MOVE INC
Form 10-Q
November 06, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2014

or

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

For the transition period from to

Commission File Number 000-26659

Move, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**95-4438337**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 Almaden Blvd, Suite 800 **San Jose, California**	**95113**
(Address of principal executive offices)	(Zip Code)

(408) 558-7100

(Registrant s telephone number, including area code)

Not Applicable

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

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

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

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

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

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

At October 31, 2014, the registrant had 40,708,242 shares of its common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. *Condensed Consolidated Financial Statements*

MOVE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,188	$ 118,679
Accounts receivable, net	11,654	11,760
Other current assets	9,659	8,203
Total current assets	136,501	138,642
Property and equipment, net	28,862	23,960
Investment in unconsolidated joint venture	6,455	4,596
Goodwill, net	41,630	41,630
Intangible assets, net	25,893	24,403
Other assets	3,215	3,558
Total assets	$ 242,556	$ 236,789
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 8,078	$ 5,912
Accrued expenses	31,659	26,929
Deferred revenue	7,090	7,783
Total current liabilities	46,827	40,624
Convertible senior notes	84,915	82,459
Other noncurrent liabilities	6,244	4,876
Total liabilities	137,986	127,959
Commitments and contingencies (see note 14)		
Stockholders equity:		
Series A convertible preferred stock		
Common stock	41	39
Additional paid-in capital	2,158,458	2,142,516
Accumulated other comprehensive income	39	138
Accumulated deficit	(2,053,968)	(2,033,863)
Total stockholders equity	104,570	108,830
Total liabilities and stockholders equity	$ 242,556	$ 236,789

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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MOVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenue	$ 63,884	$ 58,825	$ 183,216	$ 170,553
Costs and operating expenses:				
Cost of revenue	13,811	11,750	38,655	34,403
Sales and marketing	29,839	22,971	85,279	67,619
Product and web site development	10,223	9,894	31,692	29,323
General and administrative	16,938	12,209	41,237	35,732
Amortization of intangible assets	1,274	1,110	3,770	3,172
Total costs and operating expenses	72,085	57,934	200,633	170,249
(Loss) income from operations	(8,201)	891	(17,417)	304
Interest expense, net	(1,663)	(917)	(4,877)	(944)
Earnings of unconsolidated joint venture	988	585	2,708	1,650
Other expense, net	(15)	(46)	(72)	(81)
(Loss) income before income taxes	(8,891)	513	(19,658)	929
Income tax (benefit) expense	(261)	375	447	425
Net (loss) income	$ (8,630)	$ 138	$ (20,105)	$ 504
Basic net (loss) income per share	$ (0.22)	$ 0.00	$ (0.51)	$ 0.01
Diluted net (loss) income per share	$ (0.22)	$ 0.00	$ (0.51)	$ 0.01
Shares used to calculate basic and diluted net (loss) income per share:				
Basic	40,076	39,061	39,514	39,215
Diluted	40,076	41,482	39,514	40,913

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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MOVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net (loss) income	$ (8,630)	$ 138	$ (20,105)	$ 504
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(87)	3	(99)	(59)
Total other comprehensive (loss) income	(87)	3	(99)	(59)
Total comprehensive (loss) income	$ (8,717)	$ 141	$ (20,204)	$ 445

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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MOVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

(unaudited)

	Series A Convertible Preferred Stock Shares	Series A Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders Equity
Balance at January 1, 2014		$	39,178	$ 39	$ 2,142,516	$ 138	$ (2,033,863)	$ 108,830
Net loss							(20,105)	(20,105)
Other comprehensive loss						(99)		(99)
Issuance of common stock under exercise of stock options			1,009	1	8,030			8,031
Issuance of restricted stock, net of cancellations			497	1				1
Restricted stock surrendered for employee tax liability			(157)		(2,246)			(2,246)
Stock-based compensation and charges					10,158			10,158
Balance at September 30, 2014		$	40,527	$ 41	$ 2,158,458	$ 39	$ (2,053,968)	$ 104,570

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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MOVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Cash flows from operating activities:		
Net (loss) income	$ (20,105)	$ 504
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	10,147	7,680
Amortization of intangible assets	3,770	3,172
Amortization of debt discount and issuance costs	2,904	516
Provision for doubtful accounts	335	445
Stock-based compensation and charges	10,158	8,241
Earnings of unconsolidated joint venture	(2,708)	(1,650)
Return on investment in unconsolidated joint venture	849	602
Other non-cash items	(46)	(5)
Changes in operating assets and liabilities:		
Accounts receivable	(229)	(1,180)
Other assets	(1,164)	(932)
Accounts payable and accrued expenses	8,209	4,114
Deferred revenue	(706)	(722)
Net cash provided by operating activities	11,414	20,785
Cash flows from investing activities:		
Purchases of property and equipment	(15,103)	(8,957)
Acquisitions, net of cash acquired		(2,250)
Purchase of intangible assets	(5,010)	
Return of investment in unconsolidated joint venture		582
Other investing activities	2	
Net cash used in investing activities	(20,111)	(10,625)
Cash flows from financing activities:		
Principal payments on loan payable		(19)
Proceeds from issuance of convertible senior notes, net of issuance costs		96,608
Proceeds from exercise of stock options	7,452	8,216
Tax payments related to net share settlements of equity awards	(2,246)	(2,405)
Repurchase of common stock		(26,010)
Net cash provided by financing activities	5,206	76,390
Change in cash and cash equivalents	(3,491)	86,550
Cash and cash equivalents, beginning of period	118,679	27,122
Cash and cash equivalents, end of period	$ 115,188	$ 113,672
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,890	$

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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MOVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Move, Inc. and its subsidiaries (the Company or Move) operate an online network of web sites for real estate search, finance, moving and home enthusiasts and provide a comprehensive resource for consumers seeking online information and connections regarding real estate. The Company s flagship consumer web sites include realtor.com®, Move.com and Moving.comTM. The Company also supplies lead management software and marketing services for real estate agents and brokers through its Top Producer®, TigerLead® and FiveStreet products. Through its ListHubTM products, the Company is also an online real estate listing syndicator and provider of advanced performance reporting solutions intended to help drive an effective online advertising program for brokers, real estate franchises, and individual agents.

Proposed Acquisition by News Corporation

On September 30, 2014, the Company entered into an agreement and plan of merger (Merger Agreement) with News Corporation (Parent) and Magpie Merger Sub, Inc., an indirect wholly owned subsidiary of Parent (Merger Sub), pursuant to which, and on the terms and subject to the conditions thereof, among other things, Merger Sub will commence a tender offer (Offer) on or before October 15, 2014 to acquire all of the outstanding shares of common stock of the Company at a purchase price of $21.00 per share in cash, without interest (the Offer Price). The Merger Agreement is not subject to a financing condition.

The obligation of Merger Sub to purchase the shares of common stock of the Company validly tendered and not withdrawn pursuant to the Offer is subject to the satisfaction or waiver of a number of conditions set forth in the Merger Agreement, including (i) that there shall have been validly tendered and not validly withdrawn a number of shares of common stock of the Company that, when added to the shares of common stock of the Company then owned by Parent and its subsidiaries, equals at least one share more than one half of the total number of shares of common stock of the Company then issued and outstanding, (ii) the expiration or termination of the applicable waiting period (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (without the imposition of any condition or requiring a remedy that the parties are not required to accept pursuant to the Merger Agreement), (iii) the absence of certain disputes relating to the Operating Agreement between Realtors® Information Network, Inc., a subsidiary of the National Association of REALTORS® (NAR), and RealSelect, Inc., a subsidiary of the Company, as amended; and (iv) other customary conditions. Concurrently with the execution of the Merger Agreement, NAR provided the Company with its consent to the transaction. The NAR consent terminates if Move terminates the Merger Agreement due to a superior proposal or if both the Company and Parent announce that the Merger Agreement has been terminated. A copy of the NAR consent is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

The Merger Agreement contains certain termination rights in favor of each the Company and Parent including, under certain circumstances, the requirement for the Company to pay to Parent a termination fee of $32,500,000. The Company has also agreed (i) to cease any existing, and not to solicit or initiate any additional, discussions with third parties regarding other proposals to acquire the Company and (ii) to certain restrictions on its ability to respond to such proposals, subject to fulfillment of certain fiduciary requirements of the board of directors of the Company.

Following the completion of the Offer and subject to the satisfaction or waiver of certain conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company, with the Company surviving as an indirect wholly owned subsidiary of Parent, pursuant to the procedure provided for under Section 251(h) of the Delaware General Corporation Law without any stockholder approvals (the Merger). At the effective time of the Merger (the Effective Time), by virtue of the Merger and without any action on the part of the holders of any shares of common stock of the Company, each outstanding share of common stock of the Company, other than any shares owned by Parent, Merger Sub or any wholly owned subsidiary of Parent or held in the treasury of the Company, or any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be cancelled and converted into the right to receive an amount in cash equal to the Offer Price.

Pursuant to the Merger Agreement, among other obligations of the Company, (a) (w) the Company shall perform all of its pre-closing obligations under the certain 2.75% Convertible Senior Notes due 2018 (the 2018 Notes), and shall give notice of the transactions contemplated under the Merger Agreement in accordance with the requirements therein, (x) on or prior to September 30, 2014, the Company shall provide the notice required by indenture agreement related to the 2018 Notes, (y) the Company shall elect cash settlement as the sole settlement method for any conversion of 2018 Notes, in each case prior to the applicable deadline therefor, (z) comply with the payment and other pre-closing obligations related to any conversion of 2018 Notes pursuant to the indenture agreement related to the 2018 Notes in order to validly effectuate the cash settlement thereof; (b) during the period between the completion of the Offer and the consummation of the Merger, the Company shall (w) elect to redeem the series A preferred stock of the Company as of such time, (x) provide written notice thereof to NAR, (y) redeem the series A preferred stock of the Company, and (z) pay, or make available for payment, to NAR the redemption price therefor; and (c) in the event that any holder of a Company stock option exercises such option between the completion of the Offer and the consummation of the Merger, the Company shall take all actions necessary to cash settle such Company option in an amount of cash equal to (x) the excess, if any, of the fair market value of a share (as determined in accordance with the applicable Company stock plan) on the date of exercise over the exercise price per share of such Company option, multiplied by (y) the number of shares covered by such Company stock option, with payment subject to applicable tax withholding and paid without interest.

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In addition, pursuant to the Merger Agreement: (i) at the Effective Time, each outstanding Company stock option (whether vested or unvested), will be assumed by Parent in accordance with the Merger Agreement (each, an Adjusted Option), and each Adjusted Option shall continue to have and be subject to the same terms and conditions as were applicable to the corresponding Company stock option immediately prior to the Effective Time, except that (x) each Adjusted Option will be exercisable for that number of shares of Parent common stock (rounded down to the nearest whole share) equal to the product of (A) the number of shares of Company common stock subject to the Company stock option immediately prior to the Effective Time and (B) the Equity Award Exchange Ratio provided under the Merger Agreement (the Equity Award Exchange Ratio) and (y) the per share exercise price for the shares of Parent common stock issuable upon exercise of each such Adjusted Option will be equal to the quotient of (A) the per share exercise price of the Company stock option and (B) the Equity Award Exchange Ratio, rounded up to the nearest whole cent; (ii) at the Effective Time, each outstanding Company restricted stock unit (whether vested or unvested) will be assumed by Parent in accordance with the Merger Agreement (each, an Adjusted RSU), and each Adjusted RSU shall continue to have, and be subject to, the same terms and conditions as were applicable to the corresponding Company restricted stock unit immediately prior to the Effective Time, except that each Adjusted RSU will be converted into the right to receive a number of whole shares of Parent common stock (rounded to the nearest whole share) equal to the number of shares of Company common stock to which the Company restricted stock unit related immediately prior to the Effective Time, multiplied by the Equity Award Exchange Ratio; (iii) at the Effective Time, each Company restricted stock award that is not held by a non-employee director of the Company and that is outstanding as of immediately prior to the Effective Time, shall be assumed by Parent in accordance with the Merger Agreement (each, an Adjusted RSA), and each Adjusted RSA will continue to have, and be subject to, the same terms and conditions as were applicable to the corresponding Company restricted stock award immediately prior to the Effective Time, except that each Adjusted RSA will be converted into the right to retain a number of whole shares of Parent common stock (rounded to the nearest whole share) equal to the number of shares of Company common stock to which the Company restricted stock award related immediately prior to the Effective Time, multiplied by the Equity Award Exchange Ratio; and (iv) at the Effective Time, each Company restricted stock award that is outstanding as of immediately prior to the Effective Time and held by a non-employee director of the Company immediately prior to the Effective Time will vest and be cancelled and converted into the right to receive the Offer Price (the Merger Consideration), less any applicable taxes. Notwithstanding the treatment of Company stock options described above, Parent will have the right to decide, not later than 12 business days before the scheduled closing of the Merger, that each Company stock option that is outstanding and unexercised as of immediately prior to the Effective Time and held by any person whose employment or service terminated prior to the Effective Time will not be assumed, and will instead be cancelled and converted into the right to receive a cash payment equal to the product of (x) the excess, if any, of the Merger Consideration over the exercise price per share of such non-assumed Company stock option, multiplied by (y) the number of shares covered by such non-assumed Company stock option, less applicable tax withholding and without interest. To the extent that the exercise price per share of any such non-assumed Company stock option is equal to or greater than the Merger Consideration, each such non-assumed Company stock option will be cancelled and the holder thereof will not receive any payment therefor.

