we're pretty excited about the energy we've put into this already, and it's going to give us some lift, going forward.

Sandra Notardonato: What about earn-outs? Are there any earn outs associated with the deal?

Bruce Newman: No, there are no earn-outs associated with the transaction.

Sandra Notardonato: And employment contracts – can you give a little detail on the length of agreements – who they're with, what key personnel at Wirthlin that you've focused on, making sure that they stay engaged and focused on growth?

David Vaden: Sure – this is David. We have employment agreements with all the senior executives at the Wirthlin team and, most important, the team is excited about joining Harris, and the life of the employment contracts varies, as do our employment contracts here at Harris Interactive, but they're all – ((inaudible)) all been multi-year relationships.

Robert Knapp: This is Bob. If I could just add – the most important thing that we found out in the discussions in this union was that the senior guys at Wirthlin wanted to know that the kind of relationship that they had with their company was going to persist and stay in place with the new merged company. So we worked really hard to make sure that in instances where we could extend those contracts, we extended them so that there was no hiccup, and that there was also inline with what contracts would be when they effectively got renewed at the end of their terms. And, as these guys mentioned, they all stagger. But the most important thing was they wanted to make sure that the terms and the spirit of their contracts were maintained, and that they could be perpetuated as they got renewed, and we ensured not only that, but we also have an option plan that's going to be put in place that's going to give these guys added incentive to help grow the business.

Sandra Notardonato: But each one of the executive managers that you have a contract with – it's a multi-year contract?

Robert Knapp: It ranges, yes. The answer – the short answer is, yes, they range in duration.

Sandra Notardonato: Okay, just two more questions. What kind of revenue growth has Wirthlin seen over the last couple of years?

David Vaden: This is David again – revenues have slowed over the past several years but in 2004 they've had a very strong performance, and they're growing at the high single digits.

Sandra Notardonato: High single – and what did they do in 2003?

David Vaden: As I mentioned they have been slow. In 2003 they were down a bit compared with 2002 – down a few percentage points and then back up now in 2004.

Sandra Notardonato: And what is the reason for the revenue not growing in 2003?

David Vaden: It's really attributable to a number of factors. Historically, as Harris has – Wirthlin has completed some acquisitions – the completed an acquisition in 2002 that, when you look on a recurring revenue basis, it had a slight decline in revenue, which is not uncommon with professional services firms.

Sandra Notardonato: And what are the other reasons?

David Vaden: I'd say that's the primary reason. It was a small dip in revenue, you know, just a few percentage points, so it was not a big decline in revenue in the past few years. Again, they're up high single digits this year compared with last year.

Sandra Notardonato: And my last question is competition – who does Wirthlin typically compete with?

Robert Knapp: Dick, do you want to talk a little bit about who Wirthlin's competitors are?

Richard Wirthlin: Well, actually, Harris Interactive was one of our competitors – or best competitors. Well, I would say that in three areas – one, in terms of branding, I would put in that category the major branding firms, but we're kind of an interesting group in the sense that we not only compete in the classic market research areas but also in consultancies as well. You know, if you look at (Hana Michaels) list of the top 10 firms, that will give you a pretty good idea of who we go up against in most cases.

Robert Knapp: Great, thanks.

Sandra Notardonato: So, Dick, just between you and me, how is Harris as a competitor?

Robert Knapp: Sandra, you had one question.

Richard Wirthlin: Sandra, I didn't tell them this, but the two days before we went up there, we beat them in a very nice little contract for us but, since you asked, I think I'll reveal that. But they're a very, very strong company, and I'm absolutely delighted to be on their side and not the opposite side of the pencil with them.

Sandra Notardonato: Great, well, congratulations to you all.

Robert Knapp: Thanks, Sandra.

Operator: Our next question comes from Kyle Evans with Stephens Incorporated.

Kyle Evans: Hey, guys, congratulations.

Robert Knapp: Thanks.

Kyle Evans: Most of my questions have already been answered – one quick question. The 15 to 20 percent that you think you can convert to Internet at Wirthlin – that seems very conservative, given the fact that we talked about your business at some out year being kind of an 85-15 type split. Is there something about their business that makes it less transferable online? What's the difference between your business and theirs?

