

VOCUS, INC.

FORM 10-K (Annual Report)

Filed 03/14/08 for the Period Ending 12/31/07

Address	4296 FORBES BOULEVARD LANHAM, MD 20706
Telephone	(301) 459-2590
CIK	0001329919
Symbol	VOCS
SIC Code	7372 - Prepackaged Software
Industry	Computer Services
Sector	Technology
Fiscal Year	12/31

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

Form 10-K

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

For the fiscal year ended December 31, 2007

Commission File Number 000-51644

VOCUS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

58-1806705
(I.R.S. Employer
Identification No.)

4296 Forbes Boulevard
Lanham, Maryland 20706
(301) 459-2590

(Address including zip code, and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(g) of the Act:

None

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

Common Stock, par value \$.01 per share

(Title of Class)

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

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

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 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark 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 the 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.

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. (Check one):

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

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

The aggregate market value of the common stock held by nonaffiliates of the registrant (15,636,536 shares) based on the \$25.11 closing price of the registrant's common stock as reported on the NASDAQ Global Market on June 29, 2007, was approximately \$392,633,419. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

As of February 22, 2008, there were 17,678,605 outstanding shares of the registrant's common stock.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2008 Annual Meeting of Stockholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	3
Item 1A. Risk Factors	13
Item 1B. Unresolved Staff Comments	25
Item 2. Properties	25
Item 3. Legal Proceedings	25
Item 4. Submissions of Matters to a Vote of Security Holders	25
PART II	
Item 5. Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities	25
Item 6. Selected Financial Data	28
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	38
Item 8. Financial Statements and Supplementary Data	38
Item 9. Changes In and Disagreements With Accountants and Financial Disclosure	38
Item 9A. Controls and Procedures	38
Item 9B. Other Information	41
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	41
Item 11. Executive Compensation	41
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	41
Item 13. Certain Relationships and Related Transactions, and Director Independence	41
Item 14. Principal Accountant Fees and Services	41
PART IV	
Item 15. Exhibits and Financial Statement Schedules	41

CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-K contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to:

- our plans to develop and market new products and the timing of these development programs;
- our estimates regarding our capital requirements and our needs for additional financing;
- our estimates of expenses and future revenues and profitability;
- our estimates of the size of the markets for our solutions;
- the rate and degree of market acceptance of our solutions; and
- the success of other competing technologies that may become available.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “intends,” “potential” and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading “Risk Factors” in Item 1A. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update any forward-looking statements after the date of this report.

This report also contains estimates made by independent parties and by us relating to market size and growth and other industry data. These estimates involve a number of assumptions and limitations and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

PART I

Item 1. *Business*

Overview

We are a leading provider of on-demand software for public relations management. In an age of real-time communication, with an increasing number of media outlets, a rapidly growing volume of news and the emergence of blogs and other social media, traditional approaches to public relations, or PR, are becoming outmoded. Our web-based software suite helps organizations of all sizes to fundamentally change the way they communicate with both the media and the public, optimizing their public relations and increasing their ability to measure its impact.

Our on-demand software addresses the critical functions of public relations including media relations, news distribution and news monitoring. By automating and integrating essential elements of PR functions, our solutions help organizations communicate directly with key reporters and with the public, identify and analyze relevant news stories and manage relationships with the media and other key stakeholders.

As a part of our solution, we provide a proprietary information database of over 800,000 journalists, analysts, media outlets and publicity opportunities. Our database contains extensive information about the media, including in-depth journalist profiles, contact schedules, podcast interviews, pitching preferences and other relevant information compiled by our dedicated media research team. Our database is integrated with our suite of on-demand modules that together address the communications life-cycle from identifying key contacts, to distributing information, to closing the loop with digitized feedback and management analytics.

We deliver our solutions over the Internet using a secure, scalable application and system architecture, which allows our customers to eliminate expensive up-front hardware and software costs and to quickly deploy and adopt our software. We were an early pioneer in hosted, multi-tenant, on-demand software, launching our first version in 1999. Our on-demand software is offered primarily as an annual or multi-year subscription, with press release distribution also offered primarily on a per-transaction basis. As of December 31, 2007 we had 2,427 active subscription customers representing organizations of all sizes across a wide variety of industries. Our solution is currently available in five languages and is in use by customers around the world. Since 1999, we have achieved 34 consecutive quarters of revenue growth.

Industry Background

Public Relations

The process of managing relationships and communications with journalists, analysts and the public is central to an organization's reputation, profitability and, ultimately, shareholder value. As organizations recognize the growing importance of effective PR to their success, they increasingly rely on public relations to manage and analyze critical information and to deliver quick and consistent communications. Public relations professionals handle organizational functions such as media, government, consumer, industry and community relations. Every organization, large and small, engages in public relations, whether as an organized department, a single employee's responsibility or simply a result of public interactions by its executives.

No formal published market studies exist which size the market for on-demand software for public relations management. However, based on the most recent Public Relations Client Survey prepared by Thomas L. Harris/Impulse Research in 2004, the average PR budget for responding organizations in 2004 was approximately \$3.1 million. This budget includes spending for both internal and outsourced PR functions, and includes corporate communications, product PR, online communications, public affairs and government relations. Based on the Thomas L. Harris Survey, we estimate that the annual PR budget for these organizations increased at a compounded rate of 15.5% per year from 2001 to 2004. Based on data included in the Survey, we estimate that, for organizations with annual revenues of at least \$10 million, the aggregate annual PR budgets for programs and activities that our solutions address were approximately \$59 billion in 2004. To calculate this amount, which we do not believe represents the size of the market for our solutions, we first estimated the aggregate PR budgets in 2004 for these organizations, based upon the Survey's breakdown of average PR budgets by categories of organizations' total annual revenues, and the number of organizations in each of these categories as reported by Dun and Bradstreet. We then multiplied this amount

by the portion of the overall average PR budget in 2004 reported by the Survey which corresponds to programs and activities that our solutions address — corporate media relations, government relations, internal communications, investor relations, product media relations and public affairs. Based upon our target market of over 5 million organizations, which we obtained using data collected by the US Census Bureau, and the current pricing of our solutions, we believe that the potential market for on-demand software for PR exceeds \$6 billion.

Although the most basic elements of PR are practiced widely across organizations of all types, sizes and geographies, the specific objectives and complexity of a PR practice will often vary based on the size of an organization and its PR department.

For small and mid-sized organizations, traditional PR is often prohibitively expensive and time consuming. These organizations are typically faced with a decision to either use external consulting agencies, or to commit internal staff and resources, both of which often exceed available budgets. In addition, PR responsibilities for these resources are often assigned to only one or two dedicated staff or, in many cases, shared across non-dedicated staff with other full-time responsibilities. The objective for small and mid-sized organizations is typically to leverage limited resources in order to deliver the PR capabilities commonly found in larger organizations.

Larger organizations are typically well staffed and have dedicated budgets and resources. These organizations are faced with the challenges of managing large amounts of information, delivering consistent and well-executed communications, collaborating among large or geographically-dispersed teams and analyzing and reporting on the effectiveness of their PR. The objective for large organizations is typically to maximize effectiveness and ensure consistency of message, while delivering measurable results and improved efficiency.

Trends in business communications and the media are directly impacting the practice of PR. Technologies including the Internet, cable, satellite and wireless communications allow commercial and public media to access audiences almost instantaneously. In addition, these technologies are leading to a rapid expansion of media outlets, media channels and news sources including the rapid emergence of new social media channels such as blogs, podcasts and online communities. As a result, organizations now face broader and more diverse audiences who are informed in real-time by these media, and also face a growing volume of critical business information that needs to be identified, analyzed and managed. An organization can no longer rely on a few relationships with key journalists to achieve PR objectives. As these trends continue, it will be more challenging for organizations to provide a consistent corporate message, gain public support, respond to crisis situations and achieve their public relations goals.

Outside of traditional PR agencies, the public relations market is generally underserved, with few solutions to address the PR business process in a comprehensive, integrated and cost effective manner. A number of vendors offer one or more software products that each address a single problem or process within PR, such as contact management, news monitoring, distribution or analytics. Other than these discrete, stand-alone solutions, PR processes are generally performed by internal departments or designated staff either manually or with generic desktop software. In addition, while organizations may purchase a variety of these stand-alone products and services, the resulting combination is usually more expensive and less efficient than an integrated software suite that addresses the complete PR life-cycle.

Public Relations and the On-Demand Software Market

Information technology has created opportunities to deliver software applications directly to users over the Internet in a subscription-based, “on-demand” business model. This model is made possible by the proliferation of high-speed, broadband Internet connectivity, open standards for application integration and advances in network availability and security. On-demand software is generally delivered over the Internet via a secure, multi-tenant, scalable application and system architecture, which allows the provider to concurrently serve a large number of customers and to efficiently distribute the workload across a network of servers. For the user, on-demand software eliminates the need for expensive hardware, software and internal information technology, or IT, support. In addition, the hosted architecture helps ensure that the software and vendor-supplied content is kept current and secure without user involvement. Additional benefits include rapid deployment and training for new applications, resulting in faster product adoption and increased productivity. This typically results in a lower total cost of ownership and an increased return on investment. The on-demand model also provides operational efficiencies for the software provider in the areas of development and customer support. Traditional enterprise software vendors

must develop, maintain and support multiple versions of their software on multiple hardware, operating system and database platforms. On-demand software vendors, by contrast, generally support and maintain a single version of software across all customers that is developed, maintained and supported on a single technology platform. This typically results in lower development and support costs, and allows the vendor to more rapidly develop and release new versions of the software and more efficiently support existing customers.

The characteristics of the PR market make it well-suited for the on-demand software business model. As news distribution and communication services continue to move from manual, paper-based systems to automated digital services, the Internet and the on-demand software model provide an efficient and collaborative platform for PR professionals to access, manage and share information and resources. The simple user interface and rapid deployment of web-based software make it ideally suited for users with little or no technology background. On-demand software provides a dedicated, modern and sophisticated technology infrastructure to PR departments that would otherwise typically receive limited internal IT resources. Finally, in contrast to sensitive customer or financial data, organizations are generally comfortable with PR content residing on an external hosted platform. Currently, the customer-specific information we store includes PR collateral pieces, notes regarding customers' contacts with journalists and media outlets, journalist contact information and similar data. We protect our customers' information by requiring the use of user identifications and passwords to access our on-demand software.

Our Solutions

We are a leading provider of on-demand software for public relations management. Our web-based software suite helps organizations of all sizes manage local and global relationships and communications with both the media and the public. Our integrated, on-demand software modules provide extensive features and broad functionality that address the critical functions of public relations including media relations, news distribution and news monitoring. Specific modules include contact management, collateral management, project management, newsrooms, PRWeb online newswire, email campaigns, analytics & measurement and news on-demand. By automating and integrating essential elements of PR operations, our solutions allow our customers to improve effectiveness, reduce costs and measure results. We deliver our solutions to customers through a suite of on-demand applications that reduces the cost and risk associated with traditional enterprise software deployments. We believe, based upon our market research and analysis, that the use of on-demand software helps customers reduce risk and increase the predictability of software management costs, as compared to traditional enterprise software.

As a part of our solution, we provide a proprietary information database of over 800,000 journalists, analysts, media outlets and publicity opportunities. Our database contains extensive information about the media, including in-depth journalist profiles, contact schedules, podcast interviews, pitching preferences and other relevant information compiled by our dedicated media research team. Our database is integrated with our suite of on-demand software modules that together enable our customers to address the communications life-cycle, from identifying key contacts, to distributing information, to closing the loop with digitized feedback and management analytics. We have developed significant domain expertise and have designed on-demand software solutions and best practices tailored specifically for public relations. As a result, our on-demand offerings meet the PR needs of a broad range of organizations regardless of their size, geography, industry or type.

Our comprehensive suite of integrated, on-demand software modules provides the following key benefits:

- *Improved effectiveness of public relations.* Our on-demand software helps organizations maximize effectiveness through the automation and integration of disconnected processes. Our solutions help organizations manage large amounts of information, deliver consistent and well-executed communications, collaborate among large or geographically dispersed teams and analyze and report on the effectiveness of their PR.
- *Increased productivity of PR functions.* Our on-demand software incorporates features and best practices that automate PR functions to reduce or eliminate manual, paper-based and discrete business activities. Our solutions allow customers to maximize the investment in their PR resources and often lead to a redeployment of PR professionals from repetitive, low-value tasks to high-value strategic initiatives. In addition, we provide capabilities that help our customers significantly reduce the time it takes to monitor, analyze and summarize large volumes of news and other information.

- *Enhanced collaboration.* The growth of global brands and large or geographically dispersed PR teams has increased the need for organizations to quickly and easily share critical business information and plan well coordinated communications. Our web-based solution provides shared, real-time access to a central repository of information related to media contacts, relationship history, PR activities, news, documents and reporting. We believe that by improving the management, control, retention and sharing of this information, our solutions enable companies to deliver more effective and consistent communications.
- *Lower total cost of ownership.* Our on-demand delivery model enables our customers to achieve significant savings relative to a traditional enterprise software model. Our customers do not spend time installing or maintaining the servers, network and storage equipment, security products, or other infrastructure hardware and software necessary to ensure a scalable and reliable service. In addition, because all upgrades are implemented on our servers the product enhancements automatically become part of our offering, allowing customers to immediately benefit from the upgrade.
- *Rapid deployment and scalability.* Our on-demand software can be deployed rapidly and provisioned easily, without our customers having to make large and risky upfront investments in software, hardware, implementation services and dedicated IT staff. The delivery platform for our software allows the solution to scale to suit customers' needs. Additional users with defined privileges can be provisioned with minimal implementation time and new modules, such as analytics & measurement, can be deployed quickly and transparently to existing customers.

Our Strategy

Our objective is to be the global leader of on-demand software for public relations management. Key elements of our strategy include:

- *Maintain focus on our core market.* We believe that the public relations market represents a large and growing opportunity that will allow us to continue our growth for the foreseeable future. We expect that there will continue to be substantial business spending on the processes that our solutions automate, and that competition is fragmented and specialized. As a result, we believe that our focus on producing a suite of integrated applications for this market will allow us to capitalize on this opportunity.
- *Expand direct and indirect distribution channels.* We intend to expand our direct sales force and our indirect distribution channels to increase our coverage and penetration of the PR market particularly to small and mid-sized organizations. We believe there are opportunities to market and sell our solutions, through partnerships with select third parties, to reach small to mid-sized customers that would take longer or be more difficult to target with a direct sales force.
- *Expand international market penetration.* We believe that the public relations market represents a significant global opportunity. We intend to expand our international distribution channels to increase our international business, which accounted for approximately 9% of our 2007 revenues. To suit individual markets, our software is currently available in five languages — English, French, Spanish, German and Italian. We expect to deploy our solution in additional languages in the future.
- *Selectively pursue strategic acquisitions.* The fragmented nature of our market provides opportunities for selective acquisitions. We have acquired and integrated several private companies to date, and we intend to continue to identify and acquire companies which would either expand our solutions' functionality, provide access to new customers or markets, or both.

Our Products

On-Demand Public Relations Management

Our integrated, on-demand software modules provide extensive features and broad functionality that address the critical functions of public relations. By automating and integrating essential elements of PR functions, our solutions help organizations manage large amounts of information, deliver consistent and well-executed

communications, collaborate among large or geographically dispersed teams and analyze and report on the effectiveness of their public relations.



We deliver our solutions over the Internet using a secure, scalable application and system architecture, which allows our customers to eliminate expensive up-front hardware and software costs and to quickly deploy and adopt our on-demand software.

As a part of our solution, we provide a proprietary information database of over 800,000 journalists, analysts, media outlets and publicity opportunities. Our database contains extensive information about the media, including in-depth journalist profiles, contact schedules, podcast interviews, pitching preferences and other relevant information compiled by our dedicated media research team. Our database is integrated with our suite of on-demand software modules that together enable our customers to address the communications life-cycle, from identifying key contacts, to distributing information, to closing the loop with digitized feedback and management analytics. Our on-demand software for public relations management includes the following key modules:

- *Contact Management.* Allows customers easy access to our database of journalists, media outlets and publicity opportunities. Customers can quickly create targeted lists, send messages by email, fax or mail and track meetings, telephone calls and other important activities.
- *Collateral Management.* Provides a central and easily accessible repository in which to store all PR information that needs to be shared internally or externally throughout the organization. Can include documents or files of any type, such as media kits, photographs, videos, executive biographies, annual reports and other PR materials.
- *Project Management.* Helps organize PR projects, including press releases, speaking engagements, or publicity events. A graphical dashboard shows the status of all open projects, allowing users to check milestones, reminders, allocated and used resources, team assignments and other tasks from the planning stage through execution and follow-up reporting.
- *Newsrooms.* Provides journalists, analysts, public officials and other key audiences 24/7 access to an organization's breaking news, press releases, digital collateral, grassroots advocacy tools and other critical

public information. Matches the look and feel of the organization's website and allows PR professionals to quickly and easily update content when and where they want, without the need for IT support.

- *PRWeb Online Newswire.* Allows organizations to increase their online visibility by distributing their news directly to online news sites such as Google News and Yahoo! News and directly to the public through millions of daily RSS feeds and other social media tools. Optimizes press releases for search engines to help ensure that press releases are prominently displayed on search results and drive traffic to an organization's website.
- *Email Campaigns.* Enables organizations to deliver interactive communications that provide online access to related collateral material and to track and measure response rates and other campaign metrics. Provides a simple process for delivering information to journalists, analysts, legislators and other key audiences. Also provides valuable metrics on campaign initiatives, including emails opened, documents downloaded and options selected.
- *Analytics & Measurement.* Automatically transforms relevant data about news coverage, PR activities and online newsroom statistics into valuable insight about a PR department's programs and results. Provides executive-level dashboards, allowing an organization's senior management to better understand the impact of relevant news, monitor the competitive landscape and recognize trends emerging in the media.
- *News On-Demand.* Continuously monitors over 25,000 news sources, including print, broadcast, Internet news sites and key blogs to identify and deliver relevant news coverage to customers based on their individual criteria. News clippings are stored in a searchable database, for easy viewing, printing and sharing.

Due to our flexible architecture and modular design, we are able to easily combine these functional capabilities into pre-packaged editions with optional add-on modules, to meet the needs of a wide range of organizations, regardless of their size or specific PR management objectives. Currently we offer our on-demand software suite in the following pre-packaged editions:

- *Public Relations Small Business Edition.* Designed primarily for small organizations and includes online press release distribution and basic reporting capabilities.
- *Public Relations Standard Edition.* Designed primarily for small organizations and includes contact management and basic reporting capabilities.
- *Public Relations Professional Edition.* Designed primarily to meet the needs of mid-sized and large organizations and provides contact management, news management and expanded reporting capabilities.
- *Public Relations Enterprise Edition.* Provides increased flexibility and functionality typically required by large organizations. Enterprise Edition is our most fully featured edition and includes all of the functionality of the Professional Edition, along with project management, collateral management, comprehensive reporting and configuration capabilities.
- *Government Relations Edition.* Designed to meet an organization's government relations needs, including communications with public officials and grassroots advocates, compliance reporting and issues and legislation management.

Additional functional capabilities are offered through a variety of add-on modules which include newsrooms, PRWeb online newswire, email campaigns, analytics & measurement and news on-demand.

Technology, Development and Operations

Technology

We were an early pioneer in hosted, multi-tenant, on-demand software, launching our first version in 1999. Our on-demand software is built on a single code base that leverages a highly scalable, multi-tenant application written in Visual Basic and C# for the .NET framework. We use commercially available hardware and a combination of proprietary and commercially available software, including Microsoft SQL Server and Microsoft Windows. We

have developed proprietary core services such as user session management and full text indexing that are tuned to our specific architecture and environment, allowing us to continually scale our service. We have a seamless environment, in which a user is not bound to a single server but can be routed in the most optimal way to any number of servers.

Our on-demand software manages all customers as logically separate tenants in central applications and databases. As a result, we are able to spread the cost of delivering our service across our user base. In addition, because we do not have to manage thousands of distinct applications with their own business logic and database schemas, we believe that we can scale our business faster than traditional software vendors, even those that have modified their products to be accessible over the Internet.

Every page of our on-demand software is dynamically rendered for each specific user, including a choice of five languages. Our customers access our solutions through any web browser without installing any software or downloading Java applets, Microsoft ActiveX, or .NET controls. Performance, functional depth and usability of our solutions drive our technology decisions and product direction.

Development

Our research and development efforts are focused on improving and enhancing our existing solutions as well as developing new features and functionality. Because of our common, multi-tenant architecture, we are able to provide all of our customers with a single version of our solutions, which allows us to maintain relatively low research and development expenses, as compared to traditional enterprise software business models which support multiple versions.

Site Operations

We serve all of our customers from two third-party facilities located in Virginia and Washington. These facilities provide a combination of security personnel, photo ID/access cards, biometric hand scanners and sophisticated fire systems. The overall security of each data center (inside and outside) and network operations center are monitored by digital video surveillance cameras 24 hours a day, seven days a week. Additionally, redundant electrical generators and environmental control devices are used to keep servers up and running. We own or lease and operate all of the hardware on which our applications run in the third-party facilities.

We continuously monitor the performance of our service. Our site operations team provides all system management, maintenance, monitoring and back-up. We use custom, proprietary tools as well as commercially available tools to monitor our solutions. We run tests in one minute intervals to ensure adequate response from all of our sites. We also monitor site availability and latency from over 15 geographic points around the world in five minute intervals.

To facilitate loss recovery, we operate a multi-tiered system configuration with load balanced web server pools, standby database servers and fault tolerant storage devices. Databases are backed up every five minutes to a hot standby database and server, which are designed to provide near real-time fail-over service in the event of a malfunction with a primary database or server. Full backups of all databases take place nightly and are archived to tape. These tapes are rotated off-site two times per week to a separate third-party managed facility. We also maintain a fully redundant site for our Virginia facility, located within our headquarters, which would serve as our primary site in the event that a disaster was to render one of the third-party sites inoperable.

Customer Support

We believe that superior customer support is critical to retaining and expanding our customer base. Our customer support group is responsible for new customer implementations, training and general help desk services, including identifying, analyzing and solving any problems or issues. Support services are available to customers on-site, by telephone, via email and via live chat over the Internet. We also offer basic and advanced training classes either on-site or via the Internet through live or pre-recorded web-based classes. Customer support is available during standard business hours to customers that subscribe to our on-demand software. We also offer 24/7 support to subscription customers at an additional charge. We have support personnel in our London, England office to handle

support requests from our international customers. Such support is available during standard international business hours.

In addition, we offer 24/7 editorial support to users of our online newswire. We also offer, for an additional charge, premium editorial services, such as editing and rewriting of press releases to help optimize distribution.

Sales and Marketing

We sell our solutions through our direct sales organization, the Internet and third-party resellers. Our direct sales organization is separated into new sales and existing customer base sales groups. In our new sales group, we employ telesales personnel to make initial calls to potential customers and to qualify customer leads. We employ inside sales and field sales personnel to close sales with customers. Our existing customer base sales group focuses on renewing customer relationships and expanding those relationships by selling additional users and modules to our customers. We currently have regional field operations offices in Maryland, Virginia, California, London, England and Bangkok, Thailand as well as resellers in Spain, France, Italy and Asia. International revenue accounted for approximately 7% of our total revenue in 2006 and 9% in 2007; however, we expect international markets to provide increased opportunities for our solution offerings in the future.

We have relationships with several indirect channel distributors, which in the aggregate accounted for approximately 5% of our total revenue in 2007. In the future, we may establish additional strategic relationships with vertical market distribution partners and independent software vendor/original equipment manufacturing partners. In international markets where we do not have a direct selling presence, we rely on resellers to sell our solutions. This strategy is primarily employed in Western Europe and Asia.

Our marketing strategy is to generate qualified sales leads, build our brand and create market awareness of Vocus as a leading provider of on-demand software for public relations management. Our marketing programs include direct mail and email campaigns, search engine marketing, using our website to provide product and company information, issuing press releases on a regular basis and launching events to publicize our solutions to existing customers and prospects. We also conduct seminars, participate in trade shows and industry conferences, host an annual user conference, publish white papers relating to PR issues and develop customer reference programs, such as customer case studies.

Our Customers

As of December 31, 2007, we had 2,427 active subscription customers in various industries, including financial and insurance, technology, healthcare and pharmaceuticals and retail and consumer products, as well as government agencies, not-for-profit organizations and educational institutions. No single end-user customer accounted for more than 1% of our revenue in 2007.

Competition

The public relations market is fragmented, competitive and rapidly evolving, and there are limited barriers to entry to some segments of this market. Within this segmentation, vendors are offering solutions through either on-demand or traditional on-premise delivery methods. We expect to encounter new and evolving competition as this market consolidates and matures and as organizations become more aware of the advantages and efficiencies that can be attained from the use of specialized software and other technology solutions. Currently, we primarily face competition from four sources:

- generic desktop software and other commercially available software not specifically designed for PR;
- PR solution providers offering products specifically designed for PR;
- outsourced PR service providers; and
- custom-developed solutions.