The Merger Agreement contains customary representations, warranties and covenants, including covenants obligating the Company to continue to conduct its business in the ordinary course and to cooperate in seeking regulatory approvals.

The board of directors of the Company has unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby are advisable and fair to, and in the best interests of, the Company s stockholders, (ii) approved and declared advisable the Merger Agreement and the transactions contemplated thereby and (iii) resolved to recommend acceptance of the Offer by the Company s stockholders. The board of directors of Parent has also unanimously approved the transaction. The Company expects to complete the Merger by the end of calendar year 2014, subject to the satisfaction of the closing conditions.

The foregoing description of the Merger Agreement is not complete and is qualified in its entirety by reference to the Merger Agreement, which is attached to this Quarterly Report on Form 10-Q as Exhibit 2.1 and incorporated herein by reference. The Merger Agreement and the foregoing description of the agreement have been included to provide investors and stockholders with information regarding the terms of the agreement. They are not intended to provide any other factual information about the Company. The representations, warranties and covenants contained in the Merger Agreement were made only as of specified dates for the purposes of such agreement, were solely for the benefit of the parties to such agreement and may be subject to qualifications and limitations agreed upon by such parties. In particular, in reviewing the representations, warranties and covenants contained in the Merger Agreement and discussed in the foregoing description, it is important to bear in mind that such representations, warranties and covenants were negotiated with the principal purpose of allocating risk between the parties, rather than establishing matters as facts. Such representations, warranties and covenants may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the U.S. Securities and Exchange Commission (the SEC), and are also qualified in important part by a confidential disclosure letter delivered by the Company to Parent in connection with the Merger Agreement. Investors and stockholders are not third-party beneficiaries under the Merger Agreement. Accordingly, investors and stockholders should not rely on such representations, warranties and covenants as characterizations of the actual state of facts or circumstances described therein. Information concerning the subject matter of such representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the parties public disclosures.

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Parent and Merger Sub commenced the Offer on October 15, 2014. Parent and Move each filed a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), with the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice (the Antitrust Division) in connection with the purchase of shares in the Offer on October 15, 2014. The required waiting period with respect to the Offer expired at 11:59 p.m., New York City time, on October 30, 2014, without any action having been taken by the FTC or the Antitrust Division. Accordingly, the condition to the Offer relating to the expiration or termination of the waiting period under the HSR Act has been satisfied. Additional information regarding the Merger, the Offer, and related matters, may be found in the Solicitation/Recommendation Statement on 14D-9, as amended, and the Tender Offer Statement on Schedule TO, as amended, as filed by the Company and Parent, respectively, with the SEC.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company s unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), including those for interim financial information, and with the instructions for Form 10-Q and Article 10 of Regulation S-X issued by the United States Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements. These statements are unaudited and, in the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013 (the Annual Report), which was filed with the SEC on February 18, 2014. The results of operations for the three and nine months ended September 30, 2014, are not necessarily indicative of the operating results expected for the full year ending December 31, 2014.

Principles of Consolidation

The accompanying financial statements are consolidated and include the financial statements of Move and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in private entities where the Company holds a 50% or less ownership interest and does not exercise control are accounted for using the equity method of accounting. The investment balance is included in Investment in unconsolidated joint venture within the Consolidated Balance Sheets and the Company s share of the investees results of operations is included in Earnings of unconsolidated joint venture within the Consolidated Statements of Operations. Investments in private entities where the Company holds an ownership interest of less than 20% and does not have significant influence over the entity are accounted for on the cost basis of accounting.

The Company has evaluated all subsequent events through the date the financial statements were issued.

Reclassification

The Company reclassified certain prior year amounts to conform to its presentation within the Consolidated Statements of Operations for the year ended December 31, 2013. Specifically, effective October 1, 2013, the Company elected to change the presentation of certain lead acquisition costs and to reclassify these costs from Cost of revenue to Sales and marketing within its Consolidated Statements of Operations in order to be more consistent with certain of its peers and to combine all traffic acquisition costs that are not considered directly related to the fulfillment of products into Sales and marketing. This had the effect of decreasing Cost of revenue and increasing Sales and marketing expense by $2.0 million and $5.9 million, or 3% of revenue, for the three and nine months ended September 30, 2013, respectively. Based on a review of U.S. GAAP, management has concluded that this reclassification is not a change in accounting principle nor is it a correction of an error in previously issued financial statements.

Commencing in the fourth quarter of 2013, the Company eliminated the presentation of gross profit in its Consolidated Statements of Operations as it is not an important metric for the Company or the industry. The Company reports Cost of revenue as a separate line item within Costs and operating expenses in the Consolidated Statements of Operations.

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Advertising Costs

Prior to the second quarter of 2014, the Company s advertising costs consisted primarily of expenses associated with online advertising, email campaigns, media buys, other trade advertising and agency fees, and were expensed as incurred. In the second quarter of 2014, the Company launched a national level media campaign in connection with its brand marketing efforts. In contrast to the Company s past advertising activities, this campaign included the production of several commercials which would be aired on national television over a twelve-month period. This is the first time the Company has incurred material production costs. Commencing with the second quarter of 2014, the Company capitalizes production costs associated with commercials and expenses them the first time the commercial is first publicly shown. All other advertising costs will continue to be expensed as incurred. At September 30, 2014, the Company had $0.2 million in capitalized production costs associated with commercials that had not yet been publicly shown. These costs are recorded in Other current assets within the unaudited Condensed Consolidated Balance Sheets.

3. New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers. The amendments in ASU 2014-09 are intended to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from the entity s contracts with customers. An entity will be required to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Public entities are required to apply the amendments on either a full- or modified-retrospective basis for annual reporting periods beginning after December 15, 2016 and for interim periods within those annual periods. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under evaluation by the various standard setting organizations and regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would have a material impact to the Company s consolidated financial statements.

4. Segment Information and Revenues by Product Category

Segment reporting requires the use of the management approach in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company s chief operating decision maker (CODM) for making operating decisions and assessing performance. The Company is aligned functionally with the management team, which is focused on and incentivized around the total company performance. The CODM is provided with reports that show the Company s results on a consolidated basis with additional expenditure information by functional area, but there is no additional financial information provided at any further segment level. Based on this, the Company has determined that only one reportable segment exists.

Within that single reporting segment, the Company categorizes its products and services into two groups: (i) Consumer Advertising and (ii) Software and Services. The Company s Consumer Advertising products are focused on providing real estate consumers with the information, tools and professional expertise they need to make informed home buying, selling, financing and renting decisions through its operation of realtor.com® and other consumer-facing web sites. The Company s Software and Services products are committed to delivering valuable connections to real estate professionals by providing them with advertising systems, productivity and lead management tools, and reporting with the goal of helping to make them more successful.

The following table summarizes the Company s revenues by product category within its single reporting segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue				
Consumer advertising	$ 49,662	$ 45,630	$ 141,842	$ 132,348
Software and services	14,222	13,195	41,374	38,205
Total revenue	$ 63,884	$ 58,825	$ 183,216	$ 170,553

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5. Investment in Unconsolidated Joint Venture

As of September 30, 2014 and December 31, 2013, the Company s interest in its unconsolidated joint venture, Builders Digital Experience, LLC (BDX), amounted to $6.5 million and $4.6 million, respectively, which was recorded in Investment in unconsolidated joint venture within the unaudited Condensed Consolidated Balance Sheets.

The Company s proportionate share of earnings resulting from its investment in its unconsolidated joint venture was $1.0 million and $0.6 million for the three months ended September 30, 2014 and 2013, respectively, and $2.7 million and $1.7 million for the nine months ended September 30, 2014 and 2013, respectively, and was included in Earnings of unconsolidated joint venture within the unaudited Condensed Consolidated Statements of Operations. The Company records its proportionate share of earnings one month in arrears.

Summarized financial statement information for BDX follows (in thousands):

	Three Months Ended August 31, 2014	Three Months Ended August 31, 2013	Nine Months Ended August 31, 2014	Nine Months Ended August 31, 2013
Revenue	$ 6,525	$ 5,317	$ 18,509	$ 14,902
Cost of revenue	1,087	889	3,059	2,467
Gross profit	5,438	4,428	15,450	12,435
Total operating expenses	3,423	3,218	9,950	9,000
Income before income taxes	2,015	1,210	5,500	3,435
Income tax expense	40	40	85	135
Net income	$ 1,975	$ 1,170	$ 5,415	$ 3,300

The Company received cash distributions of $0.8 million and $1.2 million from BDX during the nine months ended September 30, 2014 and 2013, respectively.

6. Convertible Senior Notes

In August 2013, the Company issued 2.75% convertible senior notes due September 1, 2018 (the Notes) in the principal amount of $100.0 million. Interest is payable in cash in arrears at a fixed rate of 2.75% on March 1 and September 1 of each year, beginning on March 1, 2014. The Notes mature on September 1, 2018 unless repurchased or converted in accordance with their terms prior to such date. The Company cannot redeem the Notes prior to maturity.

The terms of the Notes are governed by an indenture by and between the Company and U.S. Bank National Association, as Trustee (the Indenture). The Notes are unsecured, unsubordinated obligations and do not contain any financial covenants or any restrictions pertaining to the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company. Upon conversion, holders of the Notes will receive cash, shares of the Company s common stock or a combination of cash and shares of the Company s common stock, at the Company s election.

For the Notes, the initial conversion rate is 53.2907 shares of common stock per $1,000 principal amount, which is equal to an initial conversion price of approximately $18.77 per share of common stock, subject to adjustment. Prior to the close of business on June 1, 2018, the conversion is subject to the satisfaction of certain conditions as described below.

Holders of the Notes who convert their notes in connection with certain corporate events that constitute a make-whole fundamental change (as set forth in the Indenture) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as set forth in the Indenture), holders of the Notes may require us to repurchase all or a portion of their notes at a price equal to 100% of the principal amount of their notes, plus any accrued and unpaid interest.

Holders of the Notes may convert all or a portion of their notes prior to the close of business on June 1, 2018, in multiples of $1,000 principal amount, only under the following circumstances:

- during any fiscal quarter commencing after the quarter ending on December 31, 2013, if the last reported sale price of the Company s common stock for at least twenty trading days during a period of thirty consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the respective notes on each applicable trading day;

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- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the respective notes for each day of that five day consecutive trading day period was less than 98% of the product of the last reported sale price of the Company s common stock and the conversion rate of the respective notes on such trading day; or

- upon the occurrence of specified corporate events as noted in the Indenture.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of similar liabilities that do not have an associated convertible feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the principal amount of the Notes. This difference represents a debt discount that is amortized to interest expense over the term of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the direct transaction costs (the issuance costs) related to the Notes, the Company allocated the total amount of issuance costs incurred to the liability and equity components based on their relative values. Issuance costs, including fees paid to underwriters who acted as intermediaries in the placement of the Notes, attributable to the liability component are included within Other assets in the unaudited Condensed Consolidated Balance Sheets and are being amortized to interest expense over the term of the Notes, and the issuance costs attributable to the equity component were netted with the equity component and included within Additional paid-in capital in the unaudited Condensed Consolidated Balance Sheets. The Company recorded issuance costs of $2.8 million and $0.6 million to the liability component and equity component, respectively. Interest cost related to the amortization expense of the issuance costs associated with the liability component was $0.1 million and $0.4 million in the three and nine months ended September 30, 2014, respectively.

The Notes consisted of the following (in thousands):

		September 30, 2014		December 31, 2013
Principal amounts:				
Principal	$	100,000	$	100,000
Unamortized debt discount(1)		(15,085)		(17,541)
Net carrying amount	$	84,915	$	82,459
Carrying amount of the equity component(2)	$	18,137	$	18,137

(1)Included in the unaudited Condensed Consolidated Balance Sheets within Convertible senior notes, and is amortized over the remaining life of the Notes on an effective interest rate basis.

(2)Included in the unaudited Condensed Consolidated Balance Sheets within Additional paid-in capital, net of $0.6 million in issuance costs.

As of September 30, 2014, the remaining life of the Notes was 47 months. The Company applies the treasury stock method to determine the potential dilutive effect of the Notes on net income per share as a result of the Company s intent and stated policy to settle the principal amount of the Notes in cash.