Robert Knapp: The primary difference is that they simply haven't provided these types of services before. So if you think we're being conservative, I think we're just trying to be realistic about it, because the nature of that business, which is what's so appealing to us is, these longstanding relationships, where they cross-sell a lot of different types of services, and we want to preserve that because, frankly, that's the add for us. That's the thing that enables us to build predictability

into our revenue, to get in at higher levels. The truth of the matter is that the Wirthlin Worldwide team often gets in at a much higher level in the executive suite among marketing and market research people than we do. So we're trying to be thoughtful and say these guys have not had a history of developing and providing these products. And, you know, not only just providing them but actually working with your client to develop new types of Internet-based products is key. In fact, most of our products come from collaborations with our existing clients.

So what we're looking to do is spend a good amount of time educating one another on our techniques. They're going to be immersed, and I know that they are excited about sort of a firehouse approach that waits in understanding all that can be done with these Internet products, and I think you're going to see a pretty significant ramp on it. But in the near term, we're going to be realistic and talk about making sure that we're doing the right things for our clients, because that's why they stay with our firms.

Kyle Evans: Is there any reason to think that the out-year view of your firm with the 85-15 Internet traditional split is an unreasonable long-term goal for the Wirthlin business? I mean, Dick mentioned the consultancy business. Maybe you could help me understand how that leverages your database and why you get to that question.

Robert Knapp: Most research that's done – most "strategic" work and consulting work has a very big analytical component to it, right? So our business was built on bringing more innovative and efficient ways of doing the data collection and the analysis underneath it. So they're going to benefit from that. I don't think it's unrealistic to march toward, say, an 80-20 or an 85-15 as we move ahead. You also have to look at we've committed to continue to grow the business organically and through acquisition. This is a strategic acquisition that adds a big presence in a number of different industry sectors and gives us a lot of expertise in managing larger, more important clients. As we do additional acquisitions, going forward, which has been our stated intent, you might find that there are other types of businesses that we acquire that are more

purely Internet, for instance. So we're trying to manage thoughtfully the blend and the mix and the capabilities as we go forward. And I know we only have this on the table to talk about today, but in the fullness of time, as we put our cash to work, we're going to make sure we're working toward that 80-20, 85-15 balance.

Kyle Evans: Great, thanks, Bob.

Robert Knapp: Okay, thanks, Kyle.

Operator: Our next question comes from Jim Bartlett with Bartlett Investors.

Jim Bartlett: Yes, could you, Bob, discuss how the acquisition served to ((inaudible)) some of your goals for increasing the sales force, marketing, any new product ideas you have?

Robert Knapp: Sure.

Gregory Novak: Jim, this is Greg. I don't think that in the fiscal year, this will, in any way, reduce our commitment to grow organically on the Harris side of the organization. We'll continue to invest in – the growth of our sales force will continue to move in that 15 percent to 20 percent organic growth range as we've committed in the past. The only thing that may change is we may refocus our strategies on servicing one another, helping each other understand what we might do better together. As Dr. Wirthlin has already mentioned, we've had positive response to the merger this morning. So I don't see any real change in that commitment, going forward.

Robert Knapp: Well, one of the things – if I could just add to that, Greg – one of the things that's exciting, Jim, is that when you have a new set of products, and you are now throwing the focus on increasing the number of feet on the street, which we've talked about because we're increasing our percent of market spend, you give these guys a much bigger selection of products and

services to offer clients. So I think what you're going to see is – we're going to see these additional salespeople feeling like they have a lot more in their bag, which is going to generate, hopefully, a lot more interest and then help us to reach these strong revenue growth numbers that we have.

As far as marketing goes, you're really – and I think is what Greg was pointing to – you really now have to start focusing on client-by-client, looking at what their needs are, figuring out what you have in your blended portfolio, and then systematically marketing very specific things to those different clients, which requires a level of sophistication, frankly, that we haven't seen in the past and that we've been gearing up for. So I think you're going to see that as well.

Jim Bartlett: When do you think you would be able to start seeing some revenue from these cross-selling opportunities?