We compete with generic desktop software tools such as Microsoft Office or ACT, as well as other commercially available software solutions not specifically designed for PR. While these solutions have some

application to PR, they typically lack the specialized content and specific workflow necessary to meet the complex needs of the PR market.

We compete with PR solution providers such as Cision, BurrellesLuce, United Business Media and Factiva. These vendors typically provide one or more products that each address a single problem or process within PR. We believe we are able to compete successfully with these vendors due to our comprehensive and integrated offerings and our secure, scalable application and system architecture. In particular, we believe PR departments can, in general, more readily automate and integrate many manual, paper-based and discrete business activities with our on-demand software than with our competitors' offerings, thereby improving effectiveness, increasing productivity and lowering total cost of ownership.

We also compete to a lesser extent with providers of outsourced PR services, including PR agencies and other outsourced service providers. While some customers consider outsourcing services and in-house software to be competing alternatives, many customers view these as being complementary options and will often use both. In those cases where customers wish to select a single option, we believe we compete successfully against outsourced service providers by providing an in-house, automated solution that offers customers a more cost-effective and timely approach to managing their PR efforts.

We compete with custom-developed solutions created either internally by the organization or outside vendors. However, building a custom solution often requires extensive financial and technical resources that may not be available or cost-effective for the public relations department. In addition, in many cases the customer's legacy database and software system were not designed to support the increasingly complex and dynamic needs of today's PR department.

We believe the principal factors that generally determine a company's competitive advantage in the public relations market include the following:

- broad product functionality and depth of integration;
- ease of use;
- low total cost of ownership and easily demonstrable cost-effective benefits for customers;
- flexibility and configurability to meet complex customer requirements;
- rapid deployment and adoption;
- speed, reliability and functionality;
- system performance, security, scalability and reliability;
- ease of integration with existing applications and data;
- availability and quality of implementation, training and help-desk services; and
- competitive sales and marketing capabilities.

Intellectual Property and Proprietary Content

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our brand. We have no issued patents; however, we have one pending patent application. We also enter into confidentiality and proprietary rights agreements with our employees, consultants and other third parties and control access to software, documentation and other proprietary information.

We pursue the registration of our trademarks in the United States and in other countries, although we have not secured registration of all of our marks. We have registered the marks Vocus and PRWeb in the United States, and have applications pending to register the marks Vocus and PRWeb in the European Union, China, Hong Kong, Singapore and Thailand.

We currently license content included in our on-demand software from several providers pursuant to data reseller, data distribution and license agreements with these providers. These agreements provide us with content such as news coverage from print and Internet news sites, as well as contact information for journalists, analysts, public officials, media outlets and publicity opportunities. The licenses for this content are non-exclusive. The agreements vary in length from one to three years, and generally renew automatically subject to certain cancellation provisions available to the parties. Fees for the content provided are generally either fixed amounts per subscriber or based upon the number of concurrent users at a subscriber. Such fees are generally paid quarterly or monthly. During 2005, we developed our own content which has replaced a significant portion of our acquired third-party content. In August 2005, we began providing our internally-developed content to our customers and we ceased providing the replaced third-party content. We do not believe that any of our content providers are single source suppliers, the loss of whom would substantially affect our business.

If a claim is asserted that we have infringed the intellectual property of a third party, we may be required to seek licenses to that technology. In addition, we license third-party technologies that are incorporated into some elements of our services. Licenses from third parties may not continue to be available to us at a reasonable cost, or at all. Additionally, the steps we have taken to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary rights. Competitors may also independently develop technologies that are substantially equivalent or superior to the technologies we employ in our services.

Employees

As of December 31, 2007, we had 341 full-time and part-time employees. Our employees are not covered under any collective bargaining agreement, and we have never experienced a work stoppage. We believe we have good relations with our employees.

Executive Officers and Key Employees

Our executive officers and key employees and their respective ages and positions as of February 22, 2008 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard Rudman*	46	Chief Executive Officer, President and Chairman
Stephen Vintz*	39	Chief Financial Officer, Treasurer and Secretary
William Wagner*	40	Chief Marketing Officer
Norman Weissberg*	46	Senior Vice President, North American Sales
Andrew Muir*	52	Managing Director, Vocus International
William Donnelly	52	Senior Vice President, Corporate Development
Darren Stewart	39	Senior Vice President, Customer Services
Mark Heys	36	Chief Technology Officer

* Denotes an executive officer

Richard Rudman co-founded Vocus and has served as our Chief Executive Officer, President and Chairman since 1992. From 1986 through 1992, Mr. Rudman served as a senior executive at Dataway Corporation, a software development company. From 1984 through 1986, Mr. Rudman served as an accountant and systems analyst at Barlow Corporation, a privately held real estate development and management company. From 1979 through 1983, Mr. Rudman served in the United States Air Force. Mr. Rudman also serves on the board of directors of Avector and Parature, privately held technology companies. In addition, Mr. Rudman serves on the board of directors of the Baltimore Symphony Orchestra, a non-profit organization. Mr. Rudman holds a B.S. degree in accounting from the University of Maryland and is a Certified Public Accountant.

Stephen Vintz has served as our Chief Financial Officer and Treasurer since January 2001. From November 1996 to January 2001, Mr. Vintz was Vice President of Strategic Planning and Analysis at Snyder Communications, Inc., a marketing services company. Prior to November 1996, Mr. Vintz was a manager at Ernst & Young LLP.

Mr. Vintz serves on the board of directors of Fishbowl Marketing, a privately held technology company. Mr. Vintz holds a B.B.A. degree in accounting from Loyola College of Maryland and is a Certified Public Accountant.

William Wagner has served as our Chief Marketing Officer since July 2006. From January 2000 to June 2006, Mr. Wagner served as Chief Marketing Officer at Fiberlink Communications, a global provider of security and mobility software. From 1989 to 2000, Mr. Wagner held various sales and marketing positions at AT&T. Mr. Wagner serves on the board of directors of M5 Networks, a privately held company, and the C. David Evans Foundation, a not-for-profit organization. Mr. Wagner holds a B.A. degree in history from Lafayette College and an M.B.A. degree from the University of Pennsylvania.

Norman Weissberg has served as our Senior Vice President, North American Sales since June 2006. From August 1998 until June 2006, he was our Vice President, Account Sales. From March 1997 to August 1998, Mr. Weissberg was a Major Accounts Manager at Xerox Corporation. Mr. Weissberg serves on the board of directors of Formatta, a privately held technology company. Mr. Weissberg holds a B.S. degree in business from the University of Maryland.

Andrew Muir has served as Managing Director, Vocus International, since January 2003 (from January 2003 to April 2004, in a consulting capacity). From January 2002 to December 2002, Mr. Muir was self-employed as a consultant. From August 1999 to December 2001, Mr. Muir served as Managing Director of Cyveillance International (UK) Ltd. Mr. Muir also serves on the board of directors of Highgate Associates and Derringtons Ltd. Mr. Muir holds an H.N.D degree in computer science from Coventry University (Lanchester Polytechnic).

William Donnelly has served as our Senior Vice President, Corporate Development since June 2006. From April 2002 through June 2006 he was our Vice President, Sales. From August 2000 to April 2002, Mr. Donnelly served as Vice President, Sales and Customer Care for Careerbuilder, Inc., a provider of web-based human resources solutions. From April 1995 through April 2000, Mr. Donnelly served as Vice President, Sales and Business Development at Best Software, Inc., a software company. Mr. Donnelly also serves on the board of directors of Regent Education, Inc., a privately held corporation. Mr. Donnelly holds a B.S. degree in business administration and communications from Ramapo College of New Jersey and an M.B.A degree from George Washington University.

Darren Stewart has served as our Senior Vice President, Customer Services since February 1996. From January 1994 through February 1996, Mr. Stewart worked for Information Systems Group, a software consulting company. From September 1992 through January 1994, Mr. Stewart was Manager of Customer Service for Job Files Corporation, a privately held HR software and services company. Mr. Stewart holds a B.S. degree in business administration and finance from the University of Colorado.

Mark Heys has served as our Vice President, Development since joining Vocus in 1998. Mr. Heys was promoted to Chief Technology Officer in February 2008. From February 1996 through November 1998 Mr. Heys served as Development Manager at T4G Limited, a privately held company. Prior to T4G, Mr. Heys was the founder and CEO of Definitive Ideas, a software company focused on Point-of-Sale applications.

Available Information

We make available free of charge on or through our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission, or SEC. Our website address is www.vocus.com.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer.

Risks Related to Our Business and Industry

The markets for our on-demand software and solutions are emerging, which makes it difficult to evaluate our business and future prospects and may increase the risk of your investment.

The market for software specifically designed for public relations is relatively new and emerging, making our business and future prospects difficult to evaluate. Many companies have invested substantial personnel and financial resources in their PR departments, and may be reluctant or unwilling to migrate to on-demand software and services specifically designed to address the public relations market. Widespread market acceptance of our solutions is critical to the success of our business. You must consider our business and future prospects in light of the challenges, risks and difficulties we encounter in the new and rapidly evolving market of on-demand public relations management solutions. These challenges, risks and difficulties include the following:

- generating sufficient revenue to maintain profitability;
- managing growth in our operations;
- managing the risks associated with developing new services and modules;
- attracting and retaining customers; and
- attracting and retaining key personnel.

We may not be able to successfully address any of these challenges, risks and difficulties, including the other risks related to our business and industry described below. Failure to adequately do so could adversely affect our business, results of operations or financial condition.

If our on-demand solutions are not widely accepted, our business will be harmed.

We derive, and expect to continue to derive for the foreseeable future, principally all of our revenue from providing on-demand solutions. Our success will depend to a substantial extent on the willingness of companies to increase their use of on-demand solutions in general and for on-demand public relations software and services in particular. If businesses do not perceive the benefits of our on-demand solutions, then the market may not develop further, or it may develop more slowly than we expect, either of which would adversely affect our business, financial condition and results of operations.

A majority of our on-demand solutions are sold pursuant to subscription agreements, and if our existing subscription customers elect either not to renew these agreements or renew these agreements for fewer modules or users, our business, financial condition and results of operations will be adversely affected.

A majority of our on-demand solutions are sold pursuant to annual subscription agreements and our customers have no obligation to renew these agreements. As a result, we may not be able to consistently and accurately predict future renewal rates. Our subscription customers' renewal rates may decline or fluctuate or our subscription customers may renew for fewer modules or users as a result of a number of factors, including their level of satisfaction with our solutions, budgetary or other concerns, and the availability and pricing of competing products. Additionally, we may lose our subscription customers due to the high turnover rate in the PR departments of small and mid-sized organizations. If large numbers of existing subscription customers do not renew these agreements, or renew these agreements on terms less favorable to us, and if we cannot replace or supplement those non-renewals with new subscription agreements generating the same or greater level of revenue, our business, financial condition and results of operations will be adversely affected.

Because we recognize subscription revenue over the term of the applicable subscription agreement, the lack of subscription renewals or new subscription agreements may not be immediately reflected in our operating results.

We recognize revenue from our subscription customers over the terms of their subscription agreements. The majority of our quarterly revenue usually represents deferred revenue from subscription agreements entered into during previous quarters. As a result, a decline in new or renewed subscription agreements in any one quarter will

not necessarily be fully reflected in the revenue for the corresponding quarter but will negatively affect our revenue in future quarters. Additionally, the effect of significant downturns in sales and market acceptance of our solutions may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

Our business model continues to evolve, which may cause our results of operations to fluctuate or decline.

Our business model continues to evolve, and is therefore subject to additional risk and uncertainty. For example, through our acquisition of PRWeb International, Inc. in August 2006, we began providing online press release distribution. We anticipate that our future financial performance and revenue growth will depend, in part, upon the growth of these services. Unlike our historical, subscription-based model, we recognize revenue from our online news distribution services on a per transaction basis when our customers' press releases are made available to the public. Since our transaction revenue is not derived from subscription agreements, the amount of transaction revenue we recognize in any period could fluctuate significantly from prior periods, which could adversely affect our financial condition and results of operations.

We depend on search engines to attract new customers, and if those search engines change their listings or our relationship with them deteriorates or terminates, we may be unable to attract new customers and our business may be harmed.

We rely on search engines to attract new customers, and many of our customers locate our websites by clicking through on search results displayed by search engines such as Google and Yahoo!. Search engines typically provide two types of search results, algorithmic and purchased listings. Algorithmic search results are determined and organized solely by automated criteria set by the search engine and a ranking level cannot be purchased. Advertisers can also pay search engines to place listings more prominently in search results in order to attract users to advertisers' websites. We rely on both algorithmic and purchased listings to attract customers to our websites. Search engines revise their algorithms from time to time in an attempt to optimize their search result listings. If search engines on which we rely for algorithmic listings modify their algorithms, then our websites may not appear at all or may appear less prominently in search results which could result in fewer customers clicking through to our websites, requiring us to resort to other potentially costly resources to advertise and market our services. If one or more search engines on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, or our revenue could decline and our business may suffer. Additionally, the cost of purchased search listing advertising is rapidly increasing as demand for these channels grows, and further increases could greatly increase our expenses.

We might not generate increased business from our current customers, which could limit our revenue in the future.

The success of our strategy is dependent, in part, on the success of our efforts to sell additional modules and services to our existing customers and to increase the number of users per subscription customer. These customers might choose not to expand their use of or make additional purchases of our solutions. If we fail to generate additional business from our current customers, our revenue could grow at a slower rate or decrease.

Failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our solutions.

Increasing our customer base and achieving broader market acceptance of our solutions will depend to a significant extent on our ability to expand our sales and marketing operations. We plan to continue to expand our direct sales force and engage additional third-party channel partners, both domestically and internationally. This expansion will require us to invest significant financial and other resources. Our business will be seriously harmed if our efforts do not generate a corresponding significant increase in revenue. We may not achieve anticipated revenue growth from expanding our direct sales force if we are unable to hire and develop talented direct sales personnel, if our new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if

we are unable to retain our existing direct sales personnel. We also may not achieve anticipated revenue growth from our third-party channel partners if we are unable to attract and retain additional motivated third-party channel partners, if any existing or future third-party channel partners fail to successfully market, resell, implement or support our solutions for their customers, or if they represent multiple providers and devote greater resources to market, resell, implement and support competing products and services.

If we fail to develop our brands cost-effectively, our business may suffer.

We believe that developing and maintaining awareness of our brands in a cost-effective manner is critical to achieving widespread acceptance of our existing and future services and is an important element in attracting new customers. Successful promotion of our brands will depend largely on the effectiveness of our marketing efforts and on our ability to provide reliable and useful solutions. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brands. Our online press release and news distribution is a trusted information source. To the extent we were to distribute an inaccurate or fraudulent press release, our reputation could be harmed. If we fail to successfully promote and maintain our brands, or incur substantial expenses in an unsuccessful attempt to promote and maintain our brands, we may fail to attract new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business could suffer.

If our information database does not maintain market acceptance, our business, financial condition and results of operations could be adversely affected.

We have developed our own content that is included in the information database that we make available to our customers through our on-demand software. If our internally-developed content does not maintain market acceptance, current subscription customers may not continue to renew their subscription agreements with us, and it may be more difficult for us to acquire new subscription customers. It may become necessary for us to license content from third parties, and such content may not be available on commercially reasonable terms, if at all.

We depend on search engines for the placement of our customers' online news distribution, and if those search engines change their listings or our relationship with them deteriorates or terminates, our reputation will be harmed and we may lose customers or be unable to attract new customers.

Our online news distribution business depends upon the placement of our customers' news releases. If search engines on which we rely modify their algorithms or purposefully block our content, then information distributed via our online service may not be displayed or may be displayed less prominently in search results, and as a result we could lose customers or fail to attract new customers and our results of operations could be adversely affected.

We have incurred operating losses in the past and may incur operating losses in the future.

We have incurred operating losses in the past and we may incur operating losses in the future. Our recent operating losses were \$4.9 million for 2005, \$1.1 million for 2006, and \$821,000 for 2007. We expect our operating expenses to increase as we expand our operations, and if our increased operating expenses exceed our revenue growth, we may not be able to achieve operating income. You should not consider recent quarterly revenue growth as indicative of our future performance. In fact, in future quarters we may not have any revenue growth or our revenue could decline.

Our quarterly results of operations may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our stock price to decline.

Our quarterly revenue and results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Fluctuations in our results of operations may be due to a number of factors, including, but not limited to, those listed below and identified throughout this "Risk Factors" section:

- our ability to retain and increase sales to existing customers and attract new customers;

- changes in the volume and mix of subscriptions sold and press releases distributed in a particular quarter;
- seasonality of our business cycle, given that our subscription volumes are normally lowest in the first quarter and highest in the fourth quarter;
- our policy of expensing sales commissions at the time our customers are invoiced for a subscription agreement, while the majority of our revenue is recognized ratably over future periods;
- the timing and success of new product introductions or upgrades by us or our competitors;
- changes in our pricing policies or those of our competitors;
- the amount and timing of expenditures related to expanding our operations;
- changes in accounting policies or the timing of non-recurring charges;
- changes in the payment terms for our products and services; and
- the purchasing and budgeting cycles of our customers.

Most of our expenses, such as salaries and third-party hosting co-location costs, are relatively fixed in the short-term, and our expense levels are based in part on our expectations regarding future revenue levels. As a result, if revenue for a particular quarter is below our expectations, we may not be able to proportionally reduce operating expenses for that quarter, causing a disproportionate effect on our expected results of operations for that quarter.

Due to the foregoing factors, and the other risks discussed in this report, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance.

We face competition, and our failure to compete successfully could make it difficult for us to add and retain customers and could reduce or impede the growth of our business.

The public relations market is fragmented, competitive and rapidly evolving, and there are limited barriers to entry to some segments of this market. We expect the intensity of competition to increase in the future as existing competitors develop their capabilities and as new companies enter our market. Increased competition could result in pricing pressure, reduced sales, lower margins or the failure of our solutions to achieve or maintain broad market acceptance. If we are unable to compete effectively, it will be difficult for us to maintain our pricing rates and add and retain customers, and our business, financial condition and results of operations will be seriously harmed. We face competition from:

- PR solution providers offering products specifically designed for PR;
- generic desktop software and other commercially available software not specifically designed for PR;
- outsourced PR service providers; and
- custom-developed solutions.

Many of our current and potential competitors have longer operating histories, a larger presence in the general PR market, access to larger customer bases and substantially greater financial, technical, sales and marketing, management, service, support and other resources than we have. As a result, our competitors may be able to respond more quickly than we can to new or changing opportunities, technologies, standards or customer requirements or devote greater resources to the promotion and sale of their products and services than we can. To the extent our competitors have an existing relationship with a potential customer, that customer may be unwilling to switch vendors due to existing time and financial commitments with our competitors.

We also expect that new competitors, such as enterprise software vendors and online service providers that have traditionally focused on enterprise resource planning or back office applications, will enter the on-demand public relations management market with competing products as the on-demand public relations management market develops and matures. Many of these potential competitors have established or may establish business, financial or strategic relationships among themselves or with existing or potential customers, alliance partners or

other third parties or may combine and consolidate to become more formidable competitors with better resources. It is possible that these new competitors could rapidly acquire significant market share.

If we fail to respond to evolving industry standards, our on-demand solutions may become obsolete or less competitive.

The market for our on-demand solutions is characterized by changes in customer requirements, changes in protocols and evolving industry standards. If we are unable to enhance or develop new features for our existing solutions or develop acceptable new solutions that keep pace with these changes, our on-demand software and services may become obsolete, less marketable and less competitive and our business will be harmed. The success of any enhancements, new modules and on-demand software and services depends on several factors, including timely completion, introduction and market acceptance of our solutions. Failure to produce acceptable new offerings and enhancements may significantly impair our revenue growth and reputation.

If there are interruptions or delays in providing our on-demand solutions due to third-party error, our own error or the occurrence of unforeseeable events, delivery of our solutions could become impaired, which could harm our relationships with customers and subject us to liability.

All of our solutions reside on hardware that we own or lease and operate that is currently located in two third-party facilities maintained and operated in Virginia and Washington. Our third-party facility providers do not guarantee that our customers' access to our solutions will be uninterrupted, error-free or secure. Our operations depend, in part, on our third-party facility providers' ability to protect systems in their facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. In the event that our third-party facility arrangements are terminated, or there is a lapse of service or damage to such third-party facilities, we could experience interruptions in our service as well as delays and additional expense in arranging new facilities and services.

Our disaster recovery computer hardware and systems located at our headquarters in Lanham, Maryland, have not been tested under actual disaster conditions and may not have sufficient capacity to recover all data and services in the event of an outage occurring at our third-party facilities. Moreover, our disaster recovery computer hardware and systems are located within the same geographic region as one of our third-party facilities and may be equally or more affected by any disaster affecting such third-party facility. Any or all of these events could cause our customers to lose access to our on-demand software. In addition, the failure by our third-party facilities to meet our capacity requirements could result in interruptions in such service or impede our ability to scale our operations.

We architect the system infrastructure and procure and own or lease the computer hardware used for our services. Design and mechanical errors, spikes in usage volume and failure to follow system protocols and procedures could cause our systems to fail, resulting in interruptions in our service. Any interruptions or delays in our service, whether as a result of third-party error, our own error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with customers and our reputation. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could reduce our revenue, subject us to liability, and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could adversely affect our business, financial condition and results of operations.

The market for our solutions among large customers may be limited if they require customized features or functions that we do not currently intend to provide in our solutions or that would be difficult for individual customers to customize within our solutions.

Prospective customers, especially large enterprise customers, may require heavily customized features and functions unique to their business processes. If prospective customers require customized features or functions that we do not offer, and that would be difficult for them to implement themselves, then the market for our solutions will be more limited and our business could suffer.

Acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and consume resources that are necessary to sustain our business.

One of our business strategies is to continue to selectively acquire companies which would either expand our solutions' functionality, provide access to new customers or markets, or both. An acquisition may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the technologies, products, personnel or operations of the acquired organizations, particularly if the key personnel of the acquired company choose not to work for us, and we may have difficulty retaining the customers of any acquired business due to changes in management and ownership. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for ongoing development of our business. We also may experience lower rates of renewal from subscription customers obtained through acquisitions than our typical renewal rates. Moreover, we cannot provide assurance that the anticipated benefits of any acquisition, investment or business relationship would be realized or that we would not be exposed to unknown liabilities. In connection with one or more of these transactions, we may:

- issue additional equity securities that would dilute the ownership of our stockholders;
- use cash that we may need in the future to operate our business;
- incur or assume debt on terms unfavorable to us or that we are unable to repay;
- incur large charges or substantial liabilities;
- encounter difficulties retaining key employees of an acquired company or integrating diverse business cultures; and
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges.

To date, we have completed several acquisitions. For example, in November 2004 we acquired substantially all of the assets of Gnosso Software, Inc., and in August 2006 we acquired certain assets and assumed certain liabilities of PRWeb International, Inc. In each of these transactions, the consideration we paid included both cash and shares of our common stock. The issuance of shares of our common stock diluted the ownership of our existing stockholders, and the cash consideration paid reduced the cash available to us for other purposes.

We may be liable to our customers and may lose customers if we provide poor service, if our solutions do not comply with our agreements or if there is a loss of data.

The information in our databases may not be complete or may contain inaccuracies that our customers regard as significant. Our ability to collect and report data may be interrupted by a number of factors, including our inability to access the Internet, the failure of our network or software systems or failure by our third-party facilities to meet our capacity requirements. In addition, computer viruses and intentional or unintentional acts of our employees may harm our systems causing us to lose data we maintain and supply to our customers or data that our customers input and maintain on our systems, and the transmission of computer viruses could expose us to litigation. Our subscription agreements generally give our customers the right to terminate their agreements for cause if we materially breach our obligations. Any failures in the services that we supply or the loss of any of our customers' data that we cannot rectify in a certain time period may give our customers the right to terminate their agreements with us and could subject us to liability. As a result, we may also be required to spend substantial amounts to defend lawsuits and pay any resulting damage awards. In addition to potential liability, if we supply inaccurate data or experience interruptions in our ability to supply data, our reputation could be harmed and we could lose customers.

Although we maintain general liability insurance, including coverage for errors and omissions, this coverage may be inadequate, or may not be available in the future on acceptable terms, or at all. In addition, we cannot provide assurance that this policy will cover any claim against us for loss of data or other indirect or consequential damages and defending a suit, regardless of its merit, could be costly and divert management's attention.

If our solutions fail to perform properly or if they contain technical defects, our reputation will be harmed, our market share would decline and we could be subject to product liability claims.

Our on-demand software may contain undetected errors or defects that may result in product failures or otherwise cause our solutions to fail to perform in accordance with customer expectations. Because our customers use our solutions for important aspects of their business, any errors or defects in, or other performance problems with, our solutions could hurt our reputation and may damage our customers' businesses. If that occurs, we could lose future sales or our existing subscription customers could elect to not renew. Product performance problems could result in loss of market share, failure to achieve market acceptance and the diversion of development resources. If one or more of our solutions fail to perform or contain a technical defect, a customer may assert a claim against us for substantial damages, whether or not we are responsible for our solutions' failure or defect. We do not currently maintain any warranty reserves.