The following table sets forth total interest expense recognized and the effective interest rate related to the Notes (in thousands, except effective interest rate):

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Contractual interest expense	$ 688	$ 390	$ 2,047	$ 390
Interest cost related to amortization of debt issuance costs	128	70	381	70
Interest cost related to amortization of the debt discount	827	446	2,456	446
Effective interest rate of the liability component	7.9%	7.9%	7.9%	7.9%

The initial net proceeds from the sale of the Notes were $96.6 million after deducting the issuance costs paid by the Company. In connection with the sale of the Notes, the Company purchased 1,798,561 shares of its outstanding common stock in privately negotiated transactions for an aggregate purchase price of $25.0 million.

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7. Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The methodology establishes consistency and comparability by providing a fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels, which are described below:

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).

- Level 3 inputs are unobservable inputs that reflect the entity s own assumptions in pricing the asset or liability (used when little or no market data is available).

As of September 30, 2014 and December 31, 2013, the Company s cash and cash equivalent balances were held in unrestricted demand deposit accounts or invested in U.S. treasury bills with original maturity dates of three months or less for which fair value is determined using quoted market prices. As of December 31, 2013, the cash equivalent balances invested in U.S. treasury bills were valued at $40.0 million and are classified as level 1 in the fair value hierarchy.

Certain assets and liabilities are measured at fair value on a non-recurring basis. That is, such assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g. when there is evidence of impairment). At September 30, 2014 and December 31, 2013, the Company had no significant non-financial assets or liabilities that had been adjusted to fair value subsequent to initial recognition.

The carrying amounts and estimated fair values of financial instruments not recorded at fair value were as follows (in thousands):

	September 30, 2014		December 31, 2013	
	Carrying Amount	**Estimated Fair Value(1)**	**Carrying Amount**	**Estimated Fair Value(1)**
Convertible senior notes	$ 84,915	$ 127,440	$ 82,459	$ 112,875

(1)The fair value of the Notes is inclusive of the conversion feature, which was originally allocated for reporting purposes at $18.8 million, and is included in the unaudited Condensed Consolidated Balance Sheets within Additional paid-in capital.

The estimated fair value of the Notes, which are classified as level 2 financial instruments, was determined based on the quoted bid price of the Notes in an over-the-counter secondary market on September 30, 2014 and December 31, 2013.

8. Goodwill and Other Intangible Assets

Goodwill totaled $41.6 million at September 30, 2014 and December 31, 2013, with no accumulated impairment losses. The Company also had both indefinite- and definite-lived intangible assets at those dates. Indefinite-lived intangible assets consist of domain names, trade names and trademarks used to market products for the foreseeable future and do not have any known useful life limitations due to legal, contractual, regulatory, economic or other factors. Definite-lived intangible assets consist of certain trade names, trademarks, brand names, domain names, content syndication agreements, purchased technology, customer contracts and related customer relationships, non-contractual customer relationships, other miscellaneous agreements and web site content. The definite-lived intangible assets are amortized over the expected period of benefit. There are no expected residual values related to these intangible assets.

Intangible assets by category were as follows (in thousands):

	September 30, 2014		December 31, 2013	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Trade names, trademarks, brand names, and domain names	$ 1,540	$ 810	$ 1,530	$ 657
Content syndication agreements	8,800	3,169	3,800	2,491
Purchased technology	11,900	4,995	11,800	3,605
Customer relationships	8,630	2,899	8,630	2,014
Other	3,583	3,317	3,583	2,803
Total definite-lived intangible assets	34,453	15,190	29,343	11,570
Trade names and trademarks	6,630		6,630	
Total indefinite-lived intangible assets	6,630		6,630	
Total intangible assets	$ 41,083	$ 15,190	$ 35,973	$ 11,570

In August 2014, the Company entered into an agreement with Yardi Canada, Ltd. (Yardi) whereby the Company purchased content syndication agreements from Yardi s Point2 business for a purchase price of $5.0 million in cash.

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Amortization expense for the Company s intangible assets was $1.3 million and $1.1 million for the three months ended September 30, 2014 and 2013, respectively, and $3.7 million and $3.2 million for the nine months ended September 30, 2014 and 2013, respectively. Amortization expense for the next five years is estimated to be as follows (in thousands):

Years Ended December 31,		
2014 (remaining 3 months)	$	1,339
2015		4,990
2016		3,843
2017		3,754
2018		3,076

9. Stock-Based Compensation and Charges

The following chart summarizes the stock-based compensation and charges associated with stock option, restricted stock and restricted stock unit grants to employees and non-employees, that have been included in the following financial statement captions for each of the periods presented (in thousands):

	Three Months Ended September 30,				**Nine Months Ended September 30,**			
	2014		**2013**		**2014**		**2013**	
Cost of revenue	$	114	$	74	$	337	$	261
Sales and marketing		1,223		648		2,599		1,746
Product and web site development		862		723		3,677		2,050
General and administrative		1,251		1,297		3,545		4,184
Total stock-based compensation and charges	$	3,450	$	2,742	$	10,158	$	8,241

Stock Option Awards

The fair value of stock option awards was estimated on the date of grant using a Black-Scholes option valuation model that used the ranges of assumptions in the following table. The risk-free interest rates are based upon U.S. Treasury zero-coupon bonds for the periods during which the options were granted. The expected term of stock options granted represents the weighted-average period that the stock options are expected to remain outstanding. The Company has not declared and does not expect to declare dividends on its common stock; accordingly, the dividend yield for valuation purposes is assumed to be zero. The Company bases its computation of expected volatility upon a combination of historical and market-based implied volatility.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2014	**2013**	**2014**	**2013**
Risk-free interest rates	1.76%	1.38%	1.48%-1.76%	0.69%-1.41%
Expected term (in years)	5.85	5.85	5.85	5.85
Dividend yield	0%	0%	0%	0%
Expected volatility	55%	70%	55%-65%	70%-75%

During the nine months ended September 30, 2014, the Company granted 789,675 stock options with a weighted-average grant date fair value of $7.68 per share. During the nine months ended September 30, 2013, the Company granted 919,300 stock options with a weighted-average grant date fair value of $6.26 per share. The total cost recognized related to stock option awards was $1.3 million and $1.1 million for the three months ended September 30, 2014 and 2013, respectively. For the nine months ended September 30, 2014 and 2013, the total cost recognized related to stock option awards was $4.1 million and $3.4 million, respectively.

As of September 30, 2014, there were 4,089,467 stock options outstanding, and the weighted-average exercise price of those outstanding options was $10.24 per share.

Restricted Stock Awards

The Company grants restricted stock awards to the non-employee members of its Board of Directors as remuneration for serving on its Board (except for any director who is entitled to a seat on the Board of Directors on a contractual basis or has waived remuneration as a director). The Company granted 53,608 and 45,959 shares of restricted stock with a grant date fair value of $0.7 million and $0.5 million to the non-employee members of its Board of Directors during the nine months ended September 30, 2014 and 2013, respectively. The total cost recognized for restricted stock awards granted to members of its Board of Directors was $0.2 million and $0.1 million for the three months ended September 30, 2014 and 2013, respectively, and $0.4 million and $0.3 million for the nine months ended September 30, 2014 and 2013, respectively.

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The Company also grants restricted stock awards to certain executives and key employees. Generally, these shares, subject to certain terms and restrictions, vest in equal annual installments over the four-year period following the grant date. The Company made no restricted stock award grants to the executives and key employees during the nine months ended September 30, 2014 and 2013. The total cost recognized for restricted stock awards granted to employees was $0.1 million and $0.2 million for the three months ended September 30, 2014 and 2013, respectively, and $0.8 million and $0.6 million for the nine months ended September 30, 2014 and 2013, respectively.

As of September 30, 2014, there were 203,893 shares of non-vested restricted stock outstanding that were granted pursuant to restricted stock awards with an aggregate grant date fair value of $2.0 million.

Restricted Stock Units

The Company also grants restricted stock units. Generally, these restricted stock units, subject to certain terms and restrictions, vest in equal annual installments over the four-year period following the grant date, resulting in the issuance, on a one-for-one basis, of shares of our common stock after the vesting date. During the nine months ended September 30, 2014, the Company granted 868,250 restricted stock units with a grant date fair value of $11.5 million, which is being amortized over the four-year vesting period. During the nine months ended September 30, 2013, the Company granted 939,386 restricted stock units with a grant date fair value of $9.8 million, which is being amortized over the vesting period. The total cost recognized for restricted stock units was $1.8 million and $1.3 million for the three months ended September 30, 2014 and 2013, respectively, and $4.8 million and $3.8 million for the nine months ended September 30, 2014 and 2013, respectively.

As of September 30, 2014, there were 1,734,283 non-vested restricted stock units outstanding with an aggregate grant date fair value of $20.1 million.

10. Common Stock Repurchases

In March 2013, the Company s Board of Directors authorized a stock repurchase program (the Program). The Program authorizes, in one or more transactions taking place during a two-year period commencing May 2, 2013, the repurchase of the Company s outstanding common stock utilizing surplus cash in an amount of up to $20 million. Under the Program, the Company is authorized to repurchase shares of its common stock in the open market or in privately negotiated transactions. The timing and amount of any repurchase transaction under the Program is dependent upon market conditions, corporate considerations, and regulatory requirements. Shares repurchased under the Program will be retired to constitute authorized but unissued shares of the Company s common stock. As of September 30, 2014, the Company has repurchased 84,054 shares of its outstanding common stock in the open market for $1.0 million since the inception of the Program. There were no shares repurchased during the nine months ended September 30, 2014.

11. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted-average number of common shares outstanding. Diluted net income per share is computed by giving effect to all potential weighted-average dilutive common stock, including stock options, restricted stock, restricted stock units and convertible senior notes. The dilutive effect of outstanding stock options, restricted stock and restricted stock units, and the convertible senior notes is reflected in diluted net income per share by application of the treasury stock method. Shares associated with stock options, restricted stock, restricted stock units and convertible senior notes are not included to the extent they are antidilutive.

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The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated (in thousands, except per share amounts):

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Numerator:				
Net (loss) income	$ (8,630)	$ 138	$ (20,105)	$ 504
Denominator:				
Basic weighted-average shares outstanding	40,076	39,061	39,514	39,215
Add: dilutive effect of options and restricted stock		2,421		1,698
Fully diluted weighted-average shares outstanding	40,076	41,482	39,514	40,913
Basic net (loss) income per share	$ (0.22)	$ 0.00	$ (0.51)	$ 0.01
Diluted net (loss) income per share	$ (0.22)	$ 0.00	$ (0.51)	$ 0.01

For the three and nine months ended September 30, 2014, the denominator in the above computation of diluted net loss per share excludes stock options, restricted stock units and non-vested restricted stock awards totaling 6,027,643 as their effect would be antidilutive due to the Company s net loss for those periods. For the three and nine months ended September 30, 2013, the denominator in the above calculation of diluted net income per share excludes out-of-the-money stock options of 794,721 and 951,621, respectively, as their effect would be antidilutive.

The Notes did not have a dilutive effect in the above calculation of diluted net loss per share for the three and nine months ended September 30, 2014 or 2013.

12. Related-Party Transactions

The Company makes payments to the National Association of Realtors® (NAR) required under its operating agreement with the NAR and under certain other advertising agreements. Total amounts paid under these agreements were $0.5 million for the three months ended September 30, 2014 and 2013, and $1.5 million for the nine months ended September 30, 2014 and 2013. As of September 30, 2014 and December 31, 2013, the Company had balances due to the NAR of $0.5 million, which are included in Accounts payable within the unaudited Condensed Consolidated Balance Sheets.

13. Income Taxes

As a result of historical net operating losses (NOLs), the Company currently provides a full valuation allowance against its net deferred tax assets. For the three and nine months ended September 30, 2014 and 2013, income tax (benefit) expense included state income taxes and a deferred tax provision related to amortization of certain indefinite-lived intangible assets. For the three and nine months ended September 30, 2014, income tax (benefit) expense was computed at the estimated annual effective rate based on the total estimated annual tax provision. For the three and nine months ended September 30, 2013, income tax expense was computed at the year-to-date actual effective tax rate.

During the three and nine months ended September 30, 2014 and 2013, income tax (benefit) expense differed from the income tax expense expected at the statutory rate primarily due to the valuation allowance recorded against the deferred tax benefits generated from net operating losses incurred, certain non-deductible items, state income taxes, and a deferred tax provision related to amortization of certain indefinite-lived intangible assets. Based on management s assessment, the Company has placed a valuation reserve against its remaining deferred tax assets due to the likelihood that the Company may not generate sufficient taxable income during the carryforward period to utilize the NOLs. Management regularly reviews the Company s net deferred tax valuation allowance to determine if available evidence continues to support the Company s position that it is more likely than not (likelihood of more than 50%) that a portion of or the entire deferred tax asset will not be realized in the future. As of September 30, 2014, due to the Company s recent history of losses, management could not conclude that it is more likely than not that the deferred tax assets will be realized. As a result, the Company will continue to maintain a full valuation allowance against its remaining deferred tax assets. The Company will continue to assess its position in future periods to determine if it is appropriate to reduce a portion of its valuation allowance in the future.