Robert Knapp: The short answer is immediately. We got a couple of notes from our folks in the field this morning, where we've heard from, for instance, a large client in financial services calling up and saying, "Well, now that I know that you're hooked up with Harris Interactive, I have this project" -- which seemed to be sizable -- "that I'd like to talk to you about." So I think if we jump on this with our sales force and with our analysts and our client delivery people while it's newsy, I think you're going to actually see a cross-selling – ad hoc, admittedly – not systematic but ad hoc and opportunistic cross-selling – within the next several weeks.

Jim Bartlett: Thank you.

Robert Knapp: Thanks, Jim.

Operator: Our next question comes from Charles Traston with American Growth Capital.

Charles Traston: Thanks. Just looking through their website, it seems very consultative -- brand equity and product management, things like this, strategy – how much of the business is consulting and how much is market research and how are they – what's the business model for the consulting? Is it fixed price or is it hourly billings? How does that work?

Robert Knapp: Well, it's generally fixed price. What you do is what we do is you calculate what kind of resources you think you need to do the job, whether it be in analysis or data collection or in serving the client, and you come up with a fixed price. That's generally pretty standard.

What you're seeing on that website is a website that is dedicated to attracting clients, and one of the things that some market research firms forget to do is to position themselves as thoughtful, consultative client advocates, which, having been a client, is what you want the posture of your market research firm to adopt when they come to talk to you. You don't want market research firms coming to sell you sort of a bagful of stuff. You want people who are going to take on the mantle of your issue, who are going to dedicate a lot of brain power to figuring out how to solve your problem, and the way I look at that website for Wirthlin is – is really best-in-class in putting the right tone and characterization on the products. But at the root of it all, it is market research. Wirthlin knows who their clients are, they are very similar to our clients with the exception that they happen to serve the bosses of a lot of our clients, further up through the marketing chain, which is why they build these longer and deeper relationships. But you have to make the distinction between the service that you provide and the nature of it, which is market research – consultative market research on a fee basis – on a fixed fee basis – and the way you sell it and market it to attract clients to buy into your proposition.

Charles Traston: Right. You answered – I think someone asked this earlier, but I didn't really get the answer – about the 15 percent and 20 percent you think you can convert to Internet-based. Is that because the Wirthlin clients want to do Internet-based research, and they just don't have the

capability so they let them do it telephonically or whatever, or is this – what does that 15 percent to 20 percent represent?

Robert Knapp: It's an assessment of the industries that they operate in, what we've seen as the propensity to accept the advancements and benefits of Internet-based market research. So we've done an analysis in sort of a cross-(cabb)ing) of this to see where we've had success, where they are currently, and where we likely would have success to move in.

There are certain industries that just, you know, have been fairly slow on the uptake in recognizing or adopting the benefits of Internet and market research and others who have gone headlong. Consumer packaged goods, for instance, is an area that's very sophisticated set of buyers, and they act very differently than, perhaps, financial services.

Charles Traston: Where it's early September, and you're updating your guidance for this year and for next year, can you give us some flavor, at this point, about the September quarter bookings?

Robert Knapp: No. I think we're still sorting through all of the effects on, you know, where we are. We're reading sales data, we're doing all the things – we're not in a position right now to give you an update on our guidance. There has been no change to our guidance.

Charles Traston: Right, okay.

Bruce Newman: This is Bruce – basically the \$3 million change really comes from the addition of the Wirthlin revenue for the remaining portion of the quarter. Nothing else is changing in our Q1 guidance.

Charles Traston: You mentioned that they made an acquisition in '02, and revenue was still down in '03, even without the acquisition? Or is that backing that out?

David Vaden: On a year-over-year basis – this is Dave – revenue was relatively flat between '03 and '02; '02 had the full-year effect of the acquisition that came early in the year and, again, the decline the following year was marginal.

Charles Traston: Okay. You guys seem to be talking up the M&A strategy again this morning. Would you ever consider deals that are dilutive to earnings if they were the right strategic fit?

Robert Knapp: Thank you for the most loaded question on this call. We have a set of eight criteria that we look at acquisitions on, and one of them is that it is accretive. With that said, you never know whether a bluebird comes out of somewhere that could be a gain-changer for us that we would have to consider. But, again, one of the eight criteria is that it's accretive.

Charles Traston: Thank you.

Robert Knapp: Okay, thanks, Charles.