Product liability claims could require us to spend significant time and money in litigation or arbitration/dispute resolution or to pay significant settlements or damages. Although we maintain general liability insurance, including coverage for errors and omissions, this coverage may not be sufficient to cover liabilities resulting from such product liability claims. Also, our insurer may disclaim coverage. Our liability insurance also may not continue to be available to us on reasonable terms, in sufficient amounts, or at all. Any product liability claim successfully brought against us could cause our business to suffer.

Changes in laws and/or regulations related to the Internet or changes in the Internet infrastructure itself may cause our business to suffer.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy, the use of the Internet as a commercial medium and the use of email for marketing or other consumer communications. In addition, certain government agencies or private organizations have begun to impose taxes, fees or other charges for accessing the Internet or for sending commercial email. These laws or charges could limit the growth of Internet-related commerce or communications generally, result in a decline in the use of the Internet and the viability of Internet-based services such as ours and reduce the demand for our products.

The Internet has experienced, and is expected to continue to experience, significant user and traffic growth, which has, at times, caused user frustration with slow access and download times. If Internet activity grows faster than Internet infrastructure or if the Internet infrastructure is otherwise unable to support the demands placed on it, or if hosting capacity becomes scarce, our business growth may be adversely affected.

If we are unable to protect our proprietary technology and other intellectual property rights, it will reduce our ability to compete for business.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products similar to our products, which could decrease demand for our solutions. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as licensing agreements, third-party nondisclosure agreements and other contractual provisions and technical measures, to protect our intellectual property rights. These protections may not be adequate to prevent our competitors from copying our solutions or otherwise infringing on our intellectual property rights. Existing laws afford only limited protection for our intellectual property rights and may not protect such rights in the event competitors independently develop solutions similar or superior to ours. In addition, the laws of some countries in which our solutions are or may be licensed do not protect our solutions and intellectual property rights to the same extent as do the laws of the United States.

To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. These agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.

If a third-party asserts that we are infringing its intellectual property, whether successful or not, it could subject us to costly and time-consuming litigation or expensive licenses, and our business may be harmed.

The software and Internet industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. Third-parties may assert patent and other intellectual property infringement claims against us in the form of lawsuits, letters, or other forms of communication. As currently pending patent applications are not publicly available, we cannot anticipate all such claims or know with certainty whether our technology infringes the intellectual property rights of third-parties. We expect that the number of infringement claims in our market will increase as the number of solutions and competitors in our industry grows. These claims, whether or not successful, could:

- divert management's attention;
- result in costly and time-consuming litigation;
- require us to enter into royalty or licensing agreements, which may not be available on acceptable terms, or at all; or
- require us to redesign our solutions to avoid infringement.

As a result, any third-party intellectual property claims against us could increase our expenses and adversely affect our business. In addition, many of our customer agreements require us to indemnify our customers for third-party intellectual property infringement claims, which would increase the cost to us resulting from an adverse ruling in any such claim. Even if we have not infringed any third-parties' intellectual property rights, we cannot be sure our legal defenses will be successful, and even if we are successful in defending against such claims, our legal defense could require significant financial resources and management's time, which could adversely affect our business.

Our growth could strain our personnel and infrastructure resources, and if we are unable to implement appropriate controls and procedures to manage our growth, we may not be able to successfully implement our business plan.

Rapid growth in our headcount and operations may place a significant strain on our management, administrative, operational and financial infrastructure. Between January 1, 2005 and December 31, 2007, the number of our full time equivalent employees increased by approximately 134%, from 146 to 341. We anticipate that additional growth will be required to address increases in our customer base, as well as expansion into new geographic areas.

Our success will depend in part upon the ability of our senior management to manage growth effectively. To do so, we must continue to hire, train and manage new employees as needed. To date, we have not experienced any significant problems as a result of the rapid growth in our headcount, other than occasional office space constraints. However, our anticipated future growth may place greater strains on our resources. For instance, if our new hires perform poorly, or if we are unsuccessful in hiring, training, managing and integrating these new employees as needed, or if we are not successful in retaining our existing employees, our business may be harmed. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. The additional headcount and capital investments we expect to add will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by offsetting expense reductions in the short term. If we fail to successfully manage our growth, we will be unable to execute our business plan.

We are dependent on our executive officers, and the loss of any of them may prevent us from implementing our business plan in a timely manner if at all.

Our success depends largely upon the continued services of our executive officers and other key personnel. We are also substantially dependent on the continued service of our existing development personnel because of the complexity of our service and technologies. We do not have employment agreements with any of our development

personnel that require them to remain our employees nor do the employment agreements we have with our executive officers require them to remain our employees and, therefore, they could terminate their employment with us at any time without penalty. We do not currently maintain key man life insurance on any of our executives, and such insurance, if obtained in the future, may not be sufficient to cover the costs of recruiting and hiring a replacement or the loss of an executive's services. The loss of one or more of our key employees could seriously harm our business.

We may not be able to attract and retain the highly skilled employees we need to support our planned growth.

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for senior sales executives and engineers with high levels of experience in designing and developing software. We may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than us. In addition, in making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the stock options and awards they are to receive in connection with their employment. Significant volatility in the price of our stock may, therefore, adversely affect our ability to attract or retain key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

Because we conduct operations in foreign jurisdictions, which accounted for approximately 9% of our 2007 revenues, and because our business strategy includes expanding our international operations, our business is susceptible to risks associated with international operations.

We have small but growing international operations and our business strategy includes expanding these operations. Conducting international operations subjects us to new risks that we have not generally faced in the United States. These include:

- fluctuations in currency exchange rates;
- unexpected changes in foreign regulatory requirements;
- difficulties in managing and staffing international operations;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems and restrictions on the repatriation of earnings; and
- the burdens of complying with a wide variety of foreign laws and different legal standards.

The occurrence of any one of these risks could negatively affect our international operations and, consequently, our results of operations generally. In addition, the Internet may not be used as widely in international markets in which we expand our international operations and, as a result, we may not be successful in offering our solutions internationally.

We might require additional capital to support business growth, and this capital might not be available.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in further equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to

obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

For example, FASB now requires companies to expense the fair value of employee stock options. Such stock option expensing required us, beginning in 2006, to value our employee stock option grants pursuant to a fair value-based model, and then recognize that value against our reported earnings over the vesting period in effect for those options. Prior to 2006, we had accounted for stock-based awards to employees in accordance with the intrinsic value method. The intrinsic value method generally results in recording less expense than the fair value method for stock-based awards. This change in accounting treatment materially and adversely affected our reported results of operations. We discuss more fully the adoption of the new rules for accounting for stock-based awards in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in the notes to the consolidated financial statements included elsewhere in this report.

Compliance with new regulations governing public company corporate governance and reporting is uncertain and expensive.

Many new laws, regulations and standards, notably those adopted in connection with the Sarbanes-Oxley Act of 2002, have increased the scope, complexity and cost of corporate governance, reporting and disclosure practices and have created uncertainty for public companies. These new laws, regulations and standards are subject to interpretations due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by varying regulatory bodies. This may cause continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our implementation of these reforms and enhanced new disclosures may result in increased general and administrative expenses and a significant diversion of management’s time and attention from revenue-generating activities. Any unanticipated difficulties in implementing these reforms could result in material delays in complying with these new laws, regulations and standards or significantly increase our operating costs.

Risks Related to our Common Stock and the Securities Markets

If securities analysts do not publish research or reports about our business or if they downgrade our stock, the price of our stock could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. There are many large, well-established publicly traded companies active in our industry and market, which may mean it will be less likely that we receive widespread analyst coverage. Furthermore, if one or more of the analysts who do cover us downgrade our stock, our stock price would likely decline rapidly. If one or more of these analysts cease coverage of us, we could lose visibility in the market, which in turn could cause our stock price to decline.

Volatility of our stock price could adversely affect stockholders.

The market price of our common stock could fluctuate significantly as a result of:

- quarterly variations in our operating results;
- seasonality of our business cycle;
- interest rate changes;

- changes in the market’s expectations about our operating results;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning our company or the on-demand software industry in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends in our markets;
- changes in laws and regulations affecting our business;
- material announcements by us or our competitors;
- sales of substantial amounts of common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions and acts of war or terrorism.

Provisions in our amended and restated certificate of incorporation and bylaws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- establish a classified board of directors so that not all members of our board of directors are elected at one time;
- provide that directors may only be removed “for cause” and only with the approval of 662/3 percent of our stockholders;
- require super-majority voting to amend our bylaws or specified provisions in our amended and restated certificate of incorporation;
- authorize the issuance of “blank check” preferred stock that our board of directors could issue to increase the number of outstanding shares and to discourage a takeover attempt;
- limit the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to adopt, amend, or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company.

Future sales, or the availability for sale, of our common stock may cause our stock price to decline.

Our directors and officers hold shares of our common stock that they generally are currently able to sell in the public market. We have also registered shares of our common stock that are subject to outstanding stock options, or reserved for issuance under our stock option plan, which shares can generally be freely sold in the public market upon issuance. Moreover, many of our executive officers and directors have established trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, for the purpose of effecting sales of our common stock. Sales of substantial amounts of our common stock in the public market could adversely affect the market

price of our common stock and could materially impair our future ability to raise capital through offerings of our common stock.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

Our corporate headquarters, including our principal administrative, marketing, sales, technical support and research and development facilities, are located in Lanham, Maryland, where we lease approximately 38,800 square feet under two agreements that expire in 2008 and 2011. Our content research division is located in College Park, Maryland where we lease approximately 6,400 square feet of space under an agreement that expires in 2009. Operations related to our online press release distribution service are located in Ferndale, Washington where we lease approximately 13,533 square feet of space under four agreements that expires at various times from July 2008 through December 2010. We also currently occupy several domestic and international sales and service offices in Herndon, Virginia, London, England, and Bangkok, Thailand, where we lease an aggregate of approximately 8,926 square feet under multiple leases, which have terms that expire at various times through January 2013.

We believe that our current facilities are suitable and adequate to meet our current needs, and that suitable additional or substitute space will be available as needed to accommodate expansion of our operations.

Item 3. *Legal Proceedings*

We are not currently subject to any material legal proceedings. From time to time, however, we are named as a defendant in legal actions arising from our normal business activities. Although we cannot accurately predict the amount of our liability, if any, that could arise with respect to legal actions currently pending against us; we do not expect that any such liability will have a material adverse effect on our financial position, operating results or cash flows.

We believe that we have obtained adequate insurance coverage or rights to indemnification, or where appropriate, have established reserves in connection with these legal proceedings.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of stockholders during the fourth quarter of 2007.

PART II

Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market for Common Stock

Since December 7, 2005, our common stock has been listed on the NASDAQ Global Market under the symbol "VOCS." Prior to such time, there was no public market for our common stock. The following table sets forth, for

the periods indicated, the high and low closing sale prices of our common stock as reported by NASDAQ, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

	<u>High</u>	<u>Low</u>
Fiscal Year Ended December 31, 2006		
First Quarter	\$15.34	\$10.00
Second Quarter	16.40	12.19
Third Quarter	15.78	12.80
Fourth Quarter	18.11	14.87
Fiscal Year Ended December 31, 2007		
First Quarter	\$21.49	\$16.86
Second Quarter	27.31	19.53
Third Quarter	30.12	23.10
Fourth Quarter	37.30	29.96

As of February 20, 2008, there were approximately 59 holders of record of our common stock. This figure does not reflect persons or entities that hold their stock in nominee or "street" name through various brokerage firms.

Dividends

We have never declared or paid any cash dividends on our capital stock and do not expect to pay any cash dividends for the foreseeable future. We intend to retain any future earnings, if any, in the operation and expansion of our business. Any future determination to pay cash dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant. In addition, the terms of any future indebtedness that we may incur could preclude us from paying dividends.

Uses of Proceeds From Registered Securities

In connection with our initial public offering of our common stock, the SEC declared our Registration Statement on Form S-1 (No. 333-125834), filed under the Securities Act of 1933, effective on December 6, 2005. On December 12, 2005, we closed the sale of 5,000,000 shares of our common stock registered under the Registration Statement. On January 6, 2006, certain selling stockholders sold 750,000 shares of our common stock pursuant to the exercise in full of the underwriters' over-allotment option. Thomas Weisel Partners LLC, RBC Capital Markets, Wachovia Securities and William Blair & Company served as the managing underwriters.

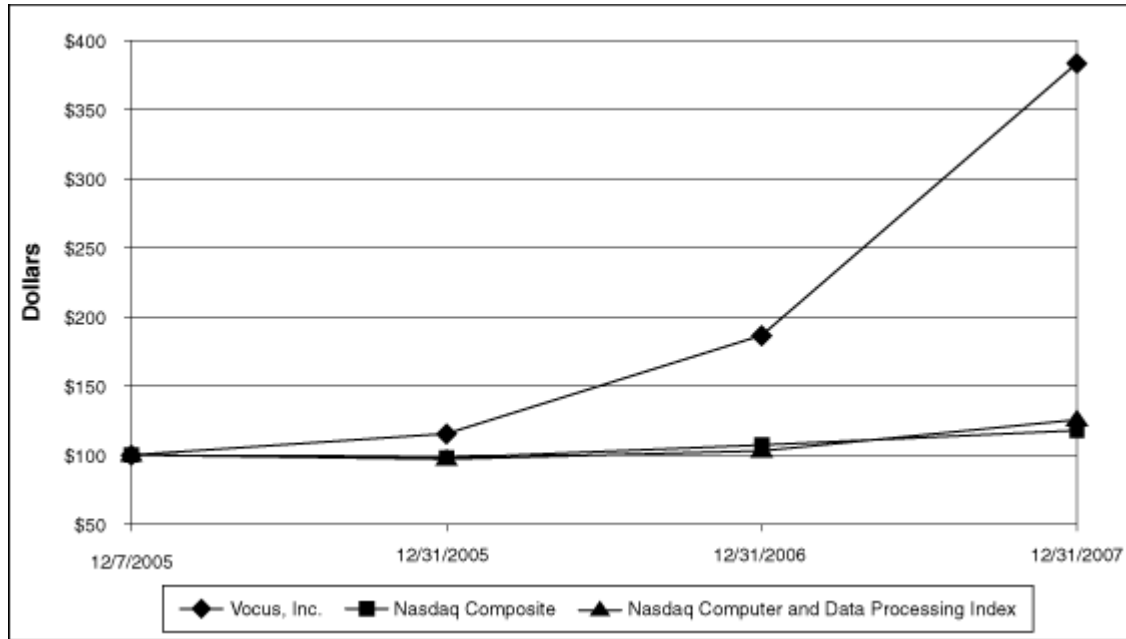
The initial public offering price was \$9.00 per share. The aggregate sale price for all of the shares sold by us was \$45.0 million, resulting in net proceeds to us of approximately \$40.0 million after payment of underwriting discounts and commissions and legal, accounting and other fees incurred in connection with the offering of approximately \$5.0 million. The aggregate sales price for all of the shares sold by the selling stockholders was approximately \$6.8 million. We did not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

In December 2005, we used approximately \$6.8 million from the net proceeds received from our initial public offering to repay certain indebtedness.

In August 2006, we used approximately \$20.9 million of the offering proceeds for the acquisition of PRWeb International, Inc. We have invested the remainder of the proceeds from the initial public offering in short-term, interest-bearing, investment-grade securities and money market funds. We anticipate that we will use the remaining proceeds to fund working capital and general corporate purposes, which may include the expansion of our content and service offerings and potential acquisitions of complementary businesses, products and technologies. We cannot specify with certainty all of the particular uses for the proceeds. The amounts we actually spend for these purposes may vary significantly and will depend on a number of factors. Accordingly, our management will retain broad discretion in the allocation of the proceeds.

Performance Graph

The following line graph compares cumulative total stockholder returns for the period from December 7, 2005, the date of our initial public offering, through December 31, 2007 for (1) our common stock; (2) the Nasdaq Market Index; and (3) the Nasdaq Computer & Data Processing Index. The graph assumes an investment of \$100 on December 7, 2005, which was the first day on which our stock was listed on the Nasdaq Global Market. The calculations of cumulative stockholder return on the Nasdaq National Index and the Nasdaq Computer & Data Processing Index include reinvestment of dividends, but the calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay dividends during the measurement period. The performance shown is not necessarily indicative of future performance.



	12/7/2005	12/31/2005	12/31/2006	12/31/2007
Vocus, Inc.	\$100.00	\$115.44	\$186.67	\$383.67
Nasdaq Composite	100.00	97.93	107.25	117.77
Nasdaq Computer and Data Processing Index	100.00	97.03	103.00	125.51

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report. The data for the years ended December 31, 2005, 2006 and 2007 are derived from consolidated financial statements included elsewhere in this report. The data for the years ended December 31, 2003 and 2004 is derived from audited financial statements not included in this report.

	Year Ended December 31,				
	2003(5)	2004(6)	2005	2006(7)	2007
(In thousands, except per share data)					
Consolidated Statement of Operations:					
Revenues	\$15,434	\$20,393	\$28,062	\$40,328	\$58,076
Cost of revenues(1)(2)	3,244	4,368	6,537	8,293	10,922
Accelerated amortization of prepaid royalty fees and contract termination costs	—	—	1,399	—	—
Gross profit	12,190	16,025	20,126	32,035	47,154
Operating expenses:(2)(3)					
Sales and marketing	8,285	11,708	14,837	18,912	26,548
Research and development	2,201	2,064	2,515	2,896	3,822
General and administrative	4,493	3,942	6,051	9,626	14,743
Amortization of intangible assets	788	976	1,605	1,705	2,862
Total operating expenses	15,767	18,690	25,008	33,139	47,975
Loss from operations	(3,577)	(2,665)	(4,882)	(1,104)	(821)
Other income (expense):					
Interest and other income	12	99	177	1,819	2,541
Interest expense	(41)	(35)	(359)	(88)	(47)
Total other income (expense)	(29)	64	(182)	1,731	2,494
Income (loss) before income taxes and cumulative effect of a change in accounting principle	(3,606)	(2,601)	(5,064)	627	1,673
Provision for income taxes	—	—	—	185	674
Income (loss) before cumulative effect of a change in accounting principal	(3,606)	(2,601)	(5,064)	442	999
Cumulative effect of a change in accounting principle(4)	896	—	—	—	—
Net income (loss)	(2,710)	(2,601)	(5,064)	442	999
Accretion of preferred stock	(1,547)	(1,582)	(1,900)	—	—
Net income (loss) attributable to common stockholders	<u>\$ (4,257)</u>	<u>\$ (4,183)</u>	<u>\$ (6,964)</u>	<u>\$ 442</u>	<u>\$ 999</u>
Net income (loss) attributable to common stockholders per share, basic	\$ (1.07)	\$ (1.04)	\$ (1.43)	\$ 0.03	\$ 0.06
Net income (loss) attributable to common stockholders per share, diluted	\$ (1.07)	\$ (1.04)	\$ (1.43)	\$ 0.03	\$ 0.05

(1) Cost of revenues includes amortization of intangible assets in the following amounts:

	Year Ended December 31,				
	2003	2004	2005	2006	2007
Amortization of intangible assets	\$478	\$397	\$402	\$344	\$120

- (2) Cost of revenues and operating expenses include stock-based compensation from stock option awards pursuant to SFAS No. 123R, *Share-Based Payment*, in the following amounts:

	<u>Year Ended December 31,</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Cost of revenues	\$ —	\$ —	\$ —	\$ 69	\$ 581
Sales and marketing	—	—	—	530	1,498
Research and development	—	—	—	219	548
General and administrative	—	—	—	1,042	2,915
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,860</u>	<u>\$5,542</u>

- (3) Operating expenses include stock-based compensation related to purchases of our common stock in the following amounts:

	<u>Year Ended December 31,</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Research and development	\$247	\$ —	\$ —	\$ —	\$ —
General and administrative	246	—	1,006	—	—

- (4) On January 1, 2003, we changed our revenue recognition policy. This change was made to comply with provisions of EITF 00-21, *Revenue Arrangements with Multiple Deliverables*. Upon adoption of EITF 00-21 on January 1, 2003, we recorded a cumulative effect of a change in accounting principle of \$896 representing the unrecognized revenue that would have been recognized in prior periods had we retroactively applied EITF 00-21.
- (5) On January 24, 2003, we acquired Public Affairs Technologies, Inc. a provider of software to manage corporate communications and public relations. The operating results of Public Affairs Technologies have been included in our results of operations since the date of acquisition.
- (6) On November 8, 2004, we acquired Gnosso Software, Inc., a provider of software to manage corporate communications and government relations. The operating results of Gnosso have been included in our results of operations since the date of acquisition.
- (7) On August 4, 2006, we acquired PRWeb International, Inc., an online distributor of press releases. The operating results of PRWeb have been included in our results of operations since the date of acquisition.

	<u>December 31,</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 1,573	\$ 7,554	\$40,027	\$26,506	\$ 56,541
Working capital (deficit)	(8,590)	(5,442)	24,915	8,521	42,013
Total assets	9,571	19,618	55,836	74,770	114,243
Total debt	339	3,001	1,407	762	335
Total deferred revenue	12,393	16,052	20,696	26,631	34,964
Redeemable stock	22,488	28,830	189	33	—
Stockholders' equity (deficit)	(28,227)	(31,738)	30,387	40,974	71,004

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this report. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in "Risk Factors" in Item 1A.

Overview

We are a leading provider of on-demand software for public relations management. Our web-based software suite helps organizations of all sizes fundamentally change the way they communicate with both the media and the public, optimizing their public relations and increasing their ability to measure its impact. Our on-demand software addresses the critical functions of public relations including media relations, news distribution and news monitoring. We deliver our solutions over the Internet using a secure, scalable application and system architecture, which allows our customers to eliminate expensive up-front hardware and software costs and to quickly deploy and adopt our on-demand software.

We sell access to our on-demand software primarily through our direct sales channel, and to a lesser extent through third-party distributors. As of December 31, 2007, we had 2,427 active subscription customers from a variety of industries, including financial and insurance, technology, healthcare and pharmaceutical and retail and consumer products, as well as government agencies, not-for-profit organizations and educational institutions. We define active subscription customers as unique customer accounts that have an active subscription and have not been suspended for non-payment.

Additionally, we are a leading provider of online distribution of press releases. We enable our customers to achieve visibility on the Internet by distributing search engine optimized press releases directly to various news sites and the public. We offer an on-demand solution which allows our customers to widely distribute press releases containing important elements of rich media such as images, podcasts and video messages to drive Internet traffic to websites and increase brand awareness.

We plan to continue the expansion of our customer base by expanding our direct and indirect distribution channels, expanding our international market penetration and selectively pursuing strategic acquisitions. As a result, we plan to hire additional personnel, particularly in sales and professional services, and expand our domestic and international selling and marketing activities, increase the number of locations around the world where we conduct business and develop our operational and financial systems to manage a growing business. We also intend to identify and acquire companies which would either expand our solution's functionality, provide access to new customers or markets, or both.

Sources of Revenues

We derive our revenues from subscription agreements and related services and from the online distribution of press releases. Our subscription agreements contain multiple service elements and deliverables, which include use of our on-demand software, hosting services, content and content updates, implementation and training services and customer support. The typical term of our subscription agreements is one year; however, our customers may purchase subscriptions with multi-year terms. We generally invoice our customers in advance of their annual subscription, with payment terms that require our customers pay us within 30 days of invoice. Our subscription agreements are non-cancelable, though customers typically have the right to terminate their agreements for cause if we materially breach our obligations under the agreement. Additionally, we derive revenue on a per-transaction basis from the online distribution of press releases. We generally receive payment in advance of the distribution of the press release.

Professional services revenue consists primarily of data migration, training and configuration services sold separately after the initial subscription agreement. Typically, our professional service engagements are billed on a fixed fee basis with payment terms requiring our customers to pay us within 30 days of invoice. Revenues from

professional services sold separately from subscription agreements have not been material to our business. During 2007, professional services sold separately accounted for less than 2% of our revenues.

Cost of Revenues and Operating Expenses

Cost of Revenues. Cost of revenues consists primarily of compensation for training, editorial and support personnel, hosting infrastructure, press release distribution, acquisition and amortization of content, amortization of purchased technology, amortization of capitalized software development costs, depreciation associated with computer equipment and software and allocated overhead. We allocate overhead expenses such as employee benefits, computer supplies, depreciation for computer equipment and office supplies based on headcount. As a result, indirect overhead expenses are included in cost of revenues and each operating expense category.

We believe content is an integral part of our solution and provides our customers with access to broad, current and relevant information critical to their PR efforts. We expect to continue to make investments in both our own content as well as content acquired from third parties and to continue to enhance our proprietary information database and news on-demand service. We expect that in 2008, cost of revenues will increase in absolute dollars but will remain relatively consistent as a percentage of revenues, as we incur expenses to expand our content offerings and our capacity to support new customers.

Sales and Marketing. Sales and marketing expenses are our largest operating expense, accounting for 46% of our 2007 revenues. Sales and marketing expenses consist primarily of compensation for our sales and marketing personnel, sales commissions and incentives, marketing programs, including lead generation, events and other brand building expenses and allocated overhead. We expense our sales commissions at the time a subscription agreement is executed by the customer, and we recognize substantially all of our revenues ratably over the term of the corresponding subscription agreement. As a result, we incur incremental sales expense before the recognition of the related revenues.