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The Company s policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. The Company does not have any interest or penalties related to uncertain tax positions in income tax expense for the three and nine months ended September 30, 2014 and 2013. The tax years 1993 to 2013 remain open to examination by the major taxing jurisdictions to which the Company is subject.

14. Commitments and Contingencies

Legal Proceedings

The Company is currently involved in certain legal proceedings, as discussed within the section Legal Proceedings in Note 21, Commitments and Contingencies within our Consolidated Financial Statements contained in Item 8 in the Annual Report, and below in this Note 14. From time to time, the Company is a party to various other litigation and administrative proceedings relating to claims arising from its operations in the ordinary course of business. However, as of the date of this Quarterly Report on Form 10-Q, and except as disclosed below, there have been no material developments in the legal proceedings disclosed in the Annual Report, and the Company is not a party to any other litigation or administrative proceedings that management believes will have a material adverse effect on the Company s business, results of operations, financial condition or cash flows.

On February 28, 2007, in a patent infringement action against a real estate agent, Diane Sarkisian, pending in the U.S. District Court for the Eastern District of Pennsylvania (the Sarkisian case), Real Estate Alliance, Limited (REAL) moved to certify two classes of defendants: subscribers and members of the multiple listing service of which Sarkisian was a member, and customers of the Company who had purchased enhanced listings from the Company. The U.S. District Court in the Sarkisian case denied REAL s motion to certify the classes on September 24, 2007. On March 25, 2008, the U.S. District Court in the Sarkisian case stayed that case, and denied without prejudice all pending motions, pending the U.S. District Court of California s determination in the Move California Action (see below) of whether the Company s web sites infringe the REAL patents.

On April 3, 2007, in response to REAL s attempt to certify our customers as a class of defendants in the Sarkisian case, the Company filed a complaint in the U.S. District Court for the Central District of California (the District Court) against REAL and its licensing agent (the Move California Action) seeking a declaratory judgment that the Company does not infringe U.S. Patent Nos. 4,870,576 and 5,032,989 (the REAL patents), that the REAL patents are invalid and/or unenforceable, and alleging several business torts and unfair competition. On August 8, 2007, REAL denied the Company s allegations, and asserted counterclaims against the Company for infringement of the REAL patents seeking compensatory damages, punitive damages, treble damages, costs, expenses, reasonable attorneys fees and pre- and post-judgment interest. On March 11, 2008, REAL filed a separate suit in the District Court (the REAL California Action) alleging infringement of the REAL patents against the NAR and the National Association of Home Builders (the NAHB) as individual defendants, as well as various brokers including RE/Max International (RE/Max), agents, MLSs, new home builders, rental property owners, and technology companies. The Company is not named as a defendant in the REAL California Action; however, the Company is defending the NAR, the NAHB and RE/Max. On July 29, 2008, the Move California Action was transferred to the same judge in the REAL California Action and in September 2008, the District Court coordinated both cases and issued an order dividing the issues into two phases. Phase 1 addresses issues of patent validity and enforceability, whether Move web sites infringe, possible damages, and liability of Move, the NAR and the NAHB. Phase 2 will address REAL s infringement claims related to the web sites owned or operated by the remaining defendants and whether those defendants infringe the REAL patents by using the Move web sites. The District Court has stayed Phase 2 pending resolution of the issues in Phase 1.

On November 25, 2009, the District Court entered its claim construction order in the Move California Action. On January 27, 2010, upon joint request of the parties, the District Court entered judgment of non-infringement of the patent. In July 2010, REAL appealed the District Court s claim construction with the Federal Circuit Court of Appeals (the Circuit Court). On March 22, 2011, the Circuit Court concluded that the District Court erred in certain of its claim construction and vacated and remanded the case for further proceedings.

On October 18, 2011, the parties filed a Joint Brief on Summary Judgment Motions, each side putting forth its arguments requesting the District Court to enter summary judgment in its favor. On January 26, 2012, the District Court entered an order granting the Company s motion for summary judgment on the Company s claim of non-infringement of the patent. On March 27, 2012, REAL appealed the District Court s summary judgment order. On March 4, 2013, the Circuit Court issued its opinion affirming the District Court s ruling of no direct infringement of the patent by the Company, but remanded the case to the District Court for a determination of induced infringement under the standard set forth in *Akamai Technologies, Inc. v. Limelight Network, Inc., 692 F.3d 1301 (Fed. Cir. 2012) (S.Ct. Cert. No. 12-960).* The Company filed a motion for rehearing to the Circuit Court on May 3, 2013. On June 12, 2013, the Circuit Court denied the Company s motion and remanded the case to the District Court. On January 10, 2014, the U. S. Supreme Court granted writ of certiorari in the *Akamai* case on the issue of whether the Circuit Court erred in holding that a defendant may be held liable for inducing patent infringement in the absence of a finding of direct infringement. On February 3, 2014, the District Court entered an order staying the case pending the U.S. Supreme Court decision in the *Akamai* case.

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On June 2, 2014, the U.S. Supreme Court reversed the Circuit Court s decision in *Akamai*, holding that an entity cannot be liable for induced infringement when no one is liable for direct infringement. On June 23, 2014, based on the U.S. Supreme Court s reversal of *Akamai*, the District Court reinstated its grant of summary judgment of non-infringement and entered final judgment in favor of the Company. On July 21, 2014, REAL filed a notice of appeal of the District Court s final judgment.

The Company intends to vigorously defend all claims. At this time, however, the Company is unable to express an opinion on the outcome of these cases.

In March 2010, Smarter Agent, LLC (Smarter Agent) filed suit against Move, Inc., against the Company s affiliate, RealSelect, Inc. (RealSelect), and also against other co-defendants Boopsie, Inc., Classified Ventures, LLC, Hotpads, Inc., IDX, Inc., Multifamily Technology Solutions, Inc., D/B/A MyNewPlace, Primedia, Inc., Consumer Source, Inc., Trsoft, Inc., D/B/A PlanetRE, Trulia, Inc., Zillow, Inc., and ZipRealty, Inc. in the U.S. District Court for the District of Delaware (the Court). The complaint alleges that the Company and RealSelect, Inc. infringe U.S. Patents 6,385,541; 6,496,776; and 7,072,665 (Patents in Suit) by offering an iPhone application for the realtor.com® web site and requested an unspecified amount of damages (including enhanced damages for willful infringement and attorneys fees) and an injunction. On August 31, 2010, co-defendants Boopsie, Inc., Classified Ventures, LLC, Hotpads, Inc., IDX, Inc., Multifamily Technology Solutions, Inc., Primedia, Inc., Consumer Source, Inc., Trsoft, Inc., Trulia, Inc., Zillow, Inc., and ZipRealty, Inc., filed requests for interpartes reexamination of the Patents in Suit with the U.S. Patent and Trademark Office (PTO). On September 30, 2010, the Company filed an answer and counter claims on behalf of Move and RealSelect. On October 22, 2010, SmarterAgent filed its answer to such counter claims. The PTO accepted the Patents in Suit for re-examination and on December 21, 2010, issued an initial office action rejecting all claims in the Patents in Suit. Smarter Agent appealed the PTO s rejection to the Patent Trial and Appeals Board. On March 2, 2011, all parties agreed to stipulate to stay the lawsuit pending the completion of all re-examination proceedings at the PTO and on March 7, 2011, the Court so ordered the stay as requested. The Company intends to vigorously defend all claims. At this time, however, the Company is unable to express an opinion on the outcome of this case.

On October 24, 2014, Jamie Suprina filed a purported class action lawsuit on behalf of Move stockholders in the Superior Court of the State of California in the County of Santa Clara against Move s directors alleging, among other things, that the Move directors breached their fiduciary duties by allegedly agreeing to sell Move at an unfair and inadequate price and by allegedly failing to take steps to maximize the sales price of Move. The plaintiff further alleges that Move has failed to make adequate disclosures relating to the financial projections and analysis and the background of the proposed transaction. The complaint seeks to enjoin the merger and other equitable relief. The plaintiff also seeks attorneys and expert fees. Each of Move and the directors believe that the plaintiff s purported claims against the directors lack merit and each of them intends to contest the respective claims against them vigorously.

Contingencies

From time to time, the Company is subject to a variety of threats or claims, other than formal litigation or legal proceedings, which arise in the ordinary course of business and relate to commercial, intellectual property, employment and other matters. However, as of the date of this Form 10-Q, and except as disclosed herein, or in the Annual Report, the Company does not believe such threats or claims will have a material adverse effect upon its business, results of operations, financial condition or cash flows, although the Company can offer no assurance as to the ultimate outcome of any such matters.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the following Management s Discussion and Analysis of Financial Condition and Results of Operations may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact that the Company makes in this Form 10-Q are forward looking. Generally, you can identify these statements by use of forward-looking words such as estimates, expects, anticipates, projects, plans, intends, believes, might, will, should, or the negative of these terms and other comparable terminology, although not all forward-looking statements are so identified. In particular, the statements herein regarding industry prospects and our future consolidated results of operations or financial position and our proposed acquisition by News Corporation are forward-looking statements. Forward-looking statements reflect our current expectations, which are inherently uncertain. The Company s actual results may differ significantly from our expectations. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Form 10-Q, as well as those discussed in the Company s Annual Report on Form 10-K for the year ended December 31, 2013 (the Annual Report), which was filed with the SEC on February 18, 2014, and in other documents we file with the SEC. This Form 10-Q should be read in conjunction with the Annual Report, including the factors described under the caption Part 1, Item 1A, Risk Factors within the Annual Report. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

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

The following Management s Discussion and Analysis of Financial Condition and Results of Operations is intended to assist the reader in understanding the Company s business and is provided as a supplement to, and should be read in conjunction with, the Company s unaudited Condensed Consolidated Financial Statements and accompanying notes. The Company s results of operations discussed below are presented in conformity with U.S. GAAP.

OUR BUSINESS

With realtor.com® as our flagship web site and brand, Move, Inc. (Move , the Company , we , our or us) is a leading real estate information marketplace connecting consumers with the information and the expertise they need to make informed home buying, selling, financing and renting decisions. Move s purpose is to help people love where they live. To that end we strive to create the leading marketplace for real estate information and services by connecting people at every stage of the real estate cycle with the content, tools and professional expertise they need to find a perfect home.

Through the collection of assets we have developed over 20 years in this business, Move is positioned to address the needs and wants of both consumers and real estate professionals (customers) throughout the process of home ownership. Although the real estate marketplace has been unquestionably changed by the Internet, and likely will continue to evolve through the growth of mobile devices and social networking, our business continues to be about empowering consumers with timely and reliable information and connecting them to the real estate professionals who have the expertise to help them better understand and succeed in that marketplace.

We provide consumers with a powerful combination of breadth, depth and accuracy of information about homes for sale, new construction, homes for rent, multi-family rental properties, senior living communities, home financing, home improvement and moving resources. Through realtor.com®, consumers have access to over 100 million properties across the United States (U.S.) as well as properties for sale from another 38 countries worldwide. Our for-sale listing content, comprising nearly 4 million properties as of September 30, 2014, and accessible in 11 different languages, represents the most comprehensive, accurate and up-to-date collection of its kind, online or offline. Through realtor.com® and our mobile applications, we display more than 98% of all for-sale properties listed in the U.S. We source this content directly from more than 800 Multiple Listing Services (MLSs) across the country with whom we have relationships, which represents nearly all MLSs, with approximately 90% of the active listings updated every 15 minutes and the remaining listings updated daily.

Realtor.com® s substantial content advantage has earned us trust with both consumers and real estate professionals. We attract a highly engaged consumer audience and have developed an exceptionally large number of relationships with real estate professionals across the country. Over 28 million users, viewing an average of over 470 million pages and spending an average of over 600 million minutes on the realtor.com® web site and mobile applications each month over the last twelve-month period, have exposure to over 400,000 real estate professionals on realtor.com® and our mobile applications. We delivered approximately 13% more connections between consumers and our customers during the twelve months ended September 30, 2014, as compared to the twelve-month period ended September 30, 2013. This illustrates the success of our continued commitment to not only deliver valuable information to consumers, but more importantly, to connect them with real estate professionals who can provide the local expertise consumers want when making home-related decisions.

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In addition to providing an industry-leading content mix, Move facilitates connections and transactions between consumers and real estate professionals. Although attracting and engaging a large consumer audience is an important part of our business, to succeed we must also focus on winning the hearts and minds of real estate professionals, who are both customers of our business and suppliers of much of our property content. We believe this starts with our commitment to respecting the listing and content rights of the real estate agents, brokers, MLSs and others who work hard to help generate these important data resources. Through our realtor.com® and ListHubTM businesses, we aggregate, syndicate and display real estate listings across the web and on mobile applications. Part of the reason we have become the leading source for real estate listing content is that we work closely with, and respect the rights of, real estate professionals while still maintaining a balance that allows consumers to obtain the information and expertise they expect and need.