Operator: As a final reminder, that is star one to ask a question. Next we have Ajay Sadarangani with Manning and Napier.

Ajay Sadarangani: Just a few more questions – primarily could you repeat your strategic rationale for this acquisition again and, second, it does appear that you are buying a lower-margin business even though it will fit in with your plan. So could you please tell us as to, in the future, what your outlook is for your future acquisitions, whether you still think you'd be buying businesses that have slightly lower margins or higher margins? Thanks.

Robert Knapp: Sure, and let's work backwards. As far as acquiring businesses that have lower or higher margins – if we're acquiring within the market research industry, the likelihood of us finding

someone that has a margin that's lower than us is pretty high. So we're going to be facing – that's a great question – we're going to be facing some strategic issues as we go forward, because we have some of the best margins in the business, and we found a partner who has a slightly lower margin but actually pretty good relative to the state of the industry. So that's something where we will actively seek to find the best margins in the business but there will be certain natural limitations. And, frankly, what we think we bring to the party is, we view ourselves, and we believe that our performance shows that we're a well-run company, and by finding other companies that are well run or like our style of management we think, together, we can improve those margins, and that's the plan.

As far as the strategic reason for this, is we are in the midst of understanding and acceptance of Internet-based market research broadly in the marketplace. We're past the period where clients thought we were cretins for suggesting this years ago and now are really appreciating, understanding, and gaining the benefits of Internet market research. So the march is on now for this sector and for this approach to the business. Therefore, access to clients and the relationships that acquisition candidates have with their clients is of paramount importance. Because if you can merge or team up with a company that has 300 clients that are within the – you know, most of them, which are within the Fortune 500 and Fortune 1000, and they've proven themselves to provide good value to those clients and good strategic partnerships, and we can now come in and enhance that portfolio, those are 300 named prospects that we can walk into, chaperoned and sponsored by someone who manages a very good relationship. And that – if you want to talk about reducing cost of sales – which we won't at the moment – but as far as focusing in and making your marketing dollars work, that's the key reason for this.

The secondary reason for us is that we have set a goal for ourselves to improve our client management skills, our ability to build long-term relationships, drive greater predictability in our revenue because of those relationships, and we're excited about Wirthlin helping us by sharing their best practices in client management, which the key to cross-selling is absolutely effective

client management skills. And that's what we're going to be learning from these guys. So it really is a one-two punch with both of us getting very, very specific benefits from this.

Ajay Sadarangani: Okay. And do you foresee increasing your average revenue for every client that you're concerned with or you perform services to?

Robert Knapp: Yes, we've been on a steady march of increasing our average of engagement, and we're deep in the process now of profiling each of our clients in our combined base, look at the history of what kind of increases on average client size, average engagement size, to begin to model this out so we can, in future reports, give you a sense of those kinds of metrics so you can begin tracking that.

Ajay Sadarangani: Okay, thank you.

Robert Knapp: Thanks.

Operator: We have a follow-up question from Kyle Evans of Stephens Incorporated.

Kyle Evans: Hi, guys, back again. One last question – did Wirthlin have any call center operations to speak of?

Robert Knapp: David should talk about that.

David Vaden: Yes, they do have two call centers – two main call centers – one in the U.S. and one in the UK. We are certainly going to take a look at those operations and, over the next couple of months, make some decisions about what we'll do to streamline operations, take advantage of any opportunities ((inaudible)) utilize for outsourcing and make long-term strategic decisions about the centers themselves.

Kyle Evans: Can you give us any kind of size or scope of those operations?

Robert Knapp: You know, we have that information, Kyle, but I'm going to tell you none of us are sitting here with the actual details on the centers. We'll follow up with that, if you don't mind.

Kyle Evans: Okay, great.

Operator: There are no further questions at this time, Mr. Knapp, I would like to turn it back over to you for any closing or additional remarks.

Robert Knapp: Great, we appreciate those who called in to share in our excitement. We are absolutely jazzed about this. As we said, it is a great one-two punch for us, and we're well on our way to basically changing the scope, the shape, the intent, and the capabilities of the firm, and we thank you all for calling.

Operator: And that concludes today's conference. We thank you for your participation, and you may now disconnect.

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