As our revenues increase, we plan to continue to invest heavily in sales and marketing by increasing the number of direct sales personnel in order to add new customers and increase sales to our existing customers. We also plan to expand our marketing activities in order to build brand awareness and generate additional leads for our growing sales personnel. We expect that in 2008, sales and marketing expenses will increase in absolute dollars but will remain relatively consistent as a percentage of revenues.

Research and Development. Research and development expenses consist primarily of compensation for our software application development personnel and allocated overhead. We have historically focused our research and development efforts on increasing the functionality and enhancing the ease of use of our on-demand software. Because of our hosted, on-demand model, we are able to provide all of our customers with a single, shared version of our most recent application. As a result, we do not have to maintain legacy versions of our software, which enables us to have relatively low research and development expenses as compared to traditional enterprise software business models. We expect that in 2008, research and development expenses will increase in absolute dollars as we upgrade and extend our service offerings and develop new technologies, but will remain relatively consistent or increase slightly as a percentage of revenues.

General and Administrative. General and administrative expenses consist of compensation and related expenses for executive, finance, accounting, administrative and management information systems personnel, professional fees, other corporate expenses and allocated overhead. We expect that in 2008, general and administrative expenses will increase in absolute dollars but will remain relatively consistent or decrease slightly as a percentage of revenues.

Amortization of Intangible Assets. Amortized intangible assets consist of customer relationships, a trade name and agreements not-to-compete acquired in business combinations.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and

related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 2 to the consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition. We recognize revenues in accordance with SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, as amended by Staff Accounting Bulletin No. 104, *Revenue Recognition*. We recognize revenues when there is persuasive evidence of an arrangement, the service has been provided to the customer, the collection of the fee is probable and the amount of the fees to be paid by the customer is fixed or determinable. Amounts that have been invoiced are recorded in accounts receivable and deferred revenue.

Our subscription agreements generally contain multiple service elements and deliverables. These elements include access to our software and often specify initial services including implementation and training. Our subscription agreements do not provide customers the right to take possession of the software at any time.

Our revenue recognition policy considers all elements in our multiple element subscription agreements as a single unit of accounting, and accordingly, we recognize all associated fees over the subscription period, which is typically one year. We recognize our revenue over the subscription period because the access to our software is the last element delivered to the customer and the predominant element of our agreements. In applying the guidance in Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, (EITF 00-21), we determined that we do not have objective and reliable evidence of the fair value of the subscription to our software after delivery of specified initial services. When we sell this subscription separately from professional services the price charged varies and, therefore, we cannot objectively and reliably determine the subscription's fair value. As a result, subscription revenues are recognized ratably over the subscription period. Professional services sold separately from a subscription arrangement are recognized as the services are performed.

We distribute press releases over the Internet that are indexed by major search engines and distributed directly to various news sites, journalists and other key constituents. We recognize revenue on a per-transaction basis when the press releases are made available to the public.

Sales Commissions. Sales commissions are expensed when a subscription agreement is executed by the customer. As a result, we incur incremental sales expense before the recognition of the related revenues.

Stock-Based Compensation. Prior to January 1, 2006, we accounted for stock-based compensation using the intrinsic value method of accounting under the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25). Our stock option awards have generally been granted with an exercise price equal to the estimated fair value of the underlying common stock on the grant date, and accordingly, any stock-based compensation related to stock option grants was not material under APB No. 25. We applied the disclosure provisions under Statement of Financial Accounting Standard No. 123, *Accounting for Stock-Based Compensation* and related interpretations (SFAS No. 123) as if the fair value method had been applied in measuring compensation expense. As a result, stock-based compensation expense, based upon the fair value method, was included as a pro forma disclosure in the notes to our financial statements for the stock-based compensation awards granted after we became a public entity.

On January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standard No. 123(R), *Share-Based Payment* (SFAS No. 123R), using the modified-prospective transition method for the unvested portion of stock-based compensation awards granted after we became a public entity. Because we did not complete our initial public offering until December 2005, we have applied the prospective method to the unvested portion of stock-based compensation awards granted prior to June 15, 2005, the date we first filed a registration statement with the Securities and Exchange Commission (SEC). Accordingly, we have not restated our financial results for prior periods. Under the prospective method, we will continue to account for stock-based compensation awards granted before June 15, 2005 using the intrinsic value method as prescribed by APB No. 25. Under the modified prospective method, stock-based compensation expense for all stock-based compensation awards granted after June 15, 2005,

but not vested as of December 31, 2005, is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. We recognize compensation expense for stock-based compensation awards on a straight-line basis over the requisite service period of the award.

In accordance with SFAS No. 123R, we used the Black-Scholes option pricing model to measure the fair value of our option awards granted after June 15, 2005. The Black-Scholes model requires the input of highly subjective assumptions including volatility, expected term, risk-free interest rate and dividend yield. In 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB No. 107) which provides supplemental implementation guidance for SFAS No. 123R. We recently became a public entity, and therefore have a limited trading history. Accordingly, our expected volatility is based on the historical volatilities of similar entities' common stock over the most recent period commensurate with the estimated expected term of the awards. The expected term of an award is based on the "simplified" method allowed by SAB No. 107, whereby the expected term is equal to the midpoint between the vesting date and the end of the contractual term of the award. The risk-free interest rate is based on the rate on U.S. Treasury zero coupon issues with maturities consistent with the estimated expected term of the awards. We have not paid and do not anticipate paying a dividend in the foreseeable future and accordingly, use an expected dividend yield of zero. Changes in these assumptions can affect the estimated fair value of options granted and the related compensation expense which may significantly impact our results of operations in future periods.

Stock-based compensation expense recognized is based on the estimated portion of the awards that are expected to vest. We apply estimated forfeiture rates based on analyses of historical data, including termination patterns and other factors.

As of December 31, 2007, we had \$14,833,000 of total unrecognized compensation cost related to nonvested stock-based compensation awards granted under our equity plans. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.5 years.

Business Combinations. We have completed acquisitions of businesses that have resulted in the recording of identifiable intangible assets based on the estimated fair value of those assets. Intangible assets consist of acquired customer relationships, a trade name, agreements not-to-compete and purchased technology. Intangible assets are amortized either on a straight-line or accelerated basis over their estimated useful lives ranging from two to seven years. Accounting for these acquisitions requires us to make determinations about the fair value of assets acquired, including intangible assets, and liabilities assumed that involve estimates and judgments.

Impairment of Long-Lived Assets. We assess the impairment of our intangible and other long-lived assets when events or changes in circumstances indicate that an asset's carrying value may not be recoverable. An impairment charge is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying value of the asset. An impairment charge would be measured by comparing the amount by which the carrying value exceeds the fair value of the asset being evaluated for impairment. Any resulting impairment charge would be included in our results of operations. Impairment charges for the year ended December 31, 2007 were not material.

Goodwill. We test our goodwill for impairment annually on November 1, or whenever events or changes in circumstances indicate an impairment may have occurred. Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions and a variety of other circumstances. We conducted the annual impairment test in 2007 with no resulting impairment.

Results of Operations

The following tables set forth selected consolidated statements of operations data for each of the periods indicated as a percentage of total revenues.

	Year Ended December 31,		
	2005	2006	2007
Revenues	100%	100%	100%
Cost of revenues	23	21	19
Accelerated amortization of prepaid royalty fees and contract termination costs	5	—	—
Gross profit	72	79	81
Operating expenses:			
Sales and marketing	53	47	46
Research and development	9	7	6
General and administrative	21	24	25
Amortization of intangible assets	6	4	5
Total operating expenses	89	82	82
Loss from operations	(17)	(3)	(1)
Other income (expense), net	(1)	4	4
Income (loss) before income taxes	(18)	1	3
Provision for income taxes	—	—	1
Net income (loss)	<u>(18)%</u>	<u>1%</u>	<u>2%</u>

The following table sets forth our total deferred revenue and net cash provided by operating activities for each of the periods indicated and number of active customers as of the last day of each of the periods indicated.

	Year Ended December 31,		
	2005	2006	2007
Total deferred revenue (in thousands at year end)	\$20,696	\$26,631	\$34,964
Net cash provided by operating activities (in thousands)	\$ 1,736	\$10,412	\$16,032
Active customers	1,384	1,727	2,427

Years Ended December 31, 2007 and 2006

Revenues. Revenues for 2007 were \$58.1 million, an increase of \$17.8 million, or 44%, over revenues of \$40.3 million for 2006. The increase in revenues was primarily due to the increase in the number of total active subscription customers to 2,427 as of December 31, 2007 from 1,727 as of December 31, 2006 and the effect of the PRWeb acquisition, which closed in August 2006. The increase in active subscription customers was the result of adding sales personnel focused on acquiring new customers and renewing existing customers. Revenue growth from the increase in active subscription customers was \$10.6 million, or 28%. The remaining increase in revenue is primarily the result of the full-year effect of PRWeb in 2007. Total deferred revenue as of December 31, 2007 was \$35.0 million, representing an increase of \$8.4 million, or 31%, over total deferred revenue of \$26.6 million as of December 31, 2006.

Cost of Revenues. Cost of revenues for 2007 was \$10.9 million, an increase of \$2.6 million, or 32%, over cost of revenues of \$8.3 million for 2006. The increase in cost of revenues was due to an increase of \$614,000 in employee related costs from additional personnel, \$512,000 in stock-based compensation, \$291,000 in hosting infrastructure costs related to the support of our subscription-based customers and \$268,000 in third-party license and royalty fees related to the increase in revenues from our subscription-based customers. Our cost of revenues also increased over the prior year by \$410,000 for press release distribution costs and \$65,000 for hosting infrastructure

costs reflecting the full-year effect of PRWeb in 2007. We had 107 full-time employee equivalents in our professional and other support services group at December 31, 2007 compared to 94 full-time employee equivalents at December 31, 2006.

Sales and Marketing Expenses. Sales and marketing expenses for 2007 were \$26.5 million, an increase of \$7.6 million or 40%, over sales and marketing expenses of \$18.9 million for 2006. The increase was primarily due to an increase of \$2.8 million in employee related costs from additional personnel, \$1.5 million in sales commissions, \$1.6 million in marketing program costs and \$968,000 in stock-based compensation. Our sales and marketing headcount increased by 34% as we hired sales personnel to focus on acquiring new customers and increasing revenues from existing customers and marketing personnel to expand our marketing activities to build brand awareness. We had 162 full-time sales and marketing employee equivalents as of December 31, 2007 compared to 121 full-time employee equivalents as of December 31, 2006.

Research and Development Expenses. Research and development expenses for 2007 were \$3.8 million, an increase of \$926,000, or 32%, over research and development expenses of \$2.9 million for 2006. The increase in research and development expenses was primarily due to an increase of \$636,000 in employee related costs including the full-year effect of PRWeb personnel and an increase of \$329,000 in stock-based compensation. We had 29 full-time research and development employee equivalents as of December 31, 2007 compared to 27 full-time employee equivalents as of December 31, 2006.

General and Administrative Expenses. General and administrative expenses for 2007 were \$14.7 million, an increase of \$5.1 million, or 53%, over general and administrative expenses of \$9.6 million for 2006. The increase in general and administrative expenses was primarily due to an increase of \$2.2 million in employee related costs, \$467,000 in rents and facility costs relating to expansion of our offices and our acquisition of PRWeb and \$1.9 million in stock-based compensation. Our general and administrative headcount increased by 26% as we hired additional personnel to support our growth. We had 43 full-time employee equivalents in our general and administrative group at December 31, 2007 compared to 34 full time employee equivalents at December 31, 2006.

Amortization of Intangible Assets. Amortization of intangible assets for 2007 was \$2.9 million, an increase of \$1.2 million, or 68%, over amortization of intangible assets of \$1.7 million for 2006. The increase in amortization expense reflects a full year of amortization attributable to the intangible assets acquired with PRWeb.

Other Income (Expense). Other income for 2007 was \$2.5 million, an increase of \$763,000, or 44% compared to \$1.7 million for 2006. Higher average balances of cash and short-term investments resulted in increased interest income.

Provision for Income Taxes. The provision for income taxes for 2007 was \$674,000, an increase of \$489,000, or 264%, over the provision for income taxes of \$185,000 for 2006. The provision for income taxes in 2007 consists primarily of deferred income tax expense resulting from a full-year of amortization of tax deductible goodwill related to PRWeb and to a lesser extent, state income taxes and Federal alternative minimum tax. The provision for income taxes in 2006 consisted of deferred income tax expense resulting from the amortization of tax deductible goodwill related to PRWeb.

Years Ended December 31, 2006 and 2005

Revenues. Revenues for 2006 were \$40.3 million, an increase of \$12.2 million, or 44%, over revenues of \$28.1 million for 2005. The increase in revenues was due to the increase in the number of total active customers to 1,727 as of December 31, 2006 from 1,384 as of December 31, 2005, an increase in average revenue per active customer and the effect of the PRWeb acquisition, which closed in August 2006. The increase in active customers was the result of adding sales personnel focused on acquiring new customers and renewing existing customers. The increase in average revenue per active customer is attributed to selling more add-on modules of our software suite, adding more users and increasing the prices charged for subscriptions from our renewal customers. We estimate the growth in average revenue per active customer was \$2.6 million of the total increase in revenues over the comparable period. Total deferred revenue as of December 31, 2006 was \$26.6 million, representing an increase of \$5.9 million, or 29%, over total deferred revenue of \$20.7 million as of December 31, 2005.

Cost of Revenues. Cost of revenues for 2006 was \$8.3 million, an increase of \$1.8 million, or 27%, over cost of revenues of \$6.5 million for 2005. The increase in cost of revenues was primarily due to an increase of \$1.6 million in employee related costs, \$234,000 in hosting infrastructure costs, \$164,000 from amortization of our internally developed software and information database used in our subscription services and \$69,000 in stock-based compensation reflecting the adoption of SFAS No. 123R offset by a \$513,000 reduction in third-party license and royalty fees. The increase in our headcount was attributed to additional support personnel from the acquisition of PRWeb. We had 36 full-time employee equivalents in our professional and other support services groups as of December 31, 2006 compared to 25 full-time employee equivalents as of December 31, 2005. In August 2005, we began providing internally-developed content to our customers and have incurred an additional \$1.1 million of employee related costs in 2006 related to a full year of maintenance on our database. These costs are included in the \$1.6 million total increase in employee related costs.

Accelerated Amortization of Prepaid Royalty Fees and Contract Termination Costs. We incurred a \$1.4 million charge in 2005 related to the release of our internally-developed content. We developed our own content to replace a significant portion of the third-party content that we previously included in our information database. Because our customers ceased using the third-party content, we accelerated the amortization of the related prepaid royalty fees. In addition, we were required to make minimum annual payments under the related data resale agreement with the third party. The effect of the release of our internally-developed content and the related cessation of the use of the third-party content resulted in a charge of \$702,000 related to the accelerated amortization of the prepaid royalty fees and \$697,000 for the contractual minimum payments.

Sales and Marketing Expenses. Sales and marketing expenses for 2006 were \$18.9 million, an increase of \$4.1 million or 27%, over sales and marketing expenses of \$14.8 million for 2005. The increase was primarily due to an increase of \$3.0 million in employee related costs from additional personnel and \$530,000 in stock-based compensation reflecting the adoption of SFAS No. 123R. Our sales and marketing headcount increased by 36% as we hired sales personnel to focus on acquiring new customers and increasing revenues from existing customers. We had 121 full-time sales and marketing employee equivalents as of December 31, 2006 compared to 89 full-time employee equivalents as of December 31, 2005.

Research and Development Expenses. Research and development expenses for 2006 were \$2.9 million, an increase of \$381,000, or 15%, over research and development expenses of \$2.5 million for 2005. The increase in research and development expenses was primarily due to an increase of \$255,000 in employee related costs from additional personnel and \$219,000 in stock-based compensation reflecting the adoption of SFAS No. 123R. We had 27 full-time research and development employee equivalents as of December 31, 2006 compared to 23 full-time employee equivalents as of December 31, 2005.

General and Administrative Expenses. General and administrative expenses for 2006 were \$9.6 million, an increase of \$3.5 million, or 59%, over general and administrative expenses of \$6.1 million for 2005. The increase in general and administrative expenses was primarily due to \$1.2 million in public company operating costs, \$809,000 in employee related costs from additional personnel, \$711,000 for estimated taxes on sales in jurisdictions where our on-demand solutions are considered taxable, and \$1.0 million in stock-based compensation reflecting the adoption of SFAS No. 123R. These increases were partially offset by a decrease from 2005 in other stock-based compensation. In 2005, we incurred a charge of \$1.0 million in stock-based compensation related to our purchase of certain shares of common stock obtained by former employees through stock option exercises within six months preceding this purchase. We completed our initial public offering in December 2005 and consequently incurred a full year of public company costs in 2006 including accounting and professional services, Sarbanes-Oxley compliance costs, and directors' and officers' insurance. Our general and administrative headcount increased by 55% as we hired personnel to support the increased reporting and regulatory requirements of a public company. We had 34 full-time employee equivalents in our general and administrative group at December 31, 2006 compared to 22 full time employee equivalents at December 31, 2005.

Amortization of Intangible Assets. Amortization of intangible assets for 2006 was \$1.7 million, an increase of \$100,000, or 6%, over amortization of intangible assets of \$1.6 million for 2005. The increase reflects the amortization expense related to the intangible assets acquired in the purchase of PRWeb partially offset by expiring amortization related to intangible assets acquired in the purchase of PAT.

Other Income (Expense). Other income for 2006 was \$1.7 million compared to other expense of \$182,000 for 2005. The increase in other income (expense) was \$1.9 million. We invested proceeds from our initial public offering in December 2005 in cash equivalents and short-term investments and we repaid in full our outstanding borrowings under our revolving line of credit. The higher balances of cash equivalents and short-term investments resulted in increased interest income of \$1.5 million. The repayment of the outstanding borrowings under our revolving line of credit resulted in decreased interest expense of \$246,000.

Provision for Income Taxes. The provision for income taxes for 2006 was \$185,000. No provision for income taxes was recorded in 2005. The provision for income taxes in 2006 consists of deferred income tax expense resulting from the amortization of tax deductible goodwill related to PRWeb.

Liquidity and Capital Resources

As of December 31, 2007, our principal sources of liquidity were cash and cash equivalents totaling \$56.5 million, short-term investments of \$10.9 million and net accounts receivable of \$14.3 million.

Net cash provided by operating activities was \$16.0 million in 2007 compared to \$10.4 million in 2006. The increase of \$5.6 million was attributable to net income for 2007 of \$999,000 which included increases in non-cash charges of \$3.7 million for stock-based compensation and \$933,000 for amortization of acquired intangible assets and an increase in deferred revenue balance of \$2.4 million, offset by an increase in payments of \$1.6 million for accounts payable.

Net cash used in investing activities was \$8.9 million in 2007 compared to \$24.2 million in 2006. The decrease of \$15.3 million was primarily attributable to cash consideration of \$21.3 million related to the acquisition of PRWeb in August 2006, offset by increases in net purchases of short-term investments of \$5.6 million and investments in property, equipment and software development costs of \$361,000.

Net cash provided by financing activities was \$22.9 million in 2007 compared to \$262,000 in 2006. The increase of \$22.6 million was primarily attributable to the net proceeds of \$21.7 million from the sale of our common stock in a public offering in April 2007 and an increase in proceeds of \$698,000 from stock option exercises in 2007.

As of December 31, 2007, we had a letter of credit outstanding in favor of our principal landlord. The letter of credit is collateralized by a \$270,000 certificate of deposit which is maintained at the granting financial institution. The letter of credit renews annually through April 2011 and the certificate of deposit matures in 2011.

As of December 31, 2007, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Other than our operating leases for office space and computer equipment, we do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

The following table summarizes our contractual obligations as of December 31, 2007 that requires us to make future cash payments.

<u>Contractual Obligations</u>	<u>Total</u>	<u>Payments Due by period</u>			
		<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
Operating leases	\$2,703	\$ 940	\$1,247	\$516	\$ —
Contractual commitments	2,116	1,392	720	4	—
Long-term debt under notes payable	235	202	33	—	—
Interest on long-term debt under notes payable	10	9	1	—	—
Capital lease obligations	113	37	65	11	—
Total obligations	<u>\$5,177</u>	<u>\$ 2,580</u>	<u>\$2,066</u>	<u>\$531</u>	<u>\$ —</u>

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum services to be used; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Obligations under agreements that we can cancel without a significant penalty are not included in the table above.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British pound sterling, because our subscription agreements from our European subsidiary are typically denominated in the British pound sterling. Revenues from subscription agreements denominated in a foreign currency were approximately 4%, 4% and 6% of our total revenues in the years ended December 31, 2005, 2006 and 2007, respectively. Historically, exchange rate fluctuations have not significantly impacted our results of operations and cash flows.

In the future, we may utilize foreign currency forward and option contracts to manage currency exposures. We do not currently have any such contracts in place, nor did we enter into any such contracts during the years ended December 31, 2005, 2006 or 2007.

Interest Rate Sensitivity

Interest income and expense are sensitive to changes in the general level of U.S. interest rates. However, based on the nature and current level of our investments, which are primarily cash and cash equivalents, short-term investments and debt obligations, we believe that there is no material risk of exposure.

Item 8. *Financial Statements and Supplementary Data*

Our consolidated financial statements and related notes required by this item are set forth as a separate section of this report. See Part IV, Item 15 of this Form 10-K.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Based on the evaluation of our disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our Chief Executive Officer and our Chief Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions

of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to further periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, our management assessed the design and operating effectiveness of internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on its evaluation under the framework in Internal Control — Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

The Board of Directors and Stockholders of Vocus, Inc.

We have audited Vocus, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Vocus, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Vocus, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Vocus, Inc. and subsidiaries as of December 31, 2006 and 2007, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2007 and our report dated March 13, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
March 13, 2008

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

A listing of our executive officers, key employees and their biographies are included under the caption “Executive Officers and Key Employees” under Item 1 of this Form 10-K. The remaining information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2008 Annual Meeting of Stockholders.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2008 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2008 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2008 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2008 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) *Documents filed as part of this report:*

1. Consolidated Financial Statements:

- Report of Independent Registered Public Accounting Firm;
- Consolidated balance sheets as of December 31, 2006 and 2007;
- Consolidated statements of operations for the years ended December 31, 2005, 2006 and 2007;
- Consolidated statements of stockholders’ equity for the years ended December 31, 2005, 2006 and 2007;
- Consolidated statements of cash flows for the years ended December 31, 2005, 2006 and 2007; and
- Notes to consolidated financial statements.

2. Consolidated Financial Statement Schedule:

- Schedule II — Valuation and Qualifying Accounts.

All other financial schedules are not required under the related instructions or are inappropriate and therefore have been omitted.

(b) *Exhibits*

The exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

Vocus, Inc. and Subsidiaries
Index to Financial Statements

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2006 and 2007	F-3
Consolidated Statements of Operations for years ended December 31, 2005, 2006 and 2007	F-4
Consolidated Statements of Stockholders' Equity for years ended December 31, 2005, 2006 and 2007	F-5
Consolidated Statements of Cash Flows for years ended December 31, 2005, 2006 and 2007	F-6
Notes to Consolidated Financial Statements	F-7

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Vocus, Inc.

We have audited the accompanying consolidated balance sheets of Vocus, Inc. and subsidiaries as of December 31, 2006 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vocus, Inc. and subsidiaries at December 31, 2006 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. 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.

As discussed in Notes 2 and 10 to the consolidated financial statements, in 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*. Also, as discussed in Note 2 to the consolidated financial statements, in 2006, the Company adopted the provisions of U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, pursuant to which the Company recorded a cumulative adjustment to retained earnings as of January 1, 2006 to correct a prior period error related to deferred revenue.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Vocus, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
March 13, 2008

Vocus, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31,	
	2006	2007
	(Dollars in thousands, except per share data)	
Current assets:		
Cash and cash equivalents	\$ 26,506	\$ 56,541
Short-term investments	3,357	10,939
Accounts receivable, net of allowance for doubtful accounts of \$280 and \$251 at December 31, 2006 and December 31, 2007, respectively	10,139	14,354
Prepaid expenses and other current assets	1,146	1,957
Total current assets	41,148	83,791
Property, equipment and software, net	4,359	4,236
Intangible assets:		
Customer relationships, net	4,115	2,599
Trade name, net	3,717	3,154
Agreements not-to-compete, net	3,587	2,804
Purchased technology, net	191	71
Intangible assets, net	11,610	8,628
Goodwill	17,112	17,090
Other assets	541	498
Total assets	\$ 74,770	\$114,243
Current liabilities:		
Accounts payable	\$ 1,459	\$ 1,043
Accrued compensation	2,054	3,057
Accrued expenses	2,587	3,112
Current portion of notes payable and capital lease obligations	427	233
Current portion of deferred revenue	26,100	34,333
Total current liabilities	32,627	41,778
Notes payable and capital lease obligations, net of current portion	335	102
Deferred income taxes	185	639
Other liabilities	85	89
Deferred revenue, net of current portion	531	631
Total liabilities	33,763	43,239
Commitments and contingencies	—	—
Redeemable common stock, \$0.01 par value, 5,000 shares issued and outstanding at December 31, 2006	33	—
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; no shares issued and outstanding at December 31, 2006 and December 31, 2007	—	—
Common stock, \$0.01 par value, 90,000,000 shares authorized; 16,993,515 and 18,656,415 issued at December 31, 2006 and December 31, 2007, respectively; 15,982,738 and 17,645,638 shares outstanding at December 31, 2006 and December 31, 2007, respectively	170	186
Additional paid-in capital	80,526	109,553
Treasury stock, 1,010,777 shares at December 31, 2006 and 2007, at cost	(3,283)	(3,283)
Accumulated other comprehensive loss	(48)	(60)
Accumulated deficit	(36,391)	(35,392)
Total stockholders' equity	40,974	71,004
Total liabilities, redeemable stock and stockholders' equity	\$ 74,770	\$114,243

See accompanying notes.