At the same time, we are committed to delivering valuable connections, advertising systems and productivity and lead management tools to real estate professionals, with the goal of helping to make them more successful. By combining realtor.com® advertising systems with the productivity and lead management tools offered through our Top Producer® and TigerLead® software-as-a-service (SaaS) customer relationship management (CRM) products, we are able to help grow and enrich connections between our customers and consumers, and to help our customers better manage those connections in an effort to facilitate transactions and grow their businesses.

Our dual focus on both the consumer and the real estate professional has helped us create and maintain realtor.com® as a distinct advantage in the online real estate space. For over 20 years, we have provided consumers with access to a highly accurate and comprehensive set of real estate listing data and, as a result, have built relationships within the real estate industry that are both broad and deep. We expect this industry to continue to progress as new technologies are embraced and as consumers needs and wants evolve. We also expect that real estate professionals, to stay relevant, will likewise need to evolve along with technology, consumers and the market. We aim to keep realtor.com® positioned to lead this transformation with consumers and real estate professionals at the forefront, and expect to leverage our collection of advertising systems, productivity tools and other assets to do so.

PROPOSED ACQUISITION BY NEWS CORPORATION

On September 30, 2014, the Company entered into an agreement and plan of merger (Merger Agreement) with News Corporation (Parent) and Magpie Merger Sub, Inc., an indirect wholly owned subsidiary of Parent (Merger Sub), pursuant to which, and on the terms and subject to the conditions thereof, among other things, Merger Sub will commence a tender offer (Offer) on or before October 15, 2014 to acquire all of the outstanding shares of common stock of the Company at a purchase price of $21.00 per share in cash, without interest (the Offer Price). The Merger Agreement is not subject to a financing condition.

The obligation of Merger Sub to purchase the shares of common stock of the Company validly tendered and not withdrawn pursuant to the Offer is subject to the satisfaction or waiver of a number of conditions set forth in the Merger Agreement, including (i) that there shall have been validly tendered and not validly withdrawn a number of shares of common stock of the Company that, when added to the shares of common stock of the Company then owned by Parent and its subsidiaries, equals at least one share more than one half of the total number of shares of common stock of the Company then issued and outstanding, (ii) the expiration or termination of the applicable waiting period (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (without the imposition of any condition or requiring a remedy that the parties are not required to accept pursuant to the Merger Agreement), (iii) the absence of certain disputes relating to the Operating Agreement between Realtors® Information Network, Inc., a subsidiary of the National Association of REALTORS® (NAR), and RealSelect, Inc., a subsidiary of the Company, as amended; and (iv) other customary conditions.

Concurrently with the execution of the Merger Agreement, NAR provided the Company with its consent to the transaction. The NAR consent terminates if Move terminates the Merger Agreement due to a superior proposal or if both the Company and Parent announce that the Merger Agreement has been terminated. A copy of the NAR consent is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

The Merger Agreement contains certain termination rights in favor of each the Company and Parent including, under certain circumstances, the requirement for the Company to pay to Parent a termination fee of $32,500,000. The Company has also agreed (i) to cease any existing, and not to solicit or initiate any additional, discussions with third parties regarding other proposals to acquire the Company and (ii) to certain restrictions on its ability to respond to such proposals, subject to fulfillment of certain fiduciary requirements of the board of directors of the Company.

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Following the completion of the Offer and subject to the satisfaction or waiver of certain conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company, with the Company surviving as an indirect wholly owned subsidiary of Parent, pursuant to the procedure provided for under Section 251(h) of the Delaware General Corporation Law without any stockholder approvals (the Merger). At the effective time of the Merger (the Effective Time), by virtue of the Merger and without any action on the part of the holders of any shares of common stock of the Company, each outstanding share of common stock of the Company, other than any shares owned by Parent, Merger Sub or any wholly owned subsidiary of Parent or held in the treasury of the Company, or any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be cancelled and converted into the right to receive an amount in cash equal to the Offer Price.

Pursuant to the Merger Agreement, among other obligations of the Company, (a) (w) the Company shall perform all of its pre-closing obligations under the certain 2.75% Convertible Senior Notes due 2018 (the 2018 Notes), and shall give notice of the transactions contemplated under the Merger Agreement in accordance with the requirements therein, (x) on or prior to September 30, 2014, the Company shall provide the notice required by indenture agreement related to the 2018 Notes, (y) the Company shall elect cash settlement as the sole settlement method for any conversion of 2018 Notes, in each case prior to the applicable deadline therefor, (z) comply with the payment and other pre-closing obligations related to any conversion of 2018 Notes pursuant to the indenture agreement related to the 2018 Notes in order to validly effectuate the cash settlement thereof; (b) during the period between the completion of the Offer and the consummation of the Merger, the Company shall (w) elect to redeem the series A preferred stock of the Company as of such time, (x) provide written notice thereof to NAR, (y) redeem the series A preferred stock of the Company, and (z) pay, or make available for payment, to NAR the redemption price therefor; and (c) in the event that any holder of a Company stock option exercises such option between the completion of the Offer and the consummation of the Merger, the Company shall take all actions necessary to cash settle such Company option in an amount of cash equal to (x) the excess, if any, of the fair market value of a share (as determined in accordance with the applicable Company stock plan) on the date of exercise over the exercise price per share of such Company option, multiplied by (y) the number of shares covered by such Company stock option, with payment subject to applicable tax withholding and paid without interest.

In addition, pursuant to the Merger Agreement: (i) at the Effective Time, each outstanding Company stock option (whether vested or unvested), will be assumed by Parent in accordance with the Merger Agreement (each, an Adjusted Option), and each Adjusted Option shall continue to have and be subject to the same terms and conditions as were applicable to the corresponding Company stock option immediately prior to the Effective Time, except that (x) each Adjusted Option will be exercisable for that number of shares of Parent common stock (rounded down to the nearest whole share) equal to the product of (A) the number of shares of Company common stock subject to the Company stock option immediately prior to the Effective Time and (B) the Equity Award Exchange Ratio provided under the Merger Agreement (the Equity Award Exchange Ratio) and (y) the per share exercise price for the shares of Parent common stock issuable upon exercise of each such Adjusted Option will be equal to the quotient of (A) the per share exercise price of the Company stock option and (B) the Equity Award Exchange Ratio, rounded up to the nearest whole cent; (ii) at the Effective Time, each outstanding Company restricted stock unit (whether vested or unvested) will be assumed by Parent in accordance with the Merger Agreement (each, an Adjusted RSU), and each Adjusted RSU shall continue to have, and be subject to, the same terms and conditions as were applicable to the corresponding Company restricted stock unit immediately prior to the Effective Time, except that each Adjusted RSU will be converted into the right to receive a number of whole shares of Parent common stock (rounded to the nearest whole share) equal to the number of shares of Company common stock to which the Company restricted stock unit related immediately prior to the Effective Time, multiplied by the Equity Award Exchange Ratio; (iii) at the Effective Time, each Company restricted stock award that is not held by a non-employee director of the Company and that is outstanding as of immediately prior to the Effective Time, shall be assumed by Parent in accordance with the Merger Agreement (each, an Adjusted RSA), and each Adjusted RSA will continue to have, and be subject to, the same terms and conditions as were applicable to the corresponding Company restricted stock award immediately prior to the Effective Time, except that each Adjusted RSA will be converted into the right to retain a number of whole shares of Parent common stock (rounded to the nearest whole share) equal to the number of shares of Company common stock to which the Company restricted stock award related immediately prior to the Effective Time, multiplied by the Equity Award Exchange Ratio; and (iv) at the Effective Time, each Company restricted stock award that is outstanding as of immediately prior to the Effective Time and held by a non-employee director of the Company immediately prior to the Effective Time will vest and be cancelled and converted into the right to receive the Offer Price (the Merger Consideration), less any applicable taxes. Notwithstanding the treatment of Company stock options described above, Parent will have the right to decide, not later than 12 business days before the scheduled closing of the Merger, that each Company stock option that is outstanding and unexercised as of immediately prior to the Effective Time and held by any person whose employment or service terminated prior to the Effective Time will not be assumed, and will instead be cancelled and converted into the right to receive a cash payment equal to the product of (x) the excess, if any, of the Merger Consideration over the exercise price per share of such non-assumed Company stock option, multiplied by (y) the number of shares covered by such non-assumed Company stock option, less applicable tax withholding and without interest. To the extent that the exercise price per share of any such non-assumed Company stock option is equal to or greater than the Merger

Consideration, each such non-assumed Company stock option will be cancelled and the holder thereof will not receive any payment therefor.

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The Merger Agreement contains customary representations, warranties and covenants, including covenants obligating the Company to continue to conduct its business in the ordinary course and to cooperate in seeking regulatory approvals.

The board of directors of the Company has unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby are advisable and fair to, and in the best interests of, the Company s stockholders, (ii) approved and declared advisable the Merger Agreement and the transactions contemplated thereby and (iii) resolved to recommend acceptance of the Offer by the Company s stockholders. The board of directors of Parent has also unanimously approved the transaction. The Company expects to complete the Merger by the end of calendar year 2014, subject to the satisfaction of the closing conditions.

The foregoing description of the Merger Agreement is not complete and is qualified in its entirety by reference to the Merger Agreement, which is attached to this Quarterly Report on Form 10-Q as Exhibit 2.1 and incorporated herein by reference. The Merger Agreement and the foregoing description of the agreement have been included to provide investors and stockholders with information regarding the terms of the agreement. They are not intended to provide any other factual information about the Company. The representations, warranties and covenants contained in the Merger Agreement were made only as of specified dates for the purposes of such agreement, were solely for the benefit of the parties to such agreement and may be subject to qualifications and limitations agreed upon by such parties. In particular, in reviewing the representations, warranties and covenants contained in the Merger Agreement and discussed in the foregoing description, it is important to bear in mind that such representations, warranties and covenants were negotiated with the principal purpose of allocating risk between the parties, rather than establishing matters as facts. Such representations, warranties and covenants may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the U.S. Securities and Exchange Commission (the SEC), and are also qualified in important part by a confidential disclosure letter delivered by the Company to Parent in connection with the Merger Agreement. Investors and stockholders are not third-party beneficiaries under the Merger Agreement. Accordingly, investors and stockholders should not rely on such representations, warranties and covenants as characterizations of the actual state of facts or circumstances described therein. Information concerning the subject matter of such representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the parties public disclosures.

Parent and Merger Sub commenced the Offer on October 15, 2014. Parent and Move each filed a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), with the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice (the Antitrust Division) in connection with the purchase of shares in the Offer on October 15, 2014. The required waiting period with respect to the Offer expired at 11:59 p.m., New York City time, on October 30, 2014, without any action having been taken by the FTC or the Antitrust Division. Accordingly, the condition to the Offer relating to the expiration or termination of the waiting period under the HSR Act has been satisfied. Additional information regarding the Merger, the Offer, and related matters, may be found in the Solicitation/Recommendation Statement on 14D-9, as amended, and the Tender Offer Statement on Schedule TO, as amended, as filed by the Company and Parent, respectively, with the SEC.

PRODUCTS AND SERVICES

Our products and services are broadly defined into two groups: (i) Consumer Advertising and (ii) Software and Services.

Consumer Advertising

Our Consumer Advertising products are focused on providing real estate consumers with the information, tools and professional expertise they need to make informed home buying, selling, financing and renting decisions through our operation of realtor.com® and other consumer-facing web sites.

realtor.com®

Realtor.com® is the official web site of the NAR, the largest trade association in the U.S., which represents residential and commercial real estate professionals, including brokers, agents, property managers, appraisers, counselors and others engaged in all aspects of the real estate industry. The NAR had over one million members as of September 30, 2014. Under our exclusive and perpetual agreement with the NAR, we operate realtor.com®, and, as such, we present basic MLS property listings to consumers on our web site and our mobile applications at no charge to real estate professionals, in addition to presenting other property information.

Through our realtor.com® web site, mobile applications and business operations, we offer a number of services to real estate franchises, brokers and agents, as well as non-real estate related advertisers, in an effort to connect those advertisers with our consumer audience. We categorize the products and services available through realtor.com® as listing advertisements and non-listing advertisements.

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Listing Advertisements Showcase Listing Enhancements, Co-Broke and Featured HomesTM

Our listing advertisements product line, which includes Showcase Listing Enhancements, Co-Broke and Featured HomesTM, allows real estate agents, brokers and franchises to enhance, prioritize and connect with consumers searching for for-sale property listings within the realtor.com® web site and mobile applications. Enhancements may include more prominent featuring and prioritization on the search results page, additional photos, virtual tours and video, personalization and branding for the listing agent or broker, and an ability to connect with consumers through web site transfers and phone or email communication. Listing advertisements are typically sold on a subscription basis and are priced based on the size and engagement of our consumer audience in the applicable geographic market and/or an agent or broker s historical listing count for the past twelve months.

Non-Listing Advertisements Display Advertising, Featured CommunityTM and Featured Competitive Market Analysis (Featured CMATM)

Our non-listing advertisements product line allows real estate agents, brokers and franchises, as well as non-real estate related advertisers (such as personal banking and mortgage companies, insurance providers, home improvement retailers, moving service providers and other consumer product and service companies) to connect with our highly engaged and valuable consumer audience in the real estate search process. We offer these advertisers a variety of products and services including sponsorships, graphical display advertisements, text links, directories, Featured CommunityTM and Featured CMATM. Pricing models include cost-per-thousand impressions (CPM), cost-per-click (CPC), cost-per-unique user and subscription-based sponsorships of specific content areas or specific targeted geographies.

*Rentals, Senior Housing, Moving.com*TM *and Doorsteps®*

We separately operate several other web sites providing single family and multi-family rental listings, senior housing and moving-related content and services to our consumer audience. Through our Rentals and Senior Housing businesses, we aggregate and display rental listings nationwide. We offer a variety of listing-related advertisements that allow rental property owners and managers to promote their listings and connect with consumers through our web sites. Pricing models include monthly subscriptions, CPC and cost-per-acquisition (CPA). Through our Moving.comTM business, we provide consumers with quotes from moving companies and truck rental companies. The majority of revenue from Moving.comTM is derived from cost-per-lead pricing models. In addition, through Doorsteps®, we offer homebuyers content, tools and advice along every step of the home buying process and help professionals connect, engage and collaborate with homebuyers during every step of the transaction.

Our Consumer Advertising products represented 78% of our overall revenues for the three months ended September 30, 2014 and 2013, and 77% and 78% of our overall revenues for the nine months ended September 30, 2014 and 2013, respectively.

Software and Services

Our Software and Services products are designed to deliver valuable connections to real estate professionals by providing them with advertising systems, productivity and lead management tools, and reporting with the goal of helping to make them more successful.

SaaS CRM Products

By offering both realtor.com® advertising systems and productivity and lead management tools through our Top Producer® and TigerLead® SaaS CRM products, we are able to help grow and enrich connections between our customers and consumers, and help our customers better manage those connections in an effort to facilitate transactions and grow their businesses.

Top Producer® and TigerLead® are our SaaS products providing productivity and lead management tools tailored to real estate agents on a subscription basis. These products complement realtor.com® and our mission of connecting consumers and real estate professionals to facilitate transactions by empowering real estate professionals ability to connect with, cultivate and ultimately convert their relationships with homebuyers and sellers into transactions. Our Top Producer® product offerings include a web- and mobile-based CRM solution, our Market Snapshot® product and a series of template web site products. The TigerLead® SaaS CRM product provides real estate agents and brokers with a sophisticated internet data exchange web site platform to capture and manage leads that are delivered with unique insights such as how many times a user has returned to the site to search particular listings and price ranges. The Top Producer® product line also now includes expanded features offered through technology purchased as part of the FiveStreet, Inc. (FiveStreet) acquisition in the fourth quarter of 2013. FiveStreet s software consolidates leads from more than 100 lead providers including realtor.com® and other major real estate sites, and automates the process of rapidly responding to, assigning and distributing leads. It provides agents with a single unified dashboard, ensuring leads are not lost or overlooked, and provides web and mobile tools for rapid response.

TigerLead® Search Engine Marketing

In addition, through our TigerLead® product suite, we are able to provide expertise in real estate search engine marketing through sophisticated key word buying and a platform and model that grades each lead source and lead in order to deliver high quality intelligent leads to the agent or broker. Pricing is based upon a percentage of marketing spend each month.

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ListHubTM Listing Syndication and Reporting

ListHubTM syndicates for-sale listing information from MLSs and other reliable data sources, such as real estate brokerages, and distributes that content to an array of online web sites. Our ListHubTM product line allows participating web sites to display real property listings, and provides agents, brokers, franchises and MLSs the ability to obtain advanced performance reporting about their listings on the participating web sites. Listing syndication pricing for participating web sites includes fixed- or variable-pricing models based on listing counts. Advanced reporting products are sold on a monthly subscription basis.

Our Software and Services products represented 22% of our overall revenues for the three months ended September 30, 2014 and 2013, and 23% and 22% of our overall revenues for the nine months ended September 30, 2014 and 2013, respectively.

MARKET AND ECONOMIC CONDITIONS

In recent years, our business has been, and may continue to be, influenced by a number of macroeconomic, industry-wide and product-specific trends and conditions. For a number of years prior to 2006, the U.S. residential real estate market experienced a period of hyper-sales rates and home price appreciation, fueled by the availability of low interest rates and flexible mortgage options for many consumers. During the latter half of 2006 and through 2008, lending standards were tightened, equity markets declined substantially, liquidity in general was impacted, unemployment rates rose and consumer spending declined. The combination of these factors materially impacted the U.S. housing market in the form of fewer home sales, lower home prices and accelerating delinquencies and foreclosures, all of which created a cycle that further exacerbated the housing market downturn.

The effects of this downturn on the housing market have persisted for several years but key market indicators suggest that large parts of the housing market may have bottomed out and have entered a recovery mode. The median age of inventory declined slightly and average listing counts remained relatively flat in the third quarter of 2014 compared to the same period in the prior year, both indicators suggesting that supply remains relatively tight. During the third quarter of 2014, the U.S. saw an increase in the national median list price of more than 7% compared to the same period in the prior year, further indication of improving conditions and a continuation of a broad housing recovery.

Mortgage rates have risen from the levels seen in early 2013; however, they remain historically low despite these increases. Banks continue to have tighter credit standards for mortgage loans, which have made home purchases more difficult in recent years. Unemployment rates continue to decline. Accordingly, while there are a number of indicators of an improving housing market, homes sales remain sluggish, and we believe that market conditions could continue to adversely impact spending by real estate professionals in the near term.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations is based upon our unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these unaudited Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, uncollectible receivables, valuation of investments, intangible and other long-lived assets, stock-based compensation and contingencies. Our estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There were no significant changes to our critical accounting policies during the nine months ended September 30, 2014, as compared to those policies disclosed in the Annual Report.

LEGAL CONTINGENCIES

We are currently involved in certain legal proceedings, as discussed within the section Legal Proceedings in Note 21, Commitments and Contingencies, within our Consolidated Financial Statements contained in Item 8 in the Annual Report, and in Note 14, Commitments and Contingencies, to our unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q. Because of the uncertainties related to both the amount and range of potential liability in connection with legal proceedings, we are unable to make a reasonable estimate of the liability that could result from unfavorable outcomes in our remaining pending litigation. As additional information becomes available, we will assess the potential liability related to our pending litigation and determine whether reasonable estimates of the liability can be made. Unfavorable outcomes, or significant estimates of our potential liability, could materially impact our results of operations and financial position.

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BASIS OF PRESENTATION

Revenue

We derive our revenue primarily from two product groups: (i) Consumer Advertising and (ii) Software and Services. We derive all of our revenue from our operations in North America. As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period.

Consumer Advertising. Revenue from our Consumer Advertising products is generated from the sale of online advertising for display on our consumer-facing web sites.

Listing advertisements are typically sold on a fixed-fee subscription basis. Fixed-fee subscription revenue is recognized ratably over the period in which the services are provided. Pricing models for non-listing advertisements are impression-based and include CPM, CPC, CPA, cost-per-lead, cost-per-unique user and subscription-based sponsorships of specific content areas or specific targeted geographies. The impression-based agreements range from spot purchases to 12-month contracts. The impression-based revenue is recognized based upon actual impressions delivered and viewed by a user in a period. We measure performance related to advertising obligations on a monthly basis prior to the recording of revenue.

Software and Services. Revenue from our Software and Services products is generated from the sale of our SaaS CRM products, search engine marketing and listing syndication and reporting.

We license our SaaS CRM products on a monthly subscription basis. Our hosting arrangements require customers to pay a fixed fee and receive service over a period of time, generally one year. Listing syndication pricing includes fixed- or variable-pricing models based on listing counts. Advanced reporting products are sold on a monthly subscription basis. Revenue for these products is recognized ratably over the service period.

Pricing for our search engine marketing services is based upon the amount of marketing spend each month and is recognized as revenue at the time services are delivered.

Costs and Operating Expenses

Cost of Revenue. Cost of revenue consists of expenses related to operating and hosting our web sites and mobile applications and technical support of our SaaS products, including associated headcount expenses, such as salaries, benefits, bonuses, and stock-based compensation expense, as well as licenses and depreciation associated with computer equipment and software. Cost of revenue also includes lead acquisition expenses directly related to fulfilling our marketing services products, credit card processing fees, licensing costs related to our commercial business relationships, including amounts paid to the NAR, hosting costs, ad serving costs paid to third parties and licensed content.

Sales and Marketing. Sales and marketing expenses consist of headcount expenses, including salaries, commissions, benefits, bonuses and stock-based compensation expense for sales, customer service, marketing, and public relations employees. Sales and marketing expenses also include advertising costs, licensing costs associated with marketing data, trade show costs, other sales expenses related to promotional and marketing activities, and traffic acquisition costs.

Product and Web Site Development. Product and web site development expenses consist of headcount expenses, including salaries, benefits, bonuses and stock-based compensation expense and third-party contractor fees primarily associated with the design, development and testing of our products, web site and mobile applications. Product and web site development also includes amortization expense related to capitalized product and development activities.

General and Administrative. General and administrative expenses consist of headcount expenses, including salaries, benefits, bonuses and stock-based compensation expense for executive, finance, accounting, business analytics, back office systems, legal, human resources, recruiting, data warehouse and administrative support personnel. General and administrative expenses also include outside legal, accounting, and other third-party professional service fees, bad debt and other overhead.

Amortization of Intangible Assets. Amortization of intangible assets consists of the amortization of definite-lived intangible assets recorded in connection with acquisitions.

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Interest Income

Interest income represents income earned on our cash, cash equivalents, investments and certain amounts due from customers.

Interest Expense

Interest expense consists of interest on our senior convertible notes, notes payable and capital lease obligations. See Note 6, Convertible Senior Notes to our consolidated financial statements in Part I, Item 1, Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Earnings of Unconsolidated Joint Venture

Earnings of unconsolidated joint venture consist of our proportionate share of the earnings from our unconsolidated joint venture based on the monthly financial statements of the joint venture, which is recorded one month in arrears.

Other Income (Expense)

Other income (expense) represents net income and expenses that are not related to our core business operations. Other income (expense) consists of gains or losses on the sale of certain investments, foreign currency gains or losses and gains or losses on the disposition of fixed assets.

Income Taxes

We are subject to income taxes in the U.S. and Canada. However, due to the NOLs and Canadian tax credits generated for tax purposes, we do not record a current U.S. federal or Canadian tax provision. However, we are subject to income taxes in various state jurisdictions and have recorded a current state tax provision. We have recorded a deferred tax provision due to certain indefinite-lived intangible assets being amortized for tax purposes but not for book purposes. In addition, a deferred tax provision is recorded when there is a change in the valuation allowance resulting from a deferred tax liability established as part of a business combination.

At December 31, 2013, we had gross NOLs for federal and state income tax purposes of $910.6 million and $223.1 million, respectively. We have provided a full valuation allowance against our net deferred tax assets because, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some or all of the deferred tax asset will not be realized. Therefore, other than the tax provision items described above, no tax liability or expense has been recorded in the financial statements.

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RESULTS OF OPERATIONS

Three Months Ended September 30, 2014 and 2013

The following tables present our results of operations for the three months ended September 30, 2014 and 2013, and as a percentage of total revenue:

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	(In thousands)			
Consolidated Statement of Operations Data:				
Revenue				
Consumer advertising	$	49,662	$	45,630
Software and services		14,222		13,195
Total revenue		63,884		58,825
Costs and operating expenses:				
Cost of revenue(1)		13,811		11,750
Sales and marketing(1)		29,839		22,971
Product and web site development		10,223		9,894
General and administrative		16,938		12,209
Amortization of intangible assets		1,274		1,110
Total costs and operating expenses		72,085		57,934
(Loss) income from operations		(8,201)		891
Interest expense, net		(1,663)		(917)
Earnings of unconsolidated joint venture		988		585
Other expense, net		(15)		(46)
(Loss) income before income taxes		(8,891)		513
Income tax (benefit) expense		(261)		375
Net (loss) income	$	(8,630)	$	138

(1) Effective October 1, 2013, the Company elected to change the presentation of certain lead acquisition costs and to reclassify these costs from Cost of revenue to Sales and marketing within its Consolidated Statements of Operations in order to be more consistent with certain of its peers and to combine all traffic acquisition costs that are not considered directly related to the fulfillment of products into Sales and marketing. This had the effect of decreasing Cost of revenue and increasing Sales and marketing expense by $2.0 million, or 3% of revenue, for the three months ended September 30, 2013.