Vocus, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31,		
	2005	2006	2007
	(Dollars in thousands, except per share data)		
Revenues	\$ 28,062	\$ 40,328	\$ 58,076
Cost of revenues, including amortization expense of \$402, \$344, and \$120 for the years ended December 31, 2005, 2006, and 2007, respectively	6,537	8,293	10,922
Accelerated amortization of prepaid royalty fees and contract termination costs	1,399	—	—
Gross profit	20,126	32,035	47,154
Operating expenses:			
Sales and marketing	14,837	18,912	26,548
Research and development	2,515	2,896	3,822
General and administrative	6,051	9,626	14,743
Amortization of intangible assets	1,605	1,705	2,862
Total operating expenses	25,008	33,139	47,975
Loss from operations	(4,882)	(1,104)	(821)
Other income (expense):			
Interest and other income	177	1,819	2,541
Interest expense	(359)	(88)	(47)
Total other income (expense)	(182)	1,731	2,494
Income (loss) before provision for income taxes	(5,064)	627	1,673
Provision for income taxes	—	185	674
Net income (loss)	(5,064)	442	999
Accretion of preferred stock	(1,900)	—	—
Net income (loss) attributable to common stockholders	\$ (6,964)	\$ 442	\$ 999
Net income (loss) attributable to common stockholders per share:			
Basic	(1.43)	0.03	\$ 0.06
Diluted	(1.43)	0.03	\$ 0.05
Weighted average shares outstanding used in computing per share amounts:			
Basic	4,867,710	15,367,851	17,147,889
Diluted	4,867,710	16,339,254	18,267,020

See accompanying notes.

Vocus, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Treasury Stock	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount						
(Dollars in thousands, except per share data)								
Balance at December 31, 2004	4,693,330	\$ 47	\$ —	\$ (1,520)	\$ (34)	\$ 27	\$ (30,258)	\$ (31,738)
Exercise of stock options	285,020	3	238	—	—	—	—	241
Deferred compensation related to stock option grants	—	—	—	—	1	—	(1)	—
Amortization of deferred compensation	—	—	—	—	14	—	—	14
Repurchase of 392,731 shares of common stock	—	—	—	(1,763)	—	—	—	(1,763)
Accretion of preferred stock	—	—	(238)	—	—	—	(1,662)	(1,900)
Accretion of redeemable common stock	—	—	—	—	—	—	(6)	(6)
Initial public offering, net of costs	5,000,000	50	39,971	—	—	—	—	40,021
Conversion of preferred stock	5,826,668	58	30,489	—	—	—	—	30,547
Issuance of stock options to non-employee	—	—	10	—	—	—	—	10
Comprehensive loss:								
Foreign currency translation	—	—	—	—	—	25	—	25
Net loss	—	—	—	—	—	—	(5,064)	(5,064)
Total comprehensive loss								(5,039)
Balance at December 31, 2005	15,805,018	158	70,470	(3,283)	(19)	52	(36,991)	30,387
Cumulative effect of the adoption of SAB No. 108	—	—	—	—	—	—	158	158
Reclassification of deferred compensation upon adoption of SFAS No. 123R	—	—	(19)	—	19	—	—	—
Initial public offering, costs	—	—	(48)	—	—	—	—	(48)
Issuance of common stock in connection with acquisition	494,543	5	7,200	—	—	—	—	7,205
Issuance of common stock to directors	5,343	—	56	—	—	—	—	56
Exercise of stock options	664,483	7	893	—	—	—	—	900
Accretion of redeemable common stock	—	—	(5)	—	—	—	—	(5)
Forfeiture of common stock redemption right	24,128	—	161	—	—	—	—	161
Stock-based compensation	—	—	1,818	—	—	—	—	1,818
Comprehensive income:								
Foreign currency translation	—	—	—	—	—	(104)	—	(104)
Unrealized net gain on available for sale securities, net of tax	—	—	—	—	—	4	—	4
Net income	—	—	—	—	—	—	442	442
Total comprehensive income								342
Balance at December 31, 2006	16,993,515	170	80,526	(3,283)	—	(48)	(36,391)	40,974
Public offering, net of costs	1,217,137	12	21,645	—	—	—	—	21,657
Issuance of common stock to directors	5,196	—	110	—	—	—	—	110
Exercise of stock options and warrants	435,567	4	1,594	—	—	—	—	1,598
Income tax benefit from stock option exercises	—	—	78	—	—	—	—	78
Accretion of redeemable common stock	—	—	(1)	—	—	—	—	(1)
Forfeiture of common stock redemption right	5,000	—	34	—	—	—	—	34
Stock-based compensation	—	—	5,567	—	—	—	—	5,567
Comprehensive income:								
Foreign currency translation	—	—	—	—	—	(25)	—	(25)
Unrealized net gain on available for sale securities, net of tax	—	—	—	—	—	13	—	13
Net income	—	—	—	—	—	—	999	999
Total comprehensive income								987
Balance at December 31, 2007	18,656,415	\$ 186	\$ 109,553	\$ (3,283)	\$ —	\$ (60)	\$ (35,392)	\$ 71,004

See accompanying notes.

Vocus, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended		
	December 31,		
	2005	2006	2007
	(Dollars in thousands)		
Cash flows from operating activities			
Net income (loss)	\$ (5,064)	\$ 442	\$ 999
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property, equipment and software	784	1,171	1,480
Amortization of intangible assets	2,007	2,049	2,982
Loss (gain) on disposal of assets	—	7	(26)
Impairment of long-lived assets	—	28	24
Stock-based compensation	1,030	1,874	5,657
Provision for doubtful accounts	51	182	75
Gain on extinguishment of debt	—	(128)	—
Deferred income taxes	—	185	454
Income tax benefit from the exercise of stock options	—	—	(78)
Changes in operating assets and liabilities:			
Accounts receivable	(1,691)	(4,250)	(4,277)
Prepaid expenses and other current assets	198	95	(744)
Other assets	7	(58)	(25)
Accounts payable	(214)	1,180	(416)
Accrued compensation	53	568	1,020
Accrued expenses	(144)	1,167	599
Deferred revenue	4,701	5,900	8,304
Other liabilities	18	—	4
Net cash provided by operating activities	<u>1,736</u>	<u>10,412</u>	<u>16,032</u>
Cash flows from investing activities			
Cash paid for acquisitions	—	(21,264)	—
Purchases of property and equipment	(1,391)	(790)	(1,046)
Software development and information database costs	(2,241)	(217)	(322)
Proceeds from disposal of assets	—	—	34
Purchases of short-term investments	(1,400)	(5,475)	(14,237)
Sales of short-term investments	—	2,401	625
Maturities of short-term investments	—	1,121	6,043
Net cash used in investing activities	<u>(5,032)</u>	<u>(24,224)</u>	<u>(8,903)</u>
Cash flows from financing activities			
Proceeds from public offerings, net of offering costs	40,021	(48)	21,657
Repurchase of common stock	(2,769)	—	—
Proceeds from exercise of stock options and warrants	241	900	1,598
Proceeds from borrowings under revolving line of credit	4,416	—	—
Payments under revolving line of credit	(6,805)	—	—
Proceeds from notes payable	972	235	—
Payments on notes payable and capital lease obligations	(284)	(825)	(427)
Income tax benefit from the exercise of stock options	—	—	78
Net cash provided by financing activities	<u>35,792</u>	<u>262</u>	<u>22,906</u>
Effect of exchange rate changes on cash and cash equivalents	(23)	29	—
Net increase (decrease) in cash and cash equivalents	<u>32,473</u>	<u>(13,521)</u>	<u>30,035</u>
Cash and cash equivalents at beginning of year	<u>7,554</u>	<u>40,027</u>	<u>26,506</u>
Cash and cash equivalents at end of year	<u><u>\$40,027</u></u>	<u><u>\$ 26,506</u></u>	<u><u>\$ 56,541</u></u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 288	\$ 67	\$ 36
Cash paid for income taxes	\$ —	\$ —	\$ 20
Supplemental disclosure of non-cash investing and financing activities:			
Assets acquired under capital leases	\$ 107	\$ 45	\$ —
Conversion of redeemable preferred stock into common stock	\$30,547	\$ —	\$ —
Forfeiture of common stock redemption right	\$ —	\$ 161	\$ 34
Issuance of common stock in connection with acquisition	\$ —	\$ 7,205	\$ —

See accompanying notes.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Business Description

Organization and Description of Business

Vocus, Inc. (Vocus or the Company) is a provider of on-demand software for public relations management. The Company's on-demand software addresses the critical functions of public relations including media relations, news distribution and news monitoring. The Company is headquartered in Lanham, Maryland with sales and other offices in Virginia, Maryland, California, Washington, London, England and Bangkok, Thailand.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Vocus, Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Short-term Investments

Management determines the appropriate classification of short-term investments at the time of purchase and evaluates such determination as of each balance sheet date. Available-for-sale securities are stated at fair value based on quoted market prices. Realized gains and losses are included in other income (expense) based on the specific identification method. Net unrealized holding gains and losses on available-for-sale securities are reported as a component of other comprehensive income (loss), net of tax. As of December 31, 2007, the net unrealized gains on available-for-sale securities were not material. The Company owns no investments that are considered to be trading or held-to-maturity securities.

The Company regularly monitors and evaluates the fair value of its investments to identify other than temporary declines in value. Management believes no such declines in value existed at December 31, 2007.

Allowance for Doubtful Accounts

Estimates are used to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to the estimated net realizable value. These estimates are made by analyzing the status of significant past-due receivables and by establishing general provisions for estimated losses by analyzing current and historical bad debt trends. Actual collection experience has not varied significantly from prior estimates. Receivables that are ultimately deemed uncollectible are charged off as a reduction of receivables and the allowance for doubtful accounts. Accounts receivable balances are not collateralized.

Software Development and Information Database Costs

The Company incurs software development costs related to its on-demand software developed for subscription services and for management information systems. Qualifying costs incurred during the application development

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

stage are capitalized. These costs generally consist of internal labor and are amortized using the straight-line method over the estimated useful life of the software, generally two years. All other development costs are expensed as incurred. The Company also capitalized the costs to acquire and develop its proprietary information database. These costs are amortized using the straight-line method over the estimated useful life of thirteen years. Costs to maintain and update the information database are expensed as cost of revenues as incurred.

Property, Equipment and Software

Property, equipment and software are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally two to five years. Assets acquired under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases. Amortization of assets acquired under capital leases is included in depreciation expense. Repairs and maintenance costs are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recorded in the results of operations.

Business Combinations and Intangible Assets

The Company accounts for business combinations in accordance with Statement of Financial Accounting Standard No. 141, *Business Combinations* (SFAS No. 141). SFAS No. 141 requires business combinations to be accounted for using the purchase method of accounting and includes specific criteria for recording intangible assets separate from goodwill. Goodwill represents the excess of the cost of an acquired entity over the net fair value of the identifiable assets acquired and liabilities assumed. Results of operations of acquired businesses are included in the financial statements from the date of acquisition.

Intangible assets consist of customer relationships, a trade name, agreements not-to-compete and technology acquired in business combinations. Intangible assets are amortized using the straight-line method or an accelerated basis over their estimated useful lives ranging from two to seven years.

Goodwill

In accordance with Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), the Company tests goodwill for impairment annually on November 1, or whenever events or changes in circumstances indicate that impairment may have occurred. The Company evaluates goodwill impairment at the reporting unit level. All of the Company's goodwill resulted from the PRWeb acquisition (see Note 4). The Company measures the goodwill impairment, if any, based upon the fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets, and estimates the implied fair value of goodwill. An impairment charge is recognized to the extent the recorded goodwill exceeds the implied fair value of goodwill. The Company conducted the annual impairment test for 2007 with no resulting impairment.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standard No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets. Impairment charges for long-lived assets for the years ended December 31, 2005, 2006 and 2007 were not material.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Redeemable Stock

The Company accounts for stock subject to provisions for redemption outside of its control as mezzanine equity. These securities are recorded at fair value at the date of issuance and are accreted to the redemption amount at each balance sheet date. The resulting increases in the carrying amount of the redeemable stock are reflected through decreases in additional paid-in capital or, in the absence of additional paid-in capital, through accumulated deficit.

Foreign Currency and Operations

The functional currency for the Company's foreign subsidiary is the British pound. The translation of the subsidiary's financial statements into U.S. dollars is performed for assets and liabilities using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The resulting translation adjustments are recognized in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Realized foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

Comprehensive Income (Loss)

Comprehensive income (loss) includes the Company's net income (loss) as well as other changes in stockholders' equity that result from transactions and economic events other than those with stockholders. Other comprehensive income (loss) includes foreign currency translation adjustments and unrealized gains and losses on short-term investments classified as available-for-sale securities.

Revenue Recognition

The Company derives its revenues principally from subscription arrangements and related services permitting customers to access and utilize the Company's on-demand software and from the online distribution of press releases. The Company recognizes revenue when there is persuasive evidence of an arrangement, the service has been provided to the customer, the collection of the fee is probable and the amount of the fees to be paid by the customer is fixed or determinable.

Subscription agreements generally contain multiple service elements and deliverables. These elements include access to the Company's on-demand software and often specify initial services including implementation and training. Subscription agreements do not provide customers the right to take possession of the software at any time.

The Company considers all elements in its multiple element subscription arrangements as a single unit of accounting and recognizes all associated fees over the subscription period. In applying the guidance in Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21), the Company determined that it does not have objective and reliable evidence of the fair value of the subscription fees after delivery of specified initial services. The Company therefore accounts for its subscription arrangements and its related service fees as a single unit of accounting. As a result, all revenue from multiple element subscription arrangements is recognized ratably over the term of the subscription. The subscription term commences on the start date specified in the subscription arrangement or the date access to the software is provided to the customer. The Company also has entered into a royalty agreement with a reseller of its application service. The Company recognizes this revenue over the term of the end-user subscription upon obtaining persuasive evidence, which includes monthly notification from the reseller, that the service has been sold and delivered. The Company recognizes revenue from professional services sold separately from subscription arrangements as the services are performed.

The Company distributes press releases over the Internet which are indexed by major search engines and distributed directly to various news sites, journalists and other key constituents. The Company recognizes revenue on a per-transaction basis when the press releases are made available to the public.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Deferred Revenue

Deferred revenue consists of billings to customers in advance of revenue recognition. Deferred revenue to be recognized in the succeeding 12-month period is included in current deferred revenue with the remaining amounts included in noncurrent deferred revenue.

Sales Commissions

Sales commissions, including commissions related to deferred revenue, are expensed when a subscription agreement is executed by the customer.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2005, 2006 and 2007 were \$1,140,000, \$1,433,000 and \$2,664,000, respectively.

Stock-Based Compensation

Prior to January 1, 2006, the Company accounted for its stock-based compensation using the intrinsic value method of accounting under the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25). The Company's stock-based compensation awards have generally been granted with an exercise price equal to the estimated fair value of the underlying common stock on the grant date, and accordingly, any stock-based compensation related to stock option grants was not material under APB No. 25. The Company applied the disclosure provisions under Statement of Financial Accounting Standard No. 123, *Accounting for Stock-Based Compensation* and related interpretations (SFAS No. 123) as if the fair value or minimum value method had been applied in measuring compensation expense. As a result, stock-based compensation expense, based upon either the fair value or the minimum value method, was included as a pro forma disclosure in the notes to the Company's financial statements.

The following illustrates the effect on the Company's net loss attributable to common stockholders as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation during 2005 (dollars in thousands, except per share data):

	Year Ended December 31, 2005
Net loss attributable to common stockholders, as reported	\$ (6,964)
Stock-based compensation expense, as reported	1,030
Pro forma stock-based compensation expense	(231)
Pro forma net loss attributable to common stockholders	\$ (6,165)
Net loss attributable to common stockholders per share:	
As reported	\$ (1.43)
Pro forma	\$ (1.27)

The following assumptions were used in calculating pro forma stock-based compensation expense:

	Six Months Ended	
	June 30, 2005	December 31, 2005
Dividend yield	0%	0%
Average risk-free interest rate	4.2%	4.4%
Expected term (years)	4	4 - 6
Stock price volatility	(*)	52% - 53%

(*) Assumption is not applicable to minimum value method

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The weighted average fair value of options granted during the year ended December 31, 2005 was \$3.97.

On January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standard No. 123(R), *Share-Based Payment* (SFAS No. 123R), using the modified-prospective transition method for the unvested portion of stock-based compensation awards granted after the Company became a public entity. Because the Company did not complete its initial public offering until December 2005, the Company has applied the prospective method to the unvested portion of stock-based compensation awards granted prior to June 15, 2005, the date the Company first filed a registration statement with the Securities and Exchange Commission (SEC). Accordingly, the Company has not restated its financial results for prior periods. Under the prospective method, the Company will continue to account for stock-based compensation awards granted before June 15, 2005 using the intrinsic value method as prescribed by APB No. 25. Under the modified prospective method, stock-based compensation expense for all stock-based compensation awards granted after June 15, 2005, but not vested as of December 31, 2005, is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. The Company recognizes compensation expense for stock-based compensation awards on a straight-line basis over the requisite service period of the award.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. The Company generally maintains its cash, cash equivalents and short-term investments with various nationally recognized financial institutions. Short-term investments consist of investment grade, interest bearing securities.

Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

As of December 31, 2006 and 2007, total assets located outside the United States were approximately 1% of total assets. Revenues from sales to customers outside the United States were approximately 6%, 7% and 9% of total revenues for the years ended December 31, 2005, 2006 and 2007, respectively.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of their short-term nature.

Income Taxes

Income taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax-credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48), which clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting for interim periods and disclosures for uncertain tax positions. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. The Company's adoption of FIN No. 48 did not

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

result in the recording of any previously unrecognized tax positions and did not have a material effect on its financial position or results of operations for 2007. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

As of the date of adoption of FIN No. 48, the Company did not have any accrued interest or penalties associated with any unrecognized tax positions, and there were no such interest or penalties recognized during the year ended December 31, 2007.

The Company files income tax returns in the U.S. federal jurisdictions and various state and foreign jurisdictions. The Company is subject to U.S. federal tax, state and foreign tax examinations for years ranging from 2001 to 2007.

Earnings Per Share

Basic net income (loss) attributable to common stockholders per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income (loss) attributable to common stockholders per share includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

For the year ended December 31, 2005, the effect of the Company's outstanding common stock equivalents was not included in the calculation of diluted loss per share as the result would have been anti-dilutive and, accordingly, basic and diluted net loss per share were identical. The following summarizes the calculation of basic and diluted net income (loss) attributable to common stockholders per share (dollars in thousands, except per share amounts):

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net income (loss) attributable to common stockholders	\$ (6,964)	\$ 442	\$ 999
Weighted average shares outstanding, basic	4,867,710	15,367,851	17,147,889
Dilutive effect of:			
Options to purchase common stock	—	757,600	1,046,643
Warrants to purchase common stock	—	213,803	72,488
Weighted average shares outstanding, diluted	<u>4,867,710</u>	<u>16,339,254</u>	<u>18,267,020</u>
Net income (loss) attributable to common stockholders per share:			
Basic	<u>\$ (1.43)</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>
Diluted	<u>\$ (1.43)</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>

The following summarizes the potential outstanding common stock of the Company as of the end of each period:

	<u>December 31,</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Options to purchase common stock	2,468,351	2,205,351	3,351,363
Warrants to purchase common or preferred stock	361,446	225,520	—
Total options and warrants to purchase common stock	<u>2,829,797</u>	<u>2,430,871</u>	<u>3,351,363</u>

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Segment Data

The Company manages its operations on a consolidated basis for purposes of assessing performance and making operating decisions. Accordingly, the Company does not have reportable segments of its business.

Reclassifications

Certain amounts in the prior years' notes to the consolidated financial statements have been reclassified to conform to the current year presentation.

Adoption of SAB No. 108

In September 2006, the SEC Staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, (SAB No. 108) which addresses how the effects of prior-year uncorrected misstatements must be considered when quantifying misstatements in current-year financial statements. SAB No. 108 requires companies to quantify the effects of misstatements on the current year financial statements using both a balance sheet and income statement approach and to evaluate relevant quantitative and qualitative factors to determine whether a misstatement is material. The Company adopted SAB No. 108 and recorded a cumulative effect adjustment to increase its retained earnings as of January 1, 2006 related to an overstatement of its deferred revenue of \$158,000 at December 31, 2005. The overstatement resulted primarily from the timing of the recognition of revenue from its subscription agreements in years prior to 2004. This amount was previously considered not to be material.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (FSP No. 157-1), and *Effective Date of FASB Statement No. 157* (FSP No. 157-2) as amendments to SFAS No. 157, which exclude lease transactions from the scope of SFAS 157 and also defer the effective date of the adoption of SFAS No. 157 for non-financial assets and non-financial liabilities that are nonrecurring. The provisions of SFAS No. 157 are effective for the fiscal year beginning January 1, 2008, except for certain non-financial assets and liabilities for which the effective date has been deferred to January 1, 2009. The Company is currently evaluating the effect, if any; the adoption of SFAS No. 157 will have on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which allows companies to elect to measure certain eligible financial instruments at fair value at specified election dates. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS No. 159 to have a material impact on its financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, a revised version of SFAS No. 141, which requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This statement applies prospectively to business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

3. Public Offerings of Common Stock

On December 7, 2005, the Company completed the sale of 5,000,000 shares of common stock, at a public offering price of \$9.00 per share. A total of \$45,000,000 in gross proceeds was raised in the initial public offering. After deducting the underwriters' commissions and offering expenses of \$5,027,000, net proceeds of the offering were \$39,973,000. All of the outstanding shares of redeemable convertible preferred stock were converted into shares of common stock at the closing of the offering. In addition, warrants to acquire shares of redeemable convertible preferred stock were converted into warrants to acquire common stock.

On April 4, 2007, the Company completed the sale of 1,217,137 shares of common stock, at an offering price of \$19.50 per share. A total of \$23,734,000 in gross proceeds was raised by the Company in the public offering. After deducting the underwriters' commissions and offering expenses of \$2,077,000, net proceeds of the offering to the Company were \$21,657,000.

4. Acquisition

On August 4, 2006, the Company acquired certain assets and assumed certain liabilities of PRWeb. The acquisition of PRWeb allows the Company to provide an on-demand solution which allows its customers to widely distribute press releases containing important elements of new media such as images, podcasts and video messages to drive Internet traffic to websites and optimize brand awareness. The operating results of PRWeb have been included in the accompanying consolidated financial statements from the date of acquisition. The purchase consideration consisted of \$20.9 million in cash and 494,543 shares of Vocus common stock, valued at approximately \$7.2 million based on the average closing market price for the two days preceding through the two days following the date of acquisition. The acquisition was accounted for under the purchase method of accounting.

The aggregate purchase consideration consisted of the following (dollars in thousands):

Cash	\$20,940
Common stock	7,205
Transaction costs	324
Total purchase consideration	<u>\$28,469</u>

The Company allocated the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the net tangible and identifiable intangible assets acquired was recorded as goodwill. The total amount assigned to goodwill is deductible for tax purposes. In 2007, the Company recorded an adjustment to the assumed liabilities with a corresponding adjustment to goodwill of \$22,000 related to the final fair value determination. The purchase price has been allocated as follows (dollars in thousands):

	<u>Amortization Period</u>	
Trade name	7 years	\$ 3,946
Agreements not-to-compete	5 years	3,913
Customer relationships	5 years	3,041
Purchased technology	2 years	240
Property and equipment	3 - 5 years	341
Goodwill		17,090
Assumed liabilities		(102)
Total purchase price		<u>\$28,469</u>

The weighted-average amortization period for the intangible assets acquired is 5.6 years.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The unaudited pro forma consolidated results of operations presented below assume that the PRWeb acquisition occurred on January 1, 2005 (dollars in thousands, except per share data):

	Year Ended December 31,	
	2005	2006
Pro forma revenues	\$31,973	\$44,065
Pro forma net loss	\$ (7,828)	\$ (269)
Accretion of preferred stock	(1,900)	—
Pro forma net loss attributable to common stockholders	\$ (9,728)	\$ (269)
Pro forma basic and diluted net loss attributable to common stockholders per share	\$ (1.81)	\$ (0.02)

These pro forma results are not necessarily indicative of future operating results or those that would have occurred had the acquisition been consummated on January 1, 2005.

5. Short-Term Investments

The components of cash and cash equivalents and short-term investments at December 31, 2006 are as follows (dollars in thousands):

	Cost	Unrealized		Fair Market Value	Cash and Cash Equivalents	Short-Term Investments
		Gains	Losses			
Cash	\$14,215	\$ —	\$ —	\$ 14,215	\$ 14,215	\$ —
Money market funds	765	—	—	765	765	—
Commercial paper	9,905	—	—	9,905	9,905	—
Government-sponsored agency debt securities	2,623	4	—	2,627	1,271	1,356
Corporate notes and bonds	2,351	—	—	2,351	350	2,001
Total	\$29,859	\$ 4	\$ —	\$ 29,863	\$ 26,506	\$ 3,357

The components of cash and cash equivalents and short-term investments at December 31, 2007 are as follows (dollars in thousands):

	Cost	Unrealized		Fair Market Value	Cash and Cash Equivalents	Short-Term Investments
		Gains	Losses			
Cash	\$22,790	\$ —	\$ —	\$ 22,790	\$ 22,790	\$ —
Money market funds	4,816	—	—	4,816	4,816	—
Commercial paper	22,891	—	—	22,891	22,891	—
Government-sponsored agency debt securities	12,216	16	—	12,232	3,794	8,438
Certificates of deposit	4,250	1	—	4,251	2,250	2,001
Corporate notes and bonds	500	—	—	500	—	500
Total	\$67,463	\$ 17	\$ —	\$ 67,480	\$ 56,541	\$ 10,939

The contractual maturities of short-term investments are generally one year or less. All short-term investments are classified as available-for-sale securities.

Realized gains or losses from sales and maturities of short-term investments in 2006 and 2007 were not material.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

6. Property, Equipment and Software

Property, equipment and software consisted of the following (dollars in thousands):

	December 31,	
	2006	2007
Purchased software, computer and office equipment	\$ 3,116	\$ 3,788
Office furniture	564	743
Leasehold improvements	847	896
Equipment under capital lease obligations	239	155
Capitalized software development costs	495	788
Information database costs	2,327	2,327
	<u>7,588</u>	<u>8,697</u>
Less accumulated depreciation and amortization	<u>(3,229)</u>	<u>(4,461)</u>
Property, equipment and software, net	<u>\$ 4,359</u>	<u>\$ 4,236</u>

Depreciation expense on equipment under capital leases was \$27,000, \$28,000 and \$32,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

7. Intangible Assets

Intangible assets at December 31, 2006 consisted of the following (dollars in thousands):

	Useful Life in Years	Gross Carrying Amount	Amortization	Net Carrying Amount
Customer relationships	3 - 5	\$ 8,586	\$ (4,471)	\$ 4,115
Trade name	7	3,946	(229)	3,717
Agreements not-to-compete	2 - 5	4,195	(608)	3,587
Purchased technology	2	2,251	(2,060)	191
Total		<u>\$18,978</u>	<u>\$ (7,368)</u>	<u>\$ 11,610</u>

Intangible assets at December 31, 2007 consisted of the following (dollars in thousands):

	Useful Life in Years	Gross Carrying Amount	Amortization	Net Carrying Amount
Customer relationships	3 - 5	\$ 8,352	\$ (5,753)	\$ 2,599
Trade name	7	3,946	(792)	3,154
Agreements not-to-compete	2 - 5	4,195	(1,391)	2,804
Purchased technology	2	1,667	(1,596)	71
Total		<u>\$18,160</u>	<u>\$ (9,532)</u>	<u>\$ 8,628</u>

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Future expected amortization of intangible assets at December 31, 2007 was as follows (dollars in thousands):

2008	\$2,723
2009	1,926
2010	1,821
2011	1,260
2012	564
2013	334
	<u>\$8,628</u>

8. Debt

Term Loans and Equipment Line of Credit

The Company has a secured revolving equipment line of credit (the Equipment Line) that provides for borrowings up to \$2,000,000. In May 2007, the Company modified the Equipment Line to extend the expiration date to June 30, 2008. Outstanding borrowings under the Equipment Line convert to term loans with principal and interest payments payable monthly over a maximum period of 36 months depending on the date of the borrowing and asset purchased. Borrowings bear interest at the bank's prime rate (7.25% at December 31, 2007), and interest is payable monthly. Borrowings are collateralized by the equipment purchased under the Equipment Line.

Future principal payments under the term loans outstanding at December 31, 2007 are as follows (dollars in thousands):

2008	\$202
2009	33
Total future minimum principal payments	<u>\$235</u>

Note Payable

In November 2006, the Company settled an outstanding note payable and related accrued interest of \$428,000 by paying \$300,000 resulting in a \$128,000 gain on extinguishment of debt that is included in interest and other income in the accompanying companying consolidated statement of operations.

9. Redeemable Convertible Preferred Stock

Prior to December 2005, the Company issued 5,826,668 shares of redeemable convertible preferred stock for proceeds of \$23,400,000, net of \$260,000 of issuance costs. In 2005, the Company recorded accretion on the preferred stock of \$1,900,000. In addition, the Company issued warrants to purchase 206,016 shares of redeemable convertible preferred stock at a price of \$4.85 per share and warrants to purchase 128,912 shares of common stock at a price of \$4.77 per share. In connection with the Company's initial public offering in December 2005, all shares of redeemable convertible preferred stock were converted into common stock and outstanding warrants to purchase redeemable convertible preferred stock were converted into warrants to purchase common stock (see Note 3). At December 31, 2007, no warrants remain outstanding.

10. Stock-Based Compensation

The Company's 1999 Stock Option Plan and 2005 Stock Award Plan (the "Plans") provide for the grant of stock options, restricted stock, stock appreciation rights and other equity awards to employees, consultants, officers and directors. The 2005 Stock Award Plan was adopted by the Board of Directors and stockholders in November 2005 in conjunction with the Company's initial public offering. Under the 2005 Stock Award Plan, 3,399,687 shares

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

have been reserved for future issuance, subject to annual increases. The Plans are administered by the Compensation Committee of the Board of Directors, which has the authority, among other things, to determine which individuals receive awards pursuant to the Plans, and the terms of the awards. Options granted under the Plans have a 10-year term and generally vest annually over a three or four-year period. At December 31, 2007, 366,528 shares were available for future grants. All shares available for future grant are restricted to the 2005 Stock Award Plan. In January 2008, the Company increased the shares reserved for future issuance under the 2005 Stock Award Plan by 882,282 shares and granted approximately 75,000 stock options and 675,000 shares of restricted stock to directors, executives and other employees.

On January 1, 2006, the Company adopted the provisions of SFAS No. 123R requiring the recognition of compensation expense based upon the grant date fair value of its stock-based compensation awards. The effect of adopting SFAS No. 123R was a decrease in net income for the year ended December 31, 2006 of \$0.12 per basic and \$0.11 per diluted share. The following table sets forth the stock-based compensation expense for option awards determined pursuant to Statement of Financial Accounting Standard No. 123(R), *Share-Based Payment* (SFAS No. 123R), that is recorded in the consolidated statements of operations (in thousands):

	Year Ended	
	December 31,	
	2006	2007
Cost of revenues	\$ 69	\$ 581
Sales and marketing	530	1,498
Research and development	219	548
General and administration	1,042	2,915
Total	<u>\$1,860</u>	<u>\$5,542</u>

During 2004, the Company granted certain options with an exercise price that was less than the estimated fair value of the underlying stock, resulting in deferred compensation under APB No. 25. Stock-based compensation from these awards for the years ended December 31, 2005, 2006 and 2007 was \$24,000, \$14,000 and \$5,000, respectively. Upon the adoption of SFAS No. 123R, the related deferred compensation of \$19,000 as of December 31, 2005 was reclassified as additional paid-in-capital.

In accordance with SFAS No. 123R, the Company uses the Black-Scholes option pricing model to measure the fair value of its option awards granted after June 15, 2005. The Black-Scholes model requires the input of highly subjective assumptions including volatility, expected term, risk-free interest rate and dividend yield. In 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB No. 107) which provides supplemental implementation guidance for SFAS No. 123R. The Company became a public entity in December 2005, and therefore has a limited history of volatility. Accordingly, the expected volatility is based on the historical volatilities of similar entities' common stock over the most recent period commensurate with the estimated expected term of the awards. The expected term of an award is based on the "simplified" method allowed by SAB No. 107, whereby the expected term is equal to the midpoint between the vesting date and the end of the contractual term of the award. The risk-free interest rate is based on the rate on U.S. Treasury zero coupon issues with maturities consistent with the estimated expected term of the awards. The Company has not paid dividends and does not anticipate paying a dividend in the foreseeable future and accordingly, uses an expected dividend yield of zero.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

In accordance with SFAS No. 123R, the Company uses the Black-Scholes option pricing model to measure the fair value of its option awards. The following weighted-average assumptions were used in calculating stock-based compensation for options granted during the year ended December 31, 2006 and 2007:

	Year Ended December 31,	
	2006	2007
Stock price volatility	53%	52%
Expected term (years)	6.3	6.2
Risk-free interest rate	5.0%	4.8%
Dividend yield	0%	0%

The weighted-average grant date fair value of options granted during the year ended December 31, 2006 and 2007 was \$7.74 and \$11.30, respectively.

Stock-based compensation expense recognized is based on the estimated portion of the awards that are expected to vest. The Company applies estimated forfeiture rates based on analyses of historical data, including termination patterns and other factors.

Stock option activity is as follows:

	Number of Options	Range of Exercise Prices	Weighted- Average Exercise Price	Weighted- Average Contractual Term	Aggregate Intrinsic Value as of December 31, 2007
	(In thousands)				
Balance at January 1, 2005	1,100,082	\$ 0.30 - 4.77	\$ 1.32		
Granted	1,703,047	4.77 - 9.00	7.96		
Exercised	(285,020)	0.30 - 2.99	0.85		
Forfeited or cancelled	(49,758)	0.30 - 9.00	3.11		
Balance at December 31, 2005	2,468,351	0.30 - 9.00	5.92		
Granted	348,833	12.42 - 16.80	13.57		
Exercised	(565,266)	0.30 - 9.00	1.59		
Forfeited or cancelled	(46,567)	2.46 - 12.42	5.22		
Balance at December 31, 2006	2,205,351	\$ 0.30 - 16.80	\$ 8.26		
Granted	1,526,250	18.65 - 35.98	19.16		
Exercised	(255,327)	0.30 - 18.65	6.26		
Forfeited or cancelled	(124,911)	2.46 - 25.90	17.41		
Balance at December 31, 2007	<u>3,351,363</u>	<u>\$ 0.30 - 35.98</u>	<u>\$ 13.03</u>	<u>8.2</u>	<u>\$ 72,064</u>
Expected to vest at December 31, 2007	<u>3,148,158</u>	<u>\$ 0.30 - 35.98</u>	<u>\$ 12.89</u>	<u>8.2</u>	<u>\$ 68,116</u>
Exercisable at December 31, 2007	<u>893,859</u>	<u>\$ 0.30 - 18.65</u>	<u>\$ 7.95</u>	<u>7.0</u>	<u>\$ 23,757</u>

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The following details the outstanding options at December 31, 2007:

Range of Exercise Prices	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Outstanding as of 12/31/07	Weighted- Average Remaining Contractual Term	Weighted- Average Exercise Price	Exercisable as of 12/31/07	Weighted- Average Exercise Price
\$ 0.30 - \$ 3.59	123,160	2.9	\$ 1.46	122,158	\$ 1.46
\$ 3.60 - \$ 7.19	308,219	7.0	4.78	112,802	4.74
\$ 7.20 - \$10.78	1,198,234	7.9	9.00	590,817	9.00
\$10.79 - \$14.38	238,750	8.5	13.09	28,750	13.05
\$14.39 - \$17.99	52,584	8.5	15.98	11,334	16.02
\$18.00 - \$21.58	1,372,416	9.0	18.73	27,998	18.65
\$21.59 - \$35.98	58,000	9.6	27.00	—	—
	<u>3,351,363</u>	<u>8.2</u>	<u>\$ 13.03</u>	<u>893,859</u>	<u>\$ 7.95</u>

The aggregate intrinsic value represents the difference between the exercise price of the underlying awards and the quoted closing price of the Company's common stock at December 31, 2007 multiplied by the number of shares that would have been received by the option holders had all option holders exercised their options on December 31, 2007. During the year ended December 31, 2007, the aggregate intrinsic value of options exercised was \$4,890,000. The Company did not realize a significant tax benefit from these exercises as the Company has incurred cumulative losses for federal income tax purposes and has incurred cumulative losses in several states for income tax purposes. The Company recorded an excess income tax benefit of \$78,000 in 2007 resulting from the tax benefits realized in certain states related to deductions from the exercise of stock options. The Company has elected to use the "with and without" method for recognition of excess income tax benefits related to stock option exercises.

As of December 31, 2007, there was \$14,833,000 of total unrecognized compensation cost related to nonvested stock-based compensation awards granted under the Plans. This cost is expected to be recognized over a weighted average period of 2.5 years. The fair value of options that vested during 2007 was \$2,600,000.

Common Stock Repurchases

In 2005, the Company purchased an aggregate of 392,731 shares of common stock from an officer of the Company and certain former employees at a price of \$7.05 per share, the estimated fair value of the shares on the date of purchase. Certain of these shares of common stock were obtained by former employees through stock option exercises within the six-month period preceding the purchase by the Company. These purchases resulted in stock-based compensation equal to the amount the Company paid to acquire the common stock, reduced by the amount paid by the employee upon exercise of the stock option, or an aggregate of \$1.0 million for the year ended December 31, 2005.

11. Employee Benefit Plans

The Company sponsors defined-contribution and profit-sharing plans in the United States and the United Kingdom. Total expenses for the plans for the years ended December 31, 2005, 2006 and 2007 were approximately \$95,000, \$213,000 and \$283,000, respectively.

12. Income Taxes

For the year ended December 31, 2005, the Company incurred losses and accordingly, no income taxes have been provided in the accompanying statements of operations for these periods. The net tax provision was comprised primarily of a deferred tax benefit related to the net operating losses offset by increases in the valuation allowance of

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

the same amount. The tax provision for 2005 differed from the expected tax benefit, computed by applying the U.S. Federal statutory rate to the loss before income taxes, principally due to the effect of the increases in the valuation allowance.

The provision for income taxes for 2006 and 2007 consisted of the following (dollars in thousands):

	<u>2006</u>	<u>2007</u>
Current expense	\$ —	\$220
Deferred expense	185	454
Provision for income taxes	<u>\$185</u>	<u>\$674</u>

For the years ended December 31, 2006 and 2007, the provision for income taxes differs from the expected tax provision computed by applying the U.S. Federal statutory rate to income before taxes as a result of the following:

	<u>2006</u>	<u>2007</u>
Statutory federal tax rate	35%	35%
State income taxes	11	7
Effect of foreign losses	6	8
Non-deductible stock-based compensation	24	11
Other non-deductible expenses	6	4
Changes in valuation allowance	<u>(53)</u>	<u>(25)</u>
	<u>29%</u>	<u>40%</u>

The Company's deferred tax components consisted of the following (dollars in thousands):

	<u>December 31,</u>	
	<u>2006</u>	<u>2007</u>
Deferred tax assets:		
NOL carryforwards	\$ 7,470	\$ 4,035
Allowance for doubtful accounts	106	96
Deferred revenue	107	109
Accrued expenses	590	200
Depreciation	404	230
Intangible asset amortization	1,682	2,576
Stock-based compensation	538	2,382
Other	37	172
Total deferred tax assets	<u>10,934</u>	<u>9,800</u>
Valuation allowance	<u>(10,021)</u>	<u>(9,044)</u>
Net deferred tax assets	<u>913</u>	<u>756</u>
Deferred tax liabilities:		
Capitalized software development	(812)	(756)
Goodwill	(185)	(639)
Other	(101)	—
Total deferred tax liabilities	<u>(1,098)</u>	<u>(1,395)</u>
Net deferred tax liabilities	<u>\$ (185)</u>	<u>\$ (639)</u>

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

At December 31, 2007, the Company had net operating loss (NOL) carryforwards of approximately \$16.5 million, of which approximately \$13.2 million relate to the United States and will begin to expire in 2022. For the year ended December 31, 2007, losses before income taxes from foreign operations totaled \$1.3 million. The utilization of a portion of the U.S. NOL carryforwards will be subject to an annual limitation due to prior changes in ownership. Additionally, despite the NOL carryforwards, the Company may have a future tax liability due to Federal alternative minimum tax or state tax requirements.

During 2007, stock options were exercised for the purchase of shares of the Company's common stock. The exercise of these stock options generated an income tax deduction equal to the excess of the fair market value of the common stock over the exercise price. In accordance with SFAS No. 123R, the Company will not recognize a tax benefit with respect to the stock option deductions until those deductions actually reduce income taxes payable. As such, the Company has not recorded a deferred tax asset related to the NOL carryforwards resulting from the exercise of these stock options in the financial statements. At such time as the Company utilizes these NOL carryforwards to reduce income taxes payable, the tax benefit is recorded as an increase in additional paid-in capital.

A valuation allowance has been recorded against the Company's deferred tax assets primarily due to the inability to predict future taxable income. The Company has considered all available evidence, including its historical levels of taxable income, the future reversal of existing temporary differences and estimated future taxable income in determining the need for the valuation allowance.

13. Commitments and Contingencies

Purchase Commitments

The Company has entered into various arrangements with vendors primarily for the distribution by the Company of the vendors' media data and news content. Amounts paid for the distribution of third party media data and content are deferred and recognized ratably as cost of revenues over the same period in which the related revenues are recognized. The current portion and the long-term portion of the deferred fees are included in prepaid expenses and other current assets, respectively, in the accompanying consolidated balance sheets. Amortization expense for the years ended December 31, 2005, 2006 and 2007 was \$1,520,000, \$882,000 and \$994,000, respectively. As of December 31, 2007, minimum required payments in future years under these arrangements are \$1,392,000, \$620,000, \$100,000 and \$4,000 in 2008, 2009, 2010 and 2011, respectively.

During 2005, the Company developed its own content to replace a significant portion of its acquired third-party content. In August 2005, the Company began providing its internally-developed content to its customers and ceased providing the replaced third-party content. Because the Company's customers ceased using the third-party content, the Company accelerated the amortization of the related prepaid royalty fees. In addition, the Company was required to make minimum annual payments under the related data resale agreement with the third-party. The effect of the release of the Company's internally-developed content and the related cessation of the use of the third-party's content resulted in a charge of \$1,399,000 for the year ended December 31, 2005 related to the accelerated amortization of the prepaid royalty fees and the accrual of the contractual minimum payments. The data resale agreement was subsequently terminated.

Leases

The Company has various noncancelable operating leases, primarily related to office real estate, that expire through 2013 and generally contain renewal options for up to five years. Rent expense was \$822,000, \$819,000 and \$1,104,000 for the years ended December 31, 2005, 2006, and 2007, respectively. The Company also leases computer and office equipment under noncancelable capital leases that expire through 2011.

Vocus, Inc. and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Future minimum lease payments under noncancelable operating and capital leases at December 31, 2007 are as follows (dollars in thousands):

	<u>Operating Leases</u>	<u>Capital Leases</u>
2008	\$ 940	\$ 37
2009	690	36
2010	557	29
2011	337	11
2012	179	—
Total future minimum payments	<u>\$ 2,703</u>	113
Less amount representing interest		(13)
Less current portion		<u>(31)</u>
Long-term capital lease obligations		<u>\$ 69</u>

Letter of Credit

The Company has established a letter of credit in favor of its landlord. The letter of credit is collateralized by a \$270,000 certificate of deposit. The certificate of deposit matures in 2011 and the balance plus accrued interest is included in other assets in the accompanying consolidated balance sheets. As of December 31, 2007 the letter of credit remained outstanding; however, no amounts had been drawn against it. The letter of credit renews annually through April 2011.

Litigation and Claims

The Company is subject to lawsuits, investigations, and claims arising out of the ordinary course of business, including those related to commercial transactions, contracts, government regulation, and employment matters. In the opinion of management based on all known facts, all such matters are either without merit or are of such kind, or involve such amounts that would not have a material effect on the financial position or results of operations of the Company if disposed of unfavorably.

14. Quarterly Financial Information (Unaudited)

	<u>March 31, 2006</u>	<u>June 30, 2006</u>	<u>September 30, 2006</u>	<u>December 31, 2006</u>	<u>March 31, 2007</u>	<u>June 30, 2007</u>	<u>September 30, 2007</u>	<u>December 31, 2007</u>
Summary consolidated statement of operations data:								
Revenues	\$ 8,262	\$ 9,189	\$ 10,757	\$ 12,120	\$ 12,597	\$ 14,080	\$ 15,072	\$ 16,327
Gross profit	6,300	7,239	8,620	9,876	10,117	11,275	12,372	13,390
Net income (loss)	(182)	(2)	150	476	2	(3)	475	525
Net income (loss) per share:								
Basic	\$ (0.01)	\$ (0.00)	\$ 0.01	\$ 0.03	\$ 0.00	\$ (0.00)	\$ 0.03	\$ 0.03
Diluted	\$ (0.01)	\$ (0.00)	\$ 0.01	\$ 0.03	\$ 0.00	\$ (0.00)	\$ 0.03	\$ 0.03
Weighted average shares outstanding used in computing per share amounts:								
Basic	14,965,271	15,083,982	15,498,524	15,911,788	16,016,478	17,364,691	17,563,147	17,625,002
Diluted	14,965,271	15,083,982	16,320,518	16,806,020	16,598,471	17,364,691	18,629,400	19,184,725

Vocus, Inc.

Schedule II — Valuation and Qualifying Accounts

	<u>Balance Beginning of Period</u>	<u>Charged to Expense</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts:				
Year ended December 31, 2005	\$ 199	\$ 51	\$ (57)(1)	\$ 193
Year ended December 31, 2006	193	182	(95)(1)	280
Year ended December 31, 2007	280	75	(104)(1)	251
Deferred tax valuation allowance:				
Year ended December 31, 2005	\$ 10,020	\$ 1,917	\$ —	\$ 11,937
Year ended December 31, 2006	11,937	(1,916)	—	10,021
Year ended December 31, 2007	10,021	(977)	—	9,044

(1) Uncollectible accounts written-off, net of recoveries.

Index to Exhibits

<u>Exhibit Numbers</u>	<u>Exhibits</u>
3.1(6)	Fifth Amended and Restated Certificate of Incorporation.
3.2(6)	Amended and Restated Bylaws.
4.1(4)	Specimen common stock certificate.
10.1(1)	1999 Stock Option Plan.
10.2(1)	Form of Option Agreement under Registrant's 1999 Stock Option Plan.
10.3(5)	2005 Stock Award Plan.
10.4(10)	Form of Option Agreement for executive officers under Registrant's 2005 Stock Award Plan.
10.5(10)	Form of Option Agreement for non-employee directors under Registrant's 2005 Stock Award Plan.
10.6(1)	Agreement of Lease, dated December 21, 2000, between MOR FORBES LLLP and Registrant as amended.
10.7(5)	Form of Indemnification Agreement entered into by the Registrant and each of its executive officers and directors.
10.8(2)	License Agreement between the Registrant and PR Newswire Association LLC, dated August 1, 2003, as amended.
10.9(10)	Amended and Restated Agreement between the Registrant and PR Newswire Association, Inc., dated August 1, 2006.
10.10(3)	OEM License Agreement between the Registrant and Moreover Technologies, Inc., dated March 1, 2006, as amended.
10.11(7)	Form of Employment Agreement for Richard Rudman, Robert Lentz and Stephen Vintz, and schedule of details omitted therefrom.
10.12(7)	Form of Employment Agreement for William Donnelly and Norman Weissberg, and schedule of details omitted therefrom.
10.13*	Summary of board of directors' compensation.
10.14(8)	Employment Agreement for William Wagner dated July 17, 2006.
10.15(8)	Indemnification Agreement for William Wagner dated July 17, 2006.
10.16(9)	Asset Purchase Agreement, dated August 4, 2006, among the Registrant, Vocus PRW Holdings LLC, PRWeb, LLC and the sole stockholder of PRWeb International, Inc. and sole owner of PRWeb, LLC.
10.17*	Employment Agreement for Andrew Muir, dated April 14, 2004
10.18*	Form of Restricted Stock Agreement for executive officers under Registrant's 2005 Stock Award Plan.
10.19*	Form of Restricted Stock Agreement for non-employee directors under Registrant's 2005 Stock Award Plan.
10.20(11)	Form of Separation Agreement and Release for Robert Lentz.
21.1*	List of subsidiaries.
23.1*	Consent of Ernst & Young LLP.
24.1*	Power of Attorney (included on the signature page to this report).
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

** Furnished herewith

- (1) Incorporated by reference to an exhibit to the Registration Statement on Form S-1 of Vocus, Inc. (Registration No. 333-125834) filed with the Securities and Exchange Commission on June 15, 2005.
- (2) Incorporated by reference to an exhibit to Amendment No. 2 to the Registration Statement on Form S-1 of Vocus, Inc. (Registration No. 333-125834) filed with the Securities and Exchange Commission on August 5, 2005.
- (3) Incorporated by reference to an exhibit to the Current Report on Form 8-K of Vocus, Inc. filed with the Securities and Exchange Commission on March 1, 2006.
- (4) Incorporated by reference to an exhibit to Amendment No. 5 to the Registration Statement on Form S-1 of Vocus, Inc. (Registration No. 333-125834) filed with the Securities and Exchange Commission on November 9, 2005.
- (5) Incorporated by reference to an exhibit to Amendment No. 6 to the Registration Statement on Form S-1 of Vocus, Inc. (Registration No. 333-125834) filed with the Securities and Exchange Commission on December 6, 2005.
- (6) Incorporated by reference to an exhibit to the Registration Statement on Form S-8 of Vocus, Inc. (Registration No. 333-132206) filed with the Securities and Exchange Commission on March 3, 2006.
- (7) Incorporated by reference to an exhibit to the Current Report on Form 8-K of Vocus, Inc. filed with the Securities and Exchange Commission on December 12, 2005.
- (8) Incorporated by reference to an exhibit to the Current Report on Form 8-K of Vocus, Inc. filed with the Securities and Exchange Commission on July 20, 2006.
- (9) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2006.
- (10) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2007.
- (11) Incorporated by reference to an exhibit to the Current Report on Form 8-K of Vocus, Inc. filed with the Securities and Exchange Commission on February 8, 2008.