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	Three Months Ended September 30, 2014	2013
As a Percentage of Revenue:		
Revenue		
Consumer advertising	78%	78%
Software and services	22	22
Total revenue	100	100
Costs and operating expenses:		
Cost of revenue	22	20
Sales and marketing	47	39
Product and web site development	16	17
General and administrative	26	21
Amortization of intangible assets	2	2
Total costs and operating expenses	113	99
(Loss) income from operations	(13)	1
Interest expense, net	(2)	(2)
Earnings of unconsolidated joint venture	2	1
Other expense, net		
(Loss) income before income taxes	(13)	
Income tax (benefit) expense		
Net (loss) income	(13)%	%

Revenue

Revenue increased $5.1 million, or 9%, to $63.9 million for the three months ended September 30, 2014, compared to $58.8 million for the three months ended September 30, 2013.

Revenue attributable to our Consumer Advertising products increased $4.0 million, or 9%, to $49.7 million for the three months ended September 30, 2014, compared to $45.6 million for the three months ended September 30, 2013. The increase in revenue was primarily due to increases in our Co-BrokeTM and Media advertisement products in our realtor.com® business. These increases were partially offset by revenue decreases from our Showcase and Featured products (i.e. Featured HomesTM, Featured CommunityTM, and Featured CMATM). In addition, there were revenue decreases in the Moving.comTM and rentals businesses.

Revenue for our Software and Services products increased $1.0 million, or 8%, to $14.2 million for the three months ended September 30, 2014, compared to $13.2 million for the three months ended September 30, 2013. The increase in revenue was from all three of our SaaS product offerings: TigerLead®, ListHubTM and Top Producer®.

Costs and Operating Expenses

Cost of Revenue. Cost of revenue increased $2.1 million, or 18%, to $13.8 million for the three months ended September 30, 2014, compared to $11.8 million for the three months ended September 30, 2013. The increase was primarily due to a $0.5 million increase in lead acquisition costs related to the growth in our TigerLead® business. In addition, there was a $0.6 million increase in content acquisition costs, a $0.4 million increase in consulting costs, a $0.4 million increase in personnel-related costs, and a $0.2 million increase in depreciation expense.

Sales and Marketing. Sales and marketing expenses increased $6.9 million, or 30%, to $29.8 million for the three months ended September 30, 2014, compared to $23.0 million for the three months ended September 30, 2013, primarily due to the increased investment in our marketing department and the national media campaign around our realtor.com® brand. This increase was mainly due to an increase in brand and consumer marketing expenses of $4.6 million, increased personnel-related costs of $2.5 million, of which $0.4 million was associated with the acceleration of vesting for outstanding equity awards due to the departure of an executive employee, and other cost increases of $0.3 million, partially offset by a decrease in traffic acquisition costs of $0.5 million due to the termination of the MSN agreement. We expect to continue to incur higher marketing costs through the remainder of 2014 as compared to 2013 as we continue to invest in our marketing campaigns to attract consumers to the realtor.com® brand.

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Product and Web Site Development. Product and web site development expenses increased $0.3 million, or 3%, to $10.2 million for the three months ended September 30, 2014, compared to $9.9 million for the three months ended September 30, 2013. This increase was mainly due to increased consulting and personnel-related costs of $0.8 million, increased amortization costs of $0.7 million associated with capitalized development costs and other cost increases of $0.2 million. These increases were partially offset by additional capitalized development costs of $1.4 million during the quarter ended September 30, 2014, related to building and deploying new functionality on our websites and in several product offerings, including our mobile platforms.

General and Administrative. General and administrative expenses increased $4.7 million, or 39%, to $16.9 million for the three months ended September 30, 2014, compared to $12.2 million for the three months ended September 30, 2013. The increase was primarily due to non-recurring investment banking and legal costs of $4.3 million related to the proposed acquisition by News Corporation, an increase in personnel-related costs of $0.2 million and an increase in consulting costs of $0.3 million.

Amortization of Intangible Assets. Amortization of intangible assets increased $0.2 million to $1.3 million for the three months ended September 30, 2014, compared to $1.1 million for the three months ended September 30, 2013. This increase was due to the amortization of intangible assets that were newly acquired in the second and fourth quarters of 2013.

Stock-based Compensation and Charges. The following chart summarizes the stock-based compensation and charges that have been included in the following captions for each of the periods presented (in thousands):

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
Cost of revenue	$	114	$	74
Sales and marketing		1,223		648
Product and web site development		862		723
General and administrative		1,251		1,297
Total stock-based compensation and charges	$	3,450	$	2,742

Stock-based compensation and charges increased $0.7 million for the three months ended September 30, 2014, compared to the three months ended September 30, 2013. The increase was primarily attributable to $0.4 million associated with the acceleration of vesting for outstanding equity awards due to the departure of an executive employee, as well as new grants of equity awards to key employees, partially offset by decreases in stock-based compensation related to grants of restricted stock units to senior members of previously acquired businesses pursuant to employment agreements that were fully vested as of September 30, 2013.

Interest Expense, Net

Interest expense, net increased to $1.7 million for the three months ended September 30, 2014, compared to $0.9 million for the three months ended September 30, 2013, primarily due to the issuance of the Notes in August 2013.

Earnings of Unconsolidated Joint Venture

Earnings of unconsolidated joint venture, which represent our proportionate share of the earnings from our unconsolidated joint venture, increased $0.4 million to $1.0 million for the three months ended September 30, 2014, compared to $0.6 million for the three months ended September 30, 2013. The increase was primarily due to increased revenue growth partially offset by incremental operating costs.

Other Expense, Net

Other expense, net remained relatively constant for the three months ended September 30, 2014 and 2013.

Income Taxes

As a result of our historical net operating losses, we have generally not recorded a provision for income taxes. However, we recorded a deferred tax liability related to certain indefinite-lived intangible assets as the amortization is recognized for tax purposes but not for book purposes. For the three months ended September 30, 2014 and 2013, income tax included state income taxes and a deferred tax provision related to amortization of certain indefinite-lived intangible assets.

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Nine Months Ended September 30, 2014 and 2013

The following tables present our results of operations for the nine months ended September 30, 2014 and 2013, and as a percentage of total revenue:

	Nine Months Ended September 30, 2014		2013	
	(In thousands)			
Consolidated Statement of Operations Data:				
Revenue				
Consumer advertising	$	141,842	$	132,348
Software and services		41,374		38,205
Total revenue		183,216		170,553
Costs and operating expenses:				
Cost of revenue(1)		38,655		34,403
Sales and marketing(1)		85,279		67,619
Product and web site development		31,692		29,323
General and administrative		41,237		35,732
Amortization of intangible assets		3,770		3,172
Total costs and operating expenses		200,633		170,249
(Loss) income from operations		(17,417)		304
Interest expense, net		(4,877)		(944)
Earnings of unconsolidated joint venture		2,708		1,650
Other expense, net		(72)		(81)
(Loss) income before income taxes		(19,658)		929
Income tax expense		447		425
Net (loss) income	$	(20,105)	$	504

(1) Effective October 1, 2013, the Company elected to change the presentation of certain lead acquisition costs and to reclassify these costs from Cost of revenue to Sales and marketing within its Consolidated Statements of Operations in order to be more consistent with certain of its peers and to combine all traffic acquisition costs that are not considered directly related to the fulfillment of products into Sales and marketing. This had the effect of decreasing Cost of revenue and increasing Sales and marketing expense by $5.9 million, or 3% of revenue, for the nine months ended September 30, 2013.

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	Nine Months Ended September 30, 2014	2013
As a Percentage of Revenue:		
Revenue		
Consumer advertising	77%	78%
Software and services	23	22
Total revenue	100	100
Costs and operating expenses:		
Cost of revenue	21	20
Sales and marketing	47	40
Product and web site development	17	17
General and administrative	22	21
Amortization of intangible assets	2	2
Total costs and operating expenses	109	100
(Loss) income from operations	(9)	
Interest expense, net	(3)	(1)
Earnings of unconsolidated joint venture	1	1
Other expense, net		
(Loss) income before income taxes	(11)	
Income tax expense		
Net (loss) income	(11)%	%

Revenue

Revenue increased $12.7 million, or 7%, to $183.2 million for the nine months ended September 30, 2014, compared to $170.6 million for the nine months ended September 30, 2013.

Revenue attributable to our Consumer Advertising products increased $9.5 million, or 7%, to $141.8 million for the nine months ended September 30, 2014, compared to $132.3 million for the nine months ended September 30, 2013. The increase in revenue was primarily due to increases in our Co-BrokeTM and Media advertisement products in our realtor.com® business. These increases were partially offset by revenue decreases from our Showcase and Featured products (i.e. Featured HomesTM, Featured CommunityTM, and Featured CMATM). In addition, there were revenue decreases in the Moving.comTM and rentals businesses.

Revenue for our Software and Services products increased $3.2 million, or 8%, to $41.4 million for the nine months ended September 30, 2014, compared to $38.2 million for the nine months ended September 30, 2013. The increase in revenue was from all three of our SaaS product offerings: TigerLead®, ListHubTM and Top Producer®.

Costs and Operating Expenses

Cost of Revenue. Cost of revenue increased $4.3 million, or 12%, to $38.7 million for the nine months ended September 30, 2014, compared to $34.4 million for the nine months ended September 30, 2013. The increase was primarily due to a $1.3 million increase in lead acquisition costs related to the growth in our TigerLead® business. In addition, there was a $1.1 million increase in content acquisition costs, a $0.7 million increase in personnel-related costs, a $0.7 million increase in consulting costs, and a $0.6 million increase in depreciation expense.

Sales and Marketing. Sales and marketing expenses increased $17.7 million, or 26%, to $85.3 million for the nine months ended September 30, 2014, compared to $67.6 million for the nine months ended September 30, 2013, primarily due to the increased investment in our marketing department and the national media campaign around our realtor.com® brand. This increase was mainly due to an increase in brand and consumer marketing expenses of $12.9 million, increased personnel-related costs of $4.1 million, of which $0.4 million was associated with the acceleration of vesting for outstanding equity awards due to the departure of an executive employee and which also includes increased sales commissions of $1.2 million associated with the increase in revenue, and an increase in traffic acquisition costs of $0.5 million. We expect to continue to incur higher marketing costs through the remainder of 2014 as compared to 2013 as we continue to invest in our marketing campaigns to attract consumers to the realtor.com® brand.

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Product and Web Site Development. Product and web site development expenses increased $2.4 million, or 8%, to $31.7 million for the nine months ended September 30, 2014, compared to $29.3 million for the nine months ended September 30, 2013. This increase was mainly due to increased stock-based compensation costs of $1.6 million, of which $0.9 million was associated with the acceleration of vesting for outstanding equity awards due to the departure of an executive employee. In addition, there was a $1.8 million increase in amortization costs associated with capitalized development costs, a $1.0 million increase in consulting and personnel-related costs, and $0.5 million in other cost increases. These increases were partially offset by additional capitalized development costs of $2.5 million during the nine months ended September 30, 2014, related to building and deploying new functionality on our websites and in several product offerings, including our mobile platforms.

General and Administrative. General and administrative expenses increased $5.5 million, or 15%, to $41.2 million for the nine months ended September 30, 2014, compared to $35.7 million for the nine months ended September 30, 2013. The increase was primarily due to non-recurring costs of $4.3 million related to the proposed acquisition by News Corporation, an increase in personnel-related costs of $0.8 million, an increase in consulting costs of $0.5 million and other cost increases of $0.4 million. These increases were partially offset by a $0.5 million decrease in legal costs primarily due to the recovery of legal costs previously incurred as a result of a favorable arbitration ruling.

Amortization of Intangible Assets. Amortization of intangible assets increased $0.6 million to $3.8 million for the nine months ended September 30, 2014, compared to $3.2 million for the nine months ended September 30, 2013. This increase was due to the amortization of intangible assets that were newly acquired in the second and fourth quarters of 2013.

Stock-based Compensation and Charges. The following chart summarizes the stock-based compensation and charges that have been included in the following captions for each of the periods presented (in thousands):

	Nine Months Ended September 30,	
	2014	**2013**
Cost of revenue	$ 337	$ 261
Sales and marketing	2,599	1,746
Product and web site development	3,677	2,050
General and administrative	3,545	4,184
Total stock-based compensation and charges	$ 10,158	$ 8,241

Stock-based compensation and charges increased $1.9 million for the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013. The increase was primarily attributable to $1.3 million associated with the acceleration of vesting for outstanding equity awards due to the departure of two executive employees, as well as grants of stock options and restricted stock units to key employees, partially offset by decreases in stock-based compensation related to grants of restricted stock units to senior members of previously acquired businesses pursuant to employment agreements that were fully vested as of September 30, 2013.

Interest Expense, Net

Interest expense, net increased to $4.9 million for the nine months ended September 30, 2014, compared to $0.9 million for the nine months ended September 30, 2013, primarily due to the issuance of the Notes in August 2013.