VOCUS, INC.
COMPENSATION POLICY FOR NON-EMPLOYEE DIRECTORS

Effective as of January 1, 2008, the compensation payable to the non-employee members of the board of directors of Vocus, Inc. shall be as follows:

Annual Retainer

- An annual retainer of \$40,000. The retainer for service as a director includes meeting fees, service on one committee and informal meetings with the CEO and management as necessary.
- The chairperson of the audit committee and the lead director/chairperson of the compensation committee shall receive an additional retainer of \$10,000.
- The annual retainer payable to directors shall be paid in restricted stock or cash. Each director will communicate his/her preference before January 31. Cash payments will be paid within a reasonable number of days after the end of the rolling quarter (i.e. 4/30, 7/31, 10/31 and 1/31) with 25% of the total retainer paid each quarterly. Restricted stock will be granted on January 31 and 25% of the shares vest on the last day of each rolling quarter of the service year.

Stock Based Compensation

- Each director shall receive a grant of options to purchase shares of the Company's common stock with the amount and vesting of such awards determined by the Compensation Committee of the Board of Directors or the Board of Directors of the Company.
- Each director shall receive a restricted stock award with the amount and vesting of such awards determined by the Compensation Committee of the Board of Directors or the Board of Directors of the Company.
- The chairperson of the audit committee and the lead director/chairperson of the compensation committee shall receive additional grants of stock options with the amount and vesting of such awards determined by the Compensation Committee of the Board of Directors or the Board of Directors of the Company.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”), is effective this 14th day of April, 2004, (the “**Effective Date**”) between Vocus Europe Limited, a private company registered in England and Wales as company number 04462780 and having its registered office at 187A Field End Road, Eastcote, Middlesex, HA5 1QR (the “**Corporation**”), and Andrew Muir (the “**Executive**”).

WITNESSETH :

WHEREAS, the Corporation is a wholly-owned subsidiary of the Vocus, Inc., a corporation organised under the laws of the State of Maryland, United States of America (the “**Parent**”);

WHEREAS, the Corporation wishes to employ the Executive on the terms and conditions in this Agreement; and

WHEREAS, the Executive desires to accept such employment;

NOW THEREFORE, in consideration of the promises and mutual agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1

EMPLOYMENT

Section 1.01. *Agreement and Term* . The Corporation hereby employs the Executive subject to the terms of this Agreement as Managing Director — Vocus International, or in a similar senior manager level position responsible for the Parent’s international business operations conducted outside of North America, and the Executive hereby accepts said employment and agrees to render such services to the Corporation, on the terms and conditions set forth in this Agreement. If deemed appropriate by the Corporation, the Executive may be assigned to another subsidiary of the Parent (a “**Subsidiary**”) or to the Parent itself, and he will serve as an officer and/or director or in any such capacity as the Corporation may direct of such Subsidiary or of the Parent under the same terms and conditions as are set forth in this Agreement. This Agreement shall expire in accordance with Article 3 hereof.

Section 1.02. *Duties. During the term of this Agreement, the Executive shall* : (a) devote his full working time and attention and use his best efforts to further the interests of the Corporation (and any Subsidiary); and (b) perform such services for the Corporation as may be directed from time to time by the President, Chief Executive Officer, or the Board of Directors of the Parent.

Section 1.03. *Directorships.*

(a) The Executive shall accept appointment as a director of the Corporation and of any such other company as the Board of Directors may require in connection with his appointment under this Agreement and he shall resign without claim for compensation from office as a director of any such company at any time on request by the Corporation, which resignation shall not affect the continuance in any way of this Agreement. The Executive shall immediately account to the Corporation for any director's fees or other emoluments, remuneration or payments either receivable or received by him by virtue of his holding office as such director as aforesaid (or waive any right to the same if so required by the Corporation).

(b) Upon the termination of the Executive's employment with the Corporation however arising and for whatsoever reason the Executive shall, upon the resolution of the Board of Directors (in such respect of which the Executive's vote shall be disregarded for all purposes relating to his employment by the Corporation or his continued membership on the Board of Directors), resign without claim for compensation (but without prejudice to any claim he may have for damages for breach of this Agreement) from:

(1) office as a director of the Corporation or of any other company in which he holds a directorship at the Corporation's request; and

(2) from all offices held by him in any or all of such companies; and

(3) all trusteeships held by him of any pension scheme or other trusts established by the Corporation or any other company with whom the Executive has had dealings as a consequence of his employment by the Corporation.

(c) Should the Executive fail to resign from office as a director or from any other office or trusteeship in accordance with Section 1.03(a) or (b), either during his employment, when so requested by the Corporation, or on termination thereof, the Corporation is hereby irrevocably authorised to appoint a person in his name and on his behalf to execute any documents and to do all things required to give effect to the resignation.

(d) Save with the prior agreement in writing of the Board of Directors of the Parent, the Executive shall not, during the continuance of this Agreement, resign from any office as a director of the Corporation, of any other company in which he holds a directorship at the Corporation's request or do anything that would cause him to be disqualified from continuing to act as a director.

Section 1.04. *Place of Employment* . While the Executive’s initial place of employment will be London, England, he will work and/or travel to such places (inside and outside the United Kingdom) as the Corporation may reasonably require from time to time.

ARTICLE 2
COMPENSATION AND BENEFITS

Section 2.01. *Base Salary* . For services rendered hereunder by the Executive, the Corporation shall compensate and pay the Executive for his services during the term of this Agreement at a base salary of GBP 95,000 per year (the “**Base Salary**”), payable monthly. The Executive will not be entitled to any overtime payment for services rendered in connection with this Agreement.

Section 2.02. *Incentive Compensation*.

(a) In addition to the Base Salary in Section 2.01, the Executive shall receive the following commissions and bonuses in connection with Vocus International subscriptions and services sold by or under the direction of the Executive during the Term:

(1) a commission of ten percent (10%) of the aggregate Net Sales under each Subscription Agreement through each calendar year or earlier if the termination of this Agreement. “**Net Sales**” means the sum total of all sales under a Subscription Agreement less any applicable third party reseller royalties and sales charge backs for uncollected amounts, as determined solely by the Corporation;

(2) for the first GBP 280,000 in Net Sales from the Executive’s efforts during any calendar year, a bonus of GBP 14,000 (which amount shall not be pro-rated); and

(3) for each GBP 55,000 in Net Sales from the Executive’s effort during any calendar year which exceeds GBP 280,000, a bonus of GBP 5,500 (which amount shall not be pro-rated).

(b) In the event of termination of this Agreement, the Corporation shall pay to Executive all commissions and bonuses due under this Section 2.02 based on sales closed during a calendar year and subsequently collected by the Corporation, *provided* that such sales are collected by the Corporation within 60 days after termination of this Agreement.

Section 2.03. *Contingent Stock Option Grant*. If the Corporation has GBP 280,000 in Net Sales from the Executive's efforts during calendar year 2004, the Executive shall receive, in addition to such other commissions and bonuses described in Section 2.02, an incentive stock option grant from the Parent providing for: (1) 25,000 shares of the Parent's "Incentive Stock" (as such term is defined in the Parent's 1999 Stock Incentive Plan (the "**Plan**")), (2) an "Exercise Price" equal to 100% of the "Fair Market Value" (as each such term is defined in the Plan) of the Parent's Incentive Stock on the date of the grant, and (3) vesting in four equal annual installments beginning on the first anniversary of the option grant (*i.e.* , 25% to vest on each of the first, second, third and fourth anniversaries of the grant). The option grant will be made pursuant to a stock option agreement in substantially the same form attached hereto as Exhibit A, subject, however, to such changes, if any, as the Parent may make from time to time to its form of stock option agreement or to the Plan.

Section 2.04. *Pension* . The Corporation does not have an occupational pension scheme and the Executive is therefore responsible for making his own pension provision. However, the Corporation will contribute an amount equal to 7% of the Executive's base salary in each pay period to an approved plan of the Executive's choice.

Section 2.05. *Tax Withholding* . All payments required to be made by the Corporation hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Corporation may reasonably determine should be withheld pursuant to any applicable law or regulation.

Section 2.06. *Policies and Benefits* . Except as otherwise provided herein, the Executive's employment shall be subject to the personnel policies which apply generally to the Corporation's employees (or if Executive is employed by a Subsidiary or the Parent, such Subsidiary's or the Parent's employees) as the same may be interpreted, adopted, revised or deleted from time to time, during the term of this Agreement, by the Corporation in its sole discretion.

Section 2.07. *Expenses* . The Corporation shall reimburse the Executive or otherwise provide for or pay for all authorized expenses reasonably incurred by the Executive in furtherance of, or in connection with the business of the Corporation, including, but not by way of limitation, travelling expenses, communication expenses, and all reasonable entertainment expenses, subject to the travel and entertainment or expense reimbursement policies established by the Corporation from time to time.

Section 2.08. *Holidays* .

(a) The Corporation's holiday year commences on January 1 and expires on December 31 (the "**Holiday Year**").

(b) In addition to statutory and bank holidays, the Executive shall be entitled to paid holiday in each Holiday Year of twenty-five (25) calendar days and as shall be approved by the Board of Directors in advance. In the absence of the Board of Director's agreement, holiday must be taken in the Holiday Year in which it accrues.

(c) Upon termination of this Agreement the Executive shall be entitled to payment in lieu of any untaken outstanding holiday entitlement in the Holiday Year during which his employment terminates.

(d) Upon termination of the Executive's employment under this Agreement, the Corporation shall be entitled to deduct from any sum owed by the Corporation to the Executive a sum representing overpayment of salary with respect to holiday which the Executive has taken in excess of his accrued holiday entitlement as at the date of the termination of his employment and the Executive hereby authorises the Corporation pursuant to the Employment Rights Act 1996 to make such deduction.

(e) For the purposes of calculation of holiday entitlement under paragraphs (c) and (d) above, holiday entitlement shall be taken to accrue at the rate of two (2) days per completed month in a Holiday Year and payments in lieu of or deductions with respect to holidays shall be calculated as $1/365^{\text{th}}$ of the Executive's salary for each day's holiday.

ARTICLE 3
TERMINATION

Section 3.01. *General Provisions* . The date on which this Agreement (and the employment of the Executive) shall terminate (the "**Termination Date**") will be the earlier of: (1) ninety days written notice of termination by either party in the manner set forth in Section 5.02 of this Agreement; or (2) the date of the Executive's death.

Section 3.02. *Consequences of Termination of the Executive's Employment* . If the Executive's employment hereunder is terminated for any reason including death then the Corporation's obligation to pay any Base Salary and the Executive's participation in any Benefit Plan shall cease as of the date of termination (in accordance with applicable law and the provisions of such plan).

Section 3.03. *Garden Leave* . The Executive agrees:

(a) that the Corporation may, in its absolute discretion, require the Executive not to render all or any of his duties under this Agreement and/or exclude him from any premises of the Corporation or of any Controlled Group (without providing any reason therefor); and

(b) that such action taken on the part of the Corporation shall not constitute a breach of this Agreement of any kind whatsoever in respect of which the Executive has any claim against the Corporation;

provided always that throughout the period of any such action the Executive shall have no entitlement to contractual benefits (other than salary).

Section 3.04. *Payment in Lieu of Notice* . (a) As an alternative to serving notice pursuant to Section 3.01, the Corporation may, in its absolute discretion, terminate this Agreement without prior notice and make a payment in lieu of the basic salary (but not the other benefits) to which the Executive would have been entitled during the period of notice of termination provided under Section 3.01.

(a) Once notice has been given, either by the Corporation or the Executive pursuant to Section 3.01, the Corporation may, in its absolute discretion, at any time during such notice terminate this Agreement and make a payment in lieu of the basic salary (but not the other benefits) to which the Executive would have been entitled during the unexpired period of notice.

Section 3.05. *Survival* . All provisions of this Agreement, including this Article 3 and Article 4, shall survive the termination of the Executive's employment hereunder.

Section 3.06. *Cooperation with Corporation after Termination of Employment* . Following termination of the Executive's employment for any reason, the Executive shall fully cooperate with the Corporation in all matters relating to the winding up of his pending work on behalf of the Corporation, including any litigation in which the Corporation is involved, and the orderly transfer of any such pending work to other employees of the Corporation as may be designated by the Corporation. The Corporation agrees to reimburse the Executive for any authorized out-of-pocket expenses he reasonably incurs in performing any work on behalf of the Corporation following the termination of his employment, subject to the travel and entertainment or expense reimbursement policies established by the Corporation from time to time.

ARTICLE 4
CONFIDENTIALITY, NON-SOLICITATION,
NON-COMPETITION AND INVENTIONS

Section 4.01. *General Provisions.* The consideration for the provisions of this Article 4 includes the employment of the Executive by the Corporation and other good and valuable consideration. This Article 4 shall survive any termination of this Agreement. This Article 4 is entered into by the Corporation as agent for the Parent and for the Controlled Group (as defined in Section 4.02 below) and for the avoidance of doubt shall be enforceable by the Corporation for and on behalf of the Parent and/or the Controlled Group.

Section 4.02. *Certain Definitions.* The following terms shall have the meanings set forth below:

“ **Affiliate** ” shall mean with respect to any Person, any other Person that directly or indirectly, controls, is controlled by, or is under common control with, such Person. For the purposes of this definition, “ **control** ,” “ **controlled by** ,” and “ **under common control with** ” means the direct or indirect possession of ordinary voting powers to elect a majority of the board of directors or comparable body of any Person.

“ **Conflicting Services** ” means any product, service or process of any person or organization other than the members of the Controlled Group, which directly competes with a product, service or process performed, offered or owned by any member of the Controlled Group with which the Executive was concerned during his employment under this Agreement or in respect of which the Executive had within the twelve (12) months prior to the Termination Date access to any Protected Information.

“ **Controlled Group** ” means the Parent and any other entity which the Parent directly or indirectly controls.

“ **Customer or Potential Customer** ” means each and every Person: (A) with whom or with which at any time in the twelve (12) months prior to the Termination Date the Executive (or any individual directly supervised by the Executive) had business dealings; and (B) who or which, at any time during the twelve (12) months prior to the Termination Date: (a) contracted for, was billed for, or received services from any member of the Controlled Group; (b) was in contact with the Executive concerning the Controlled Group’s products or services or with another representative of the Controlled Group of which contact the Executive knew or should have been aware; (c) the Controlled Group solicited or planned to solicit, to the extent that the Executive was involved, or was aware, or should have been aware; or (d) had any distribution, supply, partnering, alliance, or other agreement or arrangement with the Controlled Group.

“ **Person** ” means an individual, corporation, limited liability company, partnership, joint venture, trust or unincorporated organization, or a federal, state, city, municipal or foreign government, or any agency or political subdivision thereof.

Section 4.03. *Confidentiality and Return of the Corporation's Property.*

(a) The Executive acknowledges that, in and as a result of his employment by the Corporation, the Executive shall or may be making use of, acquiring and/or adding to Protected Information. The Executive agrees that he shall not, except with the prior written consent of the Corporation, at any time during or following the term of the Executive's employment by the Corporation, directly or indirectly, disclose, divulge, reveal, report, publish, transfer or use, for any purpose whatsoever, any of such Protected Information.

(b) For purposes of this Agreement, the term "**Protected Information**" shall mean any and all confidential or proprietary information or trade secrets of the Controlled Group (whether or not reduced to writing and whether or not patentable or protectible by copyright) which the Executive receives, receives access to, or develops or has received, received access to, or developed, in whole or in part, directly or indirectly, in connection with the Executive's employment with any member of the Controlled Group (in any capacity, whether executive, managerial, planning, technical, sales, research, development, manufacturing, engineering or otherwise) or through the use of any member of the Controlled Group's facilities or resources, including any of the following materials and information:

(1) Application, Internet, operating system, data base, communication and other computer software, whether now or hereafter existing, developed for use on any operating system or platform, all modifications, enhancements and versions and all options available with respect thereto, and all future products developed or derived therefrom;

(2) Source and object codes, flowcharts, algorithms, coding sheets, routines, sub-routines, compilers, assemblers, design concepts and related documentation and manuals;

(3) Production processes, marketing techniques and arrangements, mailing lists, purchasing information, pricing policies, quoting procedures, financial information, customer and prospect names and requirements, employee, customer, supplier and distributor data, and the manner in which the Controlled Group does business;

(4) Discoveries, concepts and ideas including the nature and results of research and development activities, processes, formulas, inventions, computer-related equipment or technology, techniques, "know-how," designs, drawings and specifications;

(5) Trade secrets, systems, programs, procedures, manuals, confidential information, reports and communications, agreements with or terms of any relationship or agreement with or proposal to, and lists, contacts, and/or electronic mail addresses of, Customers or Potential Customers, distributors, and strategic partners; and any information or materials received by the Controlled Group from third parties in confidence (or subject to nondisclosure or similar covenants);

(6) Any other materials or information related to the business or activities of the Controlled Group which are not generally known to others engaged in similar businesses or activities; and

(7) All ideas which are derived from or relate to the Executive's access to or knowledge of any of the above enumerated materials and information.

(c) The undertakings and obligations of the Executive under this Section 4.03 shall not apply to any Protected Information which:

(1) is published or is otherwise in the public domain at the time of disclosure other than as a result of any act or omission by the Executive in breach of this Agreement;

(2) is approved for release by written authorization of the President, Chief Executive Officer or Chief Financial Officer of the Parent;

(3) is required to be disclosed under applicable law or by a valid subpoena or other court or government order, only after the Parent is notified in writing by the Executive in advance of any purported required disclosure, and the Parent is provided the opportunity to seek a protective order or other appropriate remedy and provided that the Executive cooperates reasonably with the Parent in the Parent's efforts to obtain such order or remedy;

(4) constitutes a "qualifying disclosure" within the meaning of the UK Public Interest Disclosure Act 1998 and is disclosed in accordance with the provisions of that Act; or

(5) is demonstrated or shown by the Executive to prospective employers after the Executive's employment hereunder terminates, but only if (A) the Executive has delivered an executed release to the Corporation in form and substance satisfactory to the Corporation, releasing the Corporation from any and all claims under this Agreement, (B) the Executive demonstrates to the Corporation's satisfaction, that the Person to which the Protected Information is being demonstrated or shown (the "**Prospective Employer**") is not providing (and does not intend to provide directly or through an Affiliate), any Conflicting Services and (C) the Prospective Employer executes and delivers to the Corporation a confidentiality agreement, in form and substance satisfactory to the Corporation.

(d) Failure to mark any of the Protected Information as confidential, proprietary or Protected Information shall not affect its status as part of the Protected Information under the terms of this Agreement.

(e) At any time requested by the Corporation and/or at termination of the Executive's employment for any reason, the Executive or his successors or agents will promptly deliver to the Corporation all property and materials in any form belonging to or relating to any member of the Controlled Group, or the business of the Controlled Group or any Customers or Potential Customers, including the property listed on Schedule A to this Agreement, which may be amended from time to time by the Corporation (the "**Corporation Property**"). Following such request by the Corporation or termination of employment, the Executive agrees not to download or keep copies of Corporation Property in any hard or soft format. The Executive further agrees that the Executive has no ownership or interest in any Corporation Property.

(f) *Third Party Information* . The Executive recognizes that the Corporation has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Corporation's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any Person or to use it except as necessary in carrying out his work for the Corporation consistent with the Corporation's agreement with such third party.

Section 4.04. *Non-Solicitation*.

(a) The Executive agrees that, during the Executive's employment hereunder and for a period of twelve (12) months following the Termination Date, the Executive will not directly, indirectly, or in concert with any other Person, whether as a proprietor, partner, co-venturer, financier, investor, director, officer, employer, employee, servant, agent, representative, consultant or otherwise:

(1) request, induce, or attempt to induce any Customer or Potential Customer to terminate its relationship with any member of the Controlled Group;

(2) perform any Conflicting Services for a Customer or Potential Customer; or

(3) offer employment to or solicit (directly or indirectly, individually or in connection with any new employer or other business partner) any individual with whom the Executive had business dealings during the twelve (12) months prior to the Termination Date and

(A) who is a senior employee of the Controlled Group, or

(B) who was a senior employee of the Controlled Group and had left the employ of the Controlled Group within the preceding one (1) year,

regardless of who initiates the contact or how the person comes to the Executive's attention.

Section 4.05. *Non-Disparagement* . The Executive agrees that, during the Executive's employment hereunder and following the Termination Date, shall not disparage the Controlled Group, or any of their business, employees, directors, officers, or shareholders.

Section 4.06. *Non-Competition*.

(a) The Executive agrees that, during the Executive's employment hereunder and for a period of nine (9) months following the Termination Date, the Executive will not directly, indirectly, or in concert with any other Person: (1) acquire or have any interest in, whether as a proprietor, partner, co-venturer, financier, or investor, any person, firm, partnership, corporation, association, limited liability company, or other entity that directly or through an Affiliate, either (A) offers, solicits, provides, or engages in Conflicting Services or (B) intends to offer, solicit, provide or engage in Conflicting Services; or (2) be employed by or serve as director, officer, servant, agent, representative, or consultant to any person, firm, partnership, corporation, association, limited liability company, or other entity that directly or through an Affiliate, either (A) offers, solicits, provides, or engages in Conflicting Services or (B) intends to offer, solicit, provide or engage in Conflicting Services; *provided, however* , that nothing contained herein shall be deemed to prevent the Executive from acquiring through market purchases and owning, solely as an investment, less than three percent (3%) in the aggregate of any publicly traded equity securities.

(b) the Executive and the Corporation agree that the market for the Controlled Group's products and services is multinational, so that this Section 4.06 applies to the Executive's activities within the United States, Europe and such other countries or territories in which the Parent and/or the Controlled Group may carry on its business from time to time.

Section 4.07. *Ownership of Information.*

(a) The Executive will make full and prompt disclosure to the Corporation and Parent of all inventions, improvements, discoveries, methods, developments, software and works of authorship, whether patentable or not, which are created, made or reduced to practice by the Executive or under the Executive's direction or jointly with others during the Executive's employment by the Corporation, whether or not during normal working hours or on the premises of the Corporation, and which are directly related to the products and services provided by the Controlled Group, all of which are collectively referred to in this Agreement as "**Developments**"; *provided, however*, the term "Developments" shall not include any inventions, improvements, discoveries, methods, developments, software and works of authorship which are generally known to others engaged in similar businesses or activities and which are published or otherwise in the public domain other than through any act or omission of the Executive in breach of this Agreement.

(b) The Executive agrees to assign and does hereby assign to the Corporation (or any person or entity designated by the Corporation) all of the Executive's right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications, and to the extent that any Developments are not assignable, the Executive hereby grants the Corporation a perpetual royalty-free, worldwide, non-exclusive right and license to make, use, sell, distribute, license, create derivative works of such Development. The Executive understands that, to the extent this Agreement shall be construed in accordance with the laws of any jurisdiction which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section 4.07 shall be interpreted not to apply to any invention which a court of competent jurisdiction rules and/or the Corporation agrees falls within such classes. The Executive also hereby waives all claims to moral rights in any Developments.

(c) The Executive agrees to cooperate fully with the Corporation, both during and after the Executive's employment with the Corporation, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in England and in foreign countries, including the United States) relating to Developments. In furtherance of the foregoing obligations: (1) the Executive shall sign all papers, including copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights and powers of attorney, which the Corporation may deem necessary or desirable in order to protect its rights and interests in any Development; and (2) if the Corporation is unable, after reasonable effort, to secure the signature of the Executive on any such papers, any executive officer of the Parent shall be entitled to execute any such papers as the agent and the attorney-in-fact of the Executive, and the Executive hereby irrevocably designates and appoints each executive officer of the Parent as the Executive's agent and attorney-in-fact to execute any such papers on the Executive's behalf, and to take any and all actions as the Parent may deem necessary or desirable in order to protect its rights and interests in any Development, under the conditions described in this sentence.

(d) Except to the extent previously disclosed to and acknowledged by the Corporation in writing, there exist no inventions, improvements, discoveries, methods, developments, software or works of authorship, whether patentable or not, made, conceived, discovered or reduced to practice by the Executive alone or with others prior to the Executive's employment by Corporation and/or its predecessors (“ **Prior Developments** ”). The Executive covenants and agrees that the Executive (1) shall not include or use any intellectual property of the Executive or third parties (including Prior Developments) in Developments without first notifying and receiving Corporation's written consent to do so, and (2) the Executive hereby grants Corporation a perpetual, royalty-free, worldwide, non-exclusive right and license to use, license, distribute, create derivative works of and incorporate into Developments all Prior Developments that the Executive may from time to time include or incorporate into Developments.

Section 4.08. *Publication of Covenants.*

(a) The Executive agrees that if the Executive is offered employment or the opportunity to enter into any business venture as owner, partner, consultant or other capacity in a business while the covenants in Article 4 of this Agreement are in effect, the Executive will inform the Executive's potential employer, partner, co-owner and/or others involved in managing the business which the Executive had an opportunity to join of the existence of this Agreement and will provide such person or persons with a copy of this Agreement.

(b) The Executive authorizes the Corporation to provide copies of this Agreement to any of the persons or entities described in Section 4.08 (a) above and to make such persons aware of the Executive's obligations under this Agreement.

Section 4.09. *Injunctive Relief from Violation of Covenants* . The Executive recognizes that irreparable damage will result to the Parent and the Corporation in the event of the violation of any covenant contained in this Article 4 and agrees that in the event of such violation, the Parent and the Corporation shall be entitled, in addition to its other legal or equitable remedies and damages, to temporary and permanent injunctive relief to restrain against such violation(s) thereof by the Executive and by all other persons acting for or with the Executive, including the cost of reasonable attorney's fees.

Section 4.10. *Reasonableness of Restrictions.*

(a) Executive and the Corporation agree that they have attempted to restrict the Executive's activities to a reasonable degree appropriate to protect the interests of the Parent and the Corporation. If any provision of this Agreement or of a clause hereof is determined to be illegal or unenforceable by any court of law or any competent governmental or other authority, the remaining provisions within that clause and the remainder of this Agreement shall be severable and enforceable in accordance with their terms, so long as this Agreement, without such terms or provisions, does not fail of its essential purpose. The parties shall negotiate in good faith to replace any such illegal or unenforceable provisions with suitable substitute provisions which will maintain as far as possible the purposes and the effect of this Agreement.

(b) The Executive further acknowledges that enforcement of the restrictions in this Agreement by restraining order, injunction or otherwise will not prevent the Executive from earning a livelihood or cause the Executive irreparable harm.

Section 4.11. *Calculation of Time Periods* . The periods specified in this Article 4 shall each be reduced by the duration of any period immediately prior to the date of termination during which the Corporation, in exercising its rights under the provisions of Section 3.03, suspends the Executive from performance of his duties.

ARTICLE 5
GENERAL PROVISIONS

Section 5.01. *Assignment.* The Corporation may assign this Agreement and any of its rights and obligations hereunder to any member of the Controlled Group or to any successor to the Corporation's (or such member of the Controlled Group's) business. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

Section 5.02. *Notices* . For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given upon delivery or refusal by the party to accept delivery to the respective addresses set forth below:

if to the Corporation, to:

Vocus Europe Limited
c/o Vocus, Inc.
4296 Forbes Boulevard
Lanham, Maryland 20706
United States of America
Attention: Chief Financial Officer
Facsimile No.: (301) 459-6092

if to the Executive, to:

Mr. Andrew Muir
8 Southwood Lane
London, N6 5EE
United Kingdom
Facsimile No.: (00 44) 208-340-3997

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed to have been received on the next succeeding business day in the place of receipt.

Section 5.03. *Amendment and Waiver* . No amendment or modification of this Agreement shall be valid or binding upon (a) the Corporation unless approved by the Board of Directors and made in writing and signed by an officer of the Corporation other than the Executive, and (b) upon the Executive unless made in writing and signed by him.

Section 5.04. *Non-Waiver of Breach* . No failure by either party to declare a default due to any breach of any obligation under this Agreement by the other, nor failure by either party to act quickly with regard thereto, shall be considered to be a waiver of any such obligation, or of any future breach.

Section 5.05. *Governing Law* . This Agreement shall be governed by, and construed in accordance with, English law.

Section 5.06. *Jurisdiction* . In relation to any legal action or proceedings arising out of or in connection with Article 4 of this Agreement and/or any statutory implied rights of the Executive and/or the Corporation (“**Proceedings**”), each of the parties irrevocably submits to the exclusive jurisdiction of the English courts located in London, England and waives any objection to Proceedings in such courts on the grounds of venue or on the grounds that Proceedings have been brought in an inappropriate forum.

Section 5.07. *Entire Agreement* . This Agreement contains all of the terms agreed upon by the Corporation and the Executive with respect to the subject matter hereof and supersedes all prior agreements, arrangements and communications between the parties dealing with such subject matter, whether oral or written.

Section 5.08. *Binding Effect* . This Agreement shall be binding upon and shall inure to the benefit of the transferees, successors and assigns of the Corporation, including any company with which the Corporation may merge or consolidate.

Section 5.09. *Headings; Cross-References* . The headings and captions contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement. All references to “ **GBP** ” or shall be to Great Britain Pound Sterling , and all references to “ **days** ” shall be to calendar days unless otherwise specified. Whenever the words “ **include** ,” “ **includes** ,” or “ **including** ” are used in this Agreement, they shall be deemed to be followed by the words “ **without limitation** .”

Section 5.10. *Counterparts* . This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which when taken together, shall be and constitute one and the same instrument.

ARTICLE 6
STATUTORY PROVISIONS UNDER ENGLISH LAW

Section 6.01. *Commencement of Employment* . The Executive’s continuous employment began on the Effective Date.

Section 6.02. *Collective Agreements* . There are no collective agreements with trade unions which directly affect the terms and conditions of the Executive’s employment.

Section 6.03. *Discipline and Grievances* . Details of the grievance and disciplinary arrangements (if any) which apply to the Executive (which for the avoidance of doubt shall not form part of the Executive’s contract of employment) are available from the Board of Directors.

[Remainder of page intentionally left blank; next page is signature page]

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed on the date and year first written above.

VOCUS EUROPE LIMITED

By: _____
Name: Stephen A. Vintz
Title: Director

The Executive:

Andrew Muir

Undertaking:

The undersigned undertakes to ensure that the Corporation pays the Executive's salary and provides the benefits which the Corporation is obliged to provide to the Executive under this Agreement during the term of the Executive's employment.

VOCUS, INC.

By: _____
Name: Stephen A. Vintz
Title: Chief Financial Officer

COMPANY PROPERTY

For purposes of this Agreement, Corporation Property shall include but not be limited to:

1. All lists of and information pertaining to any Customer or Potential Customer
 2. All Protected Information
 3. All notes, files, correspondence (including copies of e-mail or voice mail messages) and memoranda prepared or received in the course of employment
 4. All manuals reports, records, notebooks, plans, photographs, specifications, technical data and drawings prepared or received in the course of employment
 5. All computers, printers, computer hardware and software, computer programs, program listings, diskettes, CD's, DVD's, audio and videotapes; downloads and source/object codes.
 6. All information obtained from the Parent's CRM system or Contract Management System.
-

Form of Stock Option Grant

**VOCUS, INC.
2005 STOCK AWARD PLAN
RESTRICTED STOCK AGREEMENT**

Unless otherwise defined herein, the terms defined in the 2005 Stock Award Plan shall have the same defined meanings in this Restricted Stock Agreement (the "Agreement").

I. NOTICE OF RESTRICTED STOCK GRANT

Name: _____ ("Recipient")

Address: _____

The undersigned Recipient has been granted shares of common stock of the Company ("Common Stock"), subject to the terms and conditions of the Plan and this Restricted Stock Agreement, as follows:

Date of Grant: _____

Vesting Commencement Date: _____

Total Number of Shares Granted: _____

Type of Grant: Restricted Stock Award

Vesting Schedule: This Grant shall be vested according to the following vesting schedule:

_____% of the shares subject to the Grant shall vest [on each of the first, second, third and fourth anniversaries] of the Vesting Commencement Date, subject to Recipient's Continuous Service on such dates .

II. AGREEMENT

1. Award of Restricted Stock. The Plan Administrator of the Company hereby grants to the Recipient named in the Notice of Restricted Stock Grant, the number of Shares set forth in the Notice of Restricted Stock Grant (collectively the "Restricted Stock"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 10(e) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall prevail. As a condition to entering into this Agreement, and as a condition to the issuance of any shares of Restricted Stock (or any other securities of the Company), the Recipient agrees to be bound by all of the terms and conditions herein and in the Plan.

2. Vesting of Restricted Stock.

(a) Except as otherwise provided in Sections 2 and 4 of this Agreement, the shares of Restricted Stock shall become vested in accordance with the Vesting Schedule set out in the Notice of Restricted Stock Grant and with the applicable provisions of the Plan and this Agreement, provided that the Continuous Service of the Recipient continues through and on the applicable Vesting Date.

There shall be no proportionate or partial vesting of shares of Restricted Stock in or during the months, days or periods prior to each vesting date, and all vesting of shares of Restricted Stock shall occur only on the applicable vesting date. Upon the termination or cessation of Recipient's Continuous Service, for any reason whatsoever, any portion of the Restricted Stock which has not vested, and which does not then become vested pursuant to this Section 2 shall automatically and without notice terminate, be forfeited and be and become null and void.

(b) Notwithstanding any other term or provision of this Agreement, in the event of any merger, consolidation or other reorganization in which the Company does not survive, or in the event of any Change in Control, as defined in Section 2(h) of the Plan, the Restricted Stock may be dealt with in accordance with any of the following approaches, as determined by the agreement effectuating the transaction or, if and to the extent not so determined, as determined by the Plan Administrator: (a) the continuation of the grant of the Restricted Stock by the Company, if the Company is a surviving corporation, subject to the terms and conditions set forth herein, (b) the assumption or substitution for, as those terms are defined in Section 9(b)(iv) of the Plan, the Restricted Stock by the surviving corporation or its parent or subsidiary, (c) full vesting of the Restricted Stock, or (d) as otherwise determined by the Plan Administrator.

(c) Notwithstanding any other provision in this Agreement, if, within the 12 month period following the effective date of a Change in Control, the Company terminates Recipient's employment without Cause (other than as a result of Recipient's death or disability) or Recipient resigns for Good Reason, as such terms are defined in the employment agreement between the Company and Recipient or the Plan if no such employment agreement exists, then the Non-Vested Shares will become fully vested upon such termination of employment.

If Recipient resigns for any reason in the seventh month following the month in which a Change in Control occurs, then the Non-Vested Shares will become fully vested upon such termination of employment (the accelerated vesting described in this Section 2(c) only applies if such resignation occurs in the seventh month and no other month).

If the Company terminates Recipient's employment without Cause (other than as a result of your death or disability) or Recipient resigns for Good Reason, any Non-Vested Shares shall continue to vest in accordance with the vesting schedule set forth herein for the period set forth in Recipient's employment agreement after the date of termination of your employment, as though you were to continue to be employed by the Company during that period

(c) For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) "Non-Vested Shares" means any portion of the Restricted Stock subject to this Agreement that has not become vested pursuant to this Section 2.

(ii) "Vested Shares" means any portion of the Restricted Stock subject to this Agreement that is and has become vested pursuant to this Section 2.

3. Delivery of Restricted Stock.

(a) One or more stock certificates evidencing the Restricted Stock shall be issued in the name of the Recipient but shall be held and retained by the Company until the date (the "Applicable Date") on which the shares (or a portion thereof) subject to this Restricted Stock award become Vested Shares. All such stock certificates shall bear the following legends, along with such other legends that the Board or the Plan Administrator shall deem necessary and appropriate or which are otherwise required or indicated pursuant to any applicable stockholders agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing shares of Restricted Stock until such shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his or her attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) On or after each Applicable Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all shares that become Vested Shares on that Applicable Date. Such certificate(s) shall be delivered to the Recipient within fifteen (15) business days of the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including any relating to restrictions on transferability and/or obligations and restrictions under any applicable securities laws).

4. Termination of Continuous Service. If the Recipient's Continuous Service with the Company is terminated, any Non-Vested Shares shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Plan Administrator shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 4.

5. Rights with Respect to Restricted Stock.

(a) Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the shares of Restricted Stock, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of shares of Common Stock, including without limitation (i) the right to vote such Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Restricted Stock from time to time, and (iii) the rights available to all holders of shares of Common Stock upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Shares issued to the Recipient as a dividend with respect to shares of Restricted Stock shall have the same status and bear the same legend as the shares of Restricted Stock and shall be held by the Company, if the shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Plan Administrator. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to shares of Restricted Stock subject to this Agreement shall be automatically reinvested in additional shares of Restricted Stock or applied to the purchase of additional Awards under the Plan. In the event that the shares of Restricted Stock are subsequently forfeited, any dividends of cash (including reinvested cash dividends), Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend shall be forfeited as well.

(b) If at any time while this Agreement is in effect (or shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split, combination or exchange of such shares, then and in that event, the Board or the Plan Administrator shall make any adjustments it deems fair and appropriate, in view of such change, in the number of shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

6. Transferability. The shares of Restricted Stock are not transferable until and unless they become Vested Shares. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Any attempt to effect a Transfer of any shares of Restricted Stock prior to the date on which the shares become Vested Shares shall be void ab initio. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, margin transaction, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

7. Tax Matters; Section 83(b) Election.

(a) If the Recipient properly elects, within thirty (30) days of the Date of Grant, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the Date of Grant) of the Restricted Stock pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the Recipient shall make arrangements satisfactory to the Company to pay to the Company any federal, state or local income taxes required to be withheld with respect to the Restricted Stock. If the Recipient shall fail to make such tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Recipient any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(b) If the Recipient does not properly make the election described in Subsection 7(a) above, the Recipient shall, no later than the date or dates as of which the restrictions referred to in this Agreement hereof shall lapse, pay to the Company, or make arrangements satisfactory to the Plan Administrator for payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock (including without limitation the vesting thereof), and the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Recipient any federal, state, or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(c) Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, the making of a Section 83(b) election, and the Recipient's filing, withholding and payment (or tax liability) obligations.

8. Amendment or Modification. This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement.

9. Complete Agreement. This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

10. Miscellaneous.

(a) Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and the Restricted Stock Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Recipient with respect to the subject matter hereof, and may not be modified adversely to the Recipient's interest except by means of a writing signed by the Company and Recipient. This agreement is governed by the internal substantive laws but not the choice of law rules of the State of Delaware.

(b) No Guarantee of Continued Service. RECIPIENT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE, CONSULTANT OR DIRECTOR (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK OR ACQUIRING SHARES HEREUNDER). RECIPIENT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR DIRECTOR FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH RECIPIENT'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE RECIPIENT'S RELATIONSHIP AS AN EMPLOYEE, CONSULTANT OR DIRECTOR, AS APPLICABLE, AT ANY TIME, WITH OR WITHOUT CAUSE.

(c) No Trust or Fund Created. Neither this Agreement nor the grant of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(d) Interpretation. Recipient acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Restricted Stock subject to all of the terms and provisions thereof. Recipient has reviewed the Plan and this Restricted Stock in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Restricted Stock and fully understands all provisions of the Restricted Stock. Recipient hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Plan Administrator upon any questions arising under the Plan or this Restricted Stock. Recipient further agrees to notify the Company under any change in the residence address indicated below.

(e) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at its principal office and, in the case of the Recipient, to the Recipient's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

RECIPIENT

Signature

Printed Name

Residence Address

VOCUS, INC.

Signature

Stephen A. Vintz, CFO

**VOCUS, INC.
2005 STOCK AWARD PLAN
RESTRICTED STOCK AGREEMENT**

Unless otherwise defined herein, the terms defined in the 2005 Stock Award Plan shall have the same defined meanings in this Restricted Stock Agreement (the "Agreement").

I. NOTICE OF RESTRICTED STOCK GRANT

Name: _____ ("Recipient")

Address: _____

The undersigned Recipient has been granted shares of common stock of the Company ("Common Stock"), subject to the terms and conditions of the Plan and this Restricted Stock Agreement, as follows:

Date of Grant: _____

Vesting Commencement Date: _____

Total Number of Shares Granted: _____

Type of Grant: Restricted Stock Award

Vesting Schedule: This Grant shall be vested according to the following vesting schedule:

_____% of the shares subject to the Grant shall vest [on each of the first, second, third and fourth anniversaries] of the Vesting Commencement Date, subject to Recipient's Continuous Service on such dates .

II. AGREEMENT

1. Award of Restricted Stock. The Plan Administrator of the Company hereby grants to the Recipient named in the Notice of Restricted Stock Grant, the number of Shares set forth in the Notice of Restricted Stock Grant (collectively the "Restricted Stock"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 10(e) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall prevail. As a condition to entering into this Agreement, and as a condition to the issuance of any shares of Restricted Stock (or any other securities of the Company), the Recipient agrees to be bound by all of the terms and conditions herein and in the Plan.

2. Vesting of Restricted Stock.

(a) Except as otherwise provided in Sections 2 and 4 of this Agreement, the shares of Restricted Stock shall become vested in accordance with the Vesting Schedule set out in the Notice of Restricted Stock Grant and with the applicable provisions of the Plan and this Agreement, provided that the Continuous Service of the Recipient continues through and on the applicable Vesting Date.

There shall be no proportionate or partial vesting of shares of Restricted Stock in or during the months, days or periods prior to each vesting date, and all vesting of shares of Restricted Stock shall occur only on the applicable vesting date. Upon the termination or cessation of Recipient's Continuous Service, for any reason whatsoever, any portion of the Restricted Stock which has not vested, and which does not then become vested pursuant to this Section 2 shall automatically and without notice terminate, be forfeited and be and become null and void.

(b) Notwithstanding any other term or provision of this Agreement, in the event of any merger, consolidation or other reorganization in which the Company does not survive, or in the event of any Change in Control, as defined in Section 2(h) of the Plan, the Restricted Stock may be dealt with in accordance with any of the following approaches, as determined by the agreement effectuating the transaction or, if and to the extent not so determined, as determined by the Plan Administrator: (a) the continuation of the grant of the Restricted Stock by the Company, if the Company is a surviving corporation, subject to the terms and conditions set forth herein, (b) the assumption or substitution for, as those terms are defined in Section 9(b)(iv) of the Plan, the Restricted Stock by the surviving corporation or its parent or subsidiary, (c) full vesting of the Restricted Stock, or (d) as otherwise determined by the Plan Administrator. Notwithstanding the foregoing, any Non-Vested Shares shall vest immediately following a Change in Control.

(c) For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) "Non-Vested Shares" means any portion of the Restricted Stock subject to this Agreement that has not become vested pursuant to this Section 2.

(ii) "Vested Shares" means any portion of the Restricted Stock subject to this Agreement that is and has become vested pursuant to this Section 2.

3. Delivery of Restricted Stock.

(a) One or more stock certificates evidencing the Restricted Stock shall be issued in the name of the Recipient but shall be held and retained by the Company until the date (the "Applicable Date") on which the shares (or a portion thereof) subject to this Restricted Stock award become Vested Shares. All such stock certificates shall bear the following legends, along with such other legends that the Board or the Plan Administrator shall deem necessary and appropriate or which are otherwise required or indicated pursuant to any applicable stockholders agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing shares of Restricted Stock until such shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his or her attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) On or after each Applicable Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all shares that become Vested Shares on that Applicable Date. Such certificate(s) shall be delivered to the Recipient within fifteen (15) business days of the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including any relating to restrictions on transferability and/or obligations and restrictions under any applicable securities laws).

4. Termination of Continuous Service. If the Recipient's Continuous Service with the Company is terminated, any Non-Vested Shares shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Plan Administrator shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 4.

5. Rights with Respect to Restricted Stock.

(a) Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the shares of Restricted Stock, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of shares of Common Stock, including without limitation (i) the right to vote such Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Restricted Stock from time to time, and (iii) the rights available to all holders of shares of Common Stock upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Shares issued to the Recipient as a dividend with respect to shares of Restricted Stock shall have the same status and bear the same legend as the shares of Restricted Stock and shall be held by the Company, if the shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Plan Administrator. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to shares of Restricted Stock subject to this Agreement shall be automatically reinvested in additional shares of Restricted Stock or applied to the purchase of additional Awards under the Plan. In the event that the shares of Restricted Stock are subsequently forfeited, any dividends of cash (including reinvested cash dividends), Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend shall be forfeited as well.

(b) If at any time while this Agreement is in effect (or shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split, combination or exchange of such shares, then and in that event, the Board or the Plan Administrator shall make any adjustments it deems fair and appropriate, in view of such change, in the number of shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

6. Transferability. The shares of Restricted Stock are not transferable until and unless they become Vested Shares. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Any attempt to effect a Transfer of any shares of Restricted Stock prior to the date on which the shares become Vested Shares shall be void ab initio. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, margin transaction, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

7. Tax Matters; Section 83(b) Election.

(a) If the Recipient properly elects, within thirty (30) days of the Date of Grant, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the Date of Grant) of the Restricted Stock pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the Recipient shall make arrangements satisfactory to the Company to pay to the Company any federal, state or local income taxes required to be withheld with respect to the Restricted Stock. If the Recipient shall fail to make such tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Recipient any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(b) If the Recipient does not properly make the election described in Subsection 7(a) above, the Recipient shall, no later than the date or dates as of which the restrictions referred to in this Agreement hereof shall lapse, pay to the Company, or make arrangements satisfactory to the Plan Administrator for payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock (including without limitation the vesting thereof), and the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Recipient any federal, state, or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(c) Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, the making of a Section 83(b) election, and the Recipient's filing, withholding and payment (or tax liability) obligations.

8. Amendment or Modification. This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement.

9. Complete Agreement. This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

10. Miscellaneous.

(a) Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and the Restricted Stock Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Recipient with respect to the subject matter hereof, and may not be modified adversely to the Recipient's interest except by means of a writing signed by the Company and Recipient. This agreement is governed by the internal substantive laws but not the choice of law rules of the State of Delaware.

(b) No Guarantee of Continued Service. RECIPIENT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE, CONSULTANT OR DIRECTOR (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK OR ACQUIRING SHARES HEREUNDER). RECIPIENT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR DIRECTOR FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH RECIPIENT'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE RECIPIENT'S RELATIONSHIP AS AN EMPLOYEE, CONSULTANT OR DIRECTOR, AS APPLICABLE, AT ANY TIME, WITH OR WITHOUT CAUSE.

(c) No Trust or Fund Created. Neither this Agreement nor the grant of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(d) Interpretation. Recipient acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Restricted Stock subject to all of the terms and provisions thereof. Recipient has reviewed the Plan and this Restricted Stock in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Restricted Stock and fully understands all provisions of the Restricted Stock. Recipient hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Plan Administrator upon any questions arising under the Plan or this Restricted Stock. Recipient further agrees to notify the Company under any change in the residence address indicated below.

(e) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at its principal office and, in the case of the Recipient, to the Recipient's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

RECIPIENT

VOCUS, INC.

Signature

Signature

Printed Name

Stephen A. Vintz, CFO

Residence Address

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Vocus Acquisition LLC, a Maryland limited liability company

Vocus GS Holdings, LLC, a Maryland limited liability company

PAT LLC, a Maryland limited liability company

Vocus International Holdings LLC, a Maryland limited liability company

Vocus Europe Limited, a United Kingdom corporation

Vocus PRW Holdings LLC, a Maryland limited liability company

Vocus NM LLC, a Maryland limited liability company

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-132206) pertaining to the 2005 Stock Award Plan and 1999 Stock Plan of Vocus, Inc. of our reports dated March 13, 2008, with respect to the consolidated financial statements and schedule of Vocus, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Vocus, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

McLean, Virginia
March 13, 2008

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Rudman, certify that:

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

Date: March 14, 2008

/s/ RICHARD RUDMAN
Richard Rudman
Chairman, Chief Executive Officer and President

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen Vintz, certify that:

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

Date: March 14, 2008

/s/ STEPHEN VINTZ

Stephen Vintz

Chief Financial Officer, Treasurer and Secretary

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Vocus, Inc. (the "Company") on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Richard Rudman, Chairman, Chief Executive Officer and President of the Company and Stephen Vintz, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our best knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2008

/s/ RICHARD RUDMAN

Richard Rudman
Chairman, Chief Executive Officer and President

Date: March 14, 2008

/s/ STEPHEN VINTZ

Stephen Vintz
Chief Financial Officer, Treasurer and Secretary