Earnings of Unconsolidated Joint Venture

Earnings of unconsolidated joint venture, which represent our proportionate share of the earnings from our unconsolidated joint venture, increased $1.1 million to $2.7 million for the nine months ended September 30, 2014, compared to $1.7 million for the nine months ended September 30, 2013. The increase was primarily due to increased revenue growth partially offset by incremental operating costs.

Other Expense, Net

Other expense, net remained relatively constant for the nine months ended September 30, 2014 and 2013.

Income Taxes

As a result of our historical net operating losses, we have generally not recorded a provision for income taxes. However, we recorded a deferred tax liability related to certain indefinite-lived intangible assets as the amortization is recognized for tax purposes but not for book purposes. For the nine months ended September 30, 2014 and 2013, income tax expense included state income taxes and a deferred tax provision related to amortization of certain indefinite-lived intangible assets.

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LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities of $11.4 million for the nine months ended September 30, 2014, was attributable to a net loss of $20.0 million plus non-cash expenses including depreciation, amortization of intangible assets, amortization of debt discount and issuance costs, provision for doubtful accounts, stock-based compensation and charges, earnings of unconsolidated joint venture and other non-cash items aggregating to $24.5 million, a $0.8 million cash distribution representing a return on our investment in an unconsolidated joint venture, and a $6.0 million change in operating assets and liabilities.

Net cash provided by operating activities of $20.8 million for the nine months ended September 30, 2013, was attributable to net income of $0.5 million, plus non-cash expenses including depreciation, amortization of intangible assets, amortization of debt discount and issuance costs, provision for doubtful accounts, stock-based compensation and charges, earnings of unconsolidated joint venture and other non-cash items aggregating to $18.4 million, a $1.3 million change in operating assets and liabilities, and a $0.6 million cash distribution representing a return on our investment in an unconsolidated joint venture.

Net cash used in investing activities of $20.1 million for the nine months ended September 30, 2014, was attributable to capital expenditures of $15.1 million and purchases of intangible assets of $5.0 million.

Net cash used in investing activities of $10.6 million for the nine months ended September 30, 2013, was primarily attributable to capital expenditures of $8.9 million, and acquisitions, net of cash acquired, of $2.3 million, partially offset by a cash distribution representing a return of our investment in an unconsolidated joint venture of $0.6 million.

Net cash provided by financing activities of $5.2 million for the nine months ended September 30, 2014, was attributable to proceeds from the exercise of stock options of $7.5 million, partially offset by tax withholdings related to net share settlements of equity awards of $2.2 million.

Net cash provided by financing activities of $76.4 million for the nine months ended September 30, 2013, was primarily attributable to net proceeds of $96.6 million from the issuance of the Notes and proceeds from the exercise of stock options of $8.2 million, partially offset by repurchases of our common stock of $26.0 million and tax withholdings related to net share settlements of equity awards of $2.4 million.

We have generated positive operating cash flows in each of the last three fiscal years. Our material financial commitments consist of those under our operating lease agreements, our operating agreement with the NAR and various web services and content agreements.

In March 2013, our Board of Directors authorized a stock repurchase program (the Program). The Program authorizes, in one or more transactions taking place during a two-year period commencing May 2, 2013, the repurchase of our outstanding common stock utilizing surplus cash in an amount of up to $20 million. Under the Program, we are authorized to repurchase shares of our common stock in the open market or in privately negotiated transactions. The timing and amount of any repurchase transaction under the Program are dependent upon market conditions, corporate considerations, and regulatory requirements. Shares repurchased under the Program will be retired to constitute authorized but unissued shares of our common stock. As of September 30, 2014, we have repurchased 84,054 shares of our outstanding common stock in the open market for $1.0 million since the inception of the Program. There were no shares repurchased during the nine months ended September 30, 2014.

In August 2013, we issued the Notes with a principal amount of $100.0 million. Interest is payable in cash in arrears at a fixed rate of 2.75% on March 1 and September 1 of each year, beginning on March 1, 2014. The Notes mature on September 1, 2018 unless repurchased or converted in accordance with their terms prior to such date. We cannot redeem the Notes prior to maturity. Additionally, in connection with the issuance of the Notes, we purchased 1,798,561 shares of our outstanding common stock in privately negotiated transactions for an aggregate purchase price of $25.0 million.

We believe that our existing cash and any cash generated from operations will be sufficient to fund our working capital requirements, capital expenditures and other obligations for the foreseeable future.

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Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

MARKET AND INTEREST RATE RISK

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. We do not have any material foreign currency or other derivative financial instruments. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to increase the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk; we do this primarily by investing our surplus cash only in government treasury bills.

Item 4. ***Controls and Procedures***

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) is accumulated and communicated to our management including our Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

We are currently involved in certain legal proceedings, as discussed (i) within the section Legal Proceedings in Note 21, Commitments and Contingencies, within our Consolidated Financial Statements contained in Item 8 in the Annual Report, (ii) in Part II, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed with the SEC on August 1, 2014 and (iii) in Note 14, Commitments and Contingencies, to the unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q. As of the date of this Form 10-Q, and except as disclosed in Note 21 to the Consolidated Financial Statements in the Annual Report, in Part II, Item 1 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and in Note 14 to the unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, we are not a party to any other litigation or administrative proceedings that management believes will have a material adverse effect on our business, results of operations, financial condition or cash flows, and there have been no material developments in the litigation or administrative proceedings described in those notes.

Item 1A. ***Risk Factors***

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. A detailed discussion of our risk factors was included in Part I, Item 1A, Risk Factors of the Annual Report, and has been made available at *www.sec.gov* and at *www.move.com*. These risk factors should be read carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Quarterly Report on Form 10-Q. Any of the risks described in the Annual Report could materially affect our business, financial condition or future results and the actual outcome of matters as to which forward-looking statements are made. The risk factors described in the Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that are currently deemed to be immaterial, could also materially adversely affect our business, financial condition and/or future results. There were no material changes to the risk factors during the nine months ended September 30, 2014, compared to the risk factors set forth in the Annual Report, other than with respect to the risk factors described below.

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RISKS RELATED TO OUR BUSINESS

Competition for our services may adversely impact our business.

The existing and potential competitors for our Consumer Advertising products include web sites offering real estate related content and services as well as general purpose online services, and traditional media such as newspapers, magazines and television that compete for advertising dollars. The real estate search services market is becoming increasingly competitive. A number of competitors have emerged or intensified their focus on the real estate market. These competitors include Classified Ventures, LLC (operator of HomeGain.com), Dominion Enterprises (operator of Homes.com), Google Inc., Market Leader, Inc. (operator of RealEstate.com and a subsidiary of Trulia, Inc.), Redfin, Homefinder.com LLC, ZipRealty Inc., Trulia, Inc., Zillow, Inc. (operator of the Yahoo!-Zillow Real Estate Network) and others. In the rentals market these competitors include Classified Ventures, LLC (operator of Apartments.com and ApartmentHomeLiving.com), Dominion Enterprises (operator of ForRent.com), Network Communications Inc. (operator of ApartmentFinder.com), Primedia Inc. (operator of ApartmentGuide.com, Rentals.com and RentalHouses.com) and Viva Group, Inc. (an eBay company and operator of Rent.com). Additional competitors operate general interest consumer web sites that offer home, moving and finance content and include Living Choices (a division of Network Communications, Inc.) and ServiceMagic, Inc. (a division of InterActive Corp).

The existing and potential competitors of our Software and Services products include providers of advertising systems, productivity and lead management tools, and reporting for use by real estate professionals. These competitors include Market Leader (owned and operated by Trulia, Inc.), CoreLogic s Residential Real Estate productivity tools, Real Estate Digital (RED), ALa Mode, Inc., Fidelity National Information Solutions, Inc., and Zillow, Inc., which offer competing solutions to real estate professionals. Some of these competitors offer such competing solutions, in their basic forms, for free. Top Producer® also competes with horizontal customer relationship management offerings such as Microsoft Corporation s Outlook solution, Best Software Inc. s ACT! solution, FrontRange Solution, Inc. s Goldmine product, and Salesforce.com. TigerLead® also competes with lead generation and management product offerings such as BoomTown!, Zurple, Inc., Commissions Inc., and IDX Broker. Certain online media companies such as Classified Ventures, LLC and Market Leader, Inc. are providing drip marketing solutions that incorporate aspects of lead management, which over time could pose a competitive threat to Top Producer® or TigerLead®. The barriers to entry for web-based services and businesses are low, which means new competitors may easily enter the market. In addition, parties with whom we have listing and marketing agreements could choose to develop their own Internet strategies or competing real estate sites. Furthermore, real estate brokers or other web site operators, due to evolving policies, rules, regulatory initiatives, conventions and strategies, might be able to aggregate listing data for display over the Internet in ways comparable to, or more effective than, the realtor.com® web site. Developments such as these could impact how consumers and customers value our content and product offerings on the realtor.com® web site. Also, developments in the real estate search services market might also encourage additional competitors to enter that market. Some of our existing and potential competitors have longer operating histories in the Internet market, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than we do. The rapid pace of technological change constantly creates new opportunities for existing and new competitors and it can quickly render our existing technologies less valuable.

We cannot predict how, if at all, our competitors or others might respond to our initiatives. We also cannot provide assurance that our offerings will be able to compete successfully against any competitors.

The proposed acquisition by News Corporation of us pursuant to the Offer and the Merger is subject to various closing conditions and other uncertainties, and there can be no assurances as to whether it will be completed.

On September 30, 2014, we entered into the Merger Agreement with Parent and Merger Sub. The consummation of the Offer and the Merger is subject to customary closing conditions, and certain of the conditions are not within our control, and may prevent, delay or otherwise materially adversely affect the completion of the transaction. Among the conditions that have not yet been satisfied are (i) that there shall have been validly tendered and not validly withdrawn a number of shares of common stock of the Company that, when added to the shares of common stock of the Company then owned by Parent and its subsidiaries, equals at least one share more than one half of the total number of shares of common stock of the Company then issued and outstanding, and (ii) the absence of certain disputes relating to the Operating Agreement between Realtors® Information Network, Inc., a subsidiary of the National Association of REALTORS® (NAR), and RealSelect, Inc., a subsidiary of the Company, as amended.

It is also possible that a change, event, fact, effect or circumstance could occur that could lead to a material adverse effect to us, which may give Merger Sub the ability to not complete the Offer and the Merger. We cannot predict with certainty whether and when any of the required closing conditions will be satisfied or if another uncertainty may arise.

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If an event occurs delaying or preventing the Offer and the Merger, such delay or failure to complete the Offer and the Merger may cause uncertainty or other negative consequences that may materially and adversely affect our sales, financial performance and operating results, and the price per share for our common stock.

Additionally, if the Offer and the Merger are not completed for any reason, to the extent that the current market price of our common stock reflects an increase resulting from a market assumption that the transaction will be completed, the market price of our common stock may decline. Furthermore, we will be required to pay certain transaction costs relating to the Offer and the Merger, whether or not they are completed. If the Offer and the Merger are not completed, these risks may materially and adversely affect our stock price, operating results and ongoing business.

If the Merger Agreement is terminated, we may, under certain circumstances, be obligated to pay a termination fee to Parent, and these costs could require us to use available cash that may have otherwise been available for other purposes.

If the Merger Agreement is terminated, in certain circumstances, we would be required to pay Parent a termination fee of $32,500,000. Paying such a termination fee may require us to use available cash that would have otherwise been available for general corporate purposes. For these and other reasons, a termination of the Merger Agreement could materially and adversely affect our business, operating results or financial condition, which in turn would materially and adversely affect our business or financial condition, the price per share of our common stock or our perceived acquisition value.

While the proposed acquisition by News Corporation of us is pending, we are subject to business uncertainties and contractual restrictions that could materially adversely affect our operations and the future of our business or result in a loss of employees.

The Merger Agreement includes restrictions on the conduct of our business prior to the completion of the Offer and the Merger, generally requiring us to conduct our businesses in the ordinary course, consistent with past practice, and subjecting us to a variety of specified limitations absent Parent s prior written consent. We may find that these and other contractual arrangements in the Merger Agreement may delay or limit our ability to respond effectively to competitive pressures, industry developments and business opportunities that may arise during such period. The pendency of the Offer and the Merger may also divert our management s attention and our resources from ongoing business and operations. Our employees, customers and advertisers may have uncertainties about the effects of the Offer and the Merger. In connection with the pending acquisition, it is possible that some customers, advertisers and other persons with whom we have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationship with us as a result of the pending acquisition. In addition, current and prospective employees may experience uncertainty about what their roles with us will be following completion of the Offer and the Merger, which may materially adversely affect our ability to attract and retain key employees. If any of these effects were to occur, it could materially and adversely impact our revenues, earnings and cash flows and other business results and financial condition, as well as the market price of our common stock and our perceived acquisition value, regardless of whether the Offer and the Merger are completed. In addition, whether or not the Offer and the Merger are completed, while they are pending we will continue to incur costs, fees, expenses and charges related to the pending acquisition, which may materially and adversely affect our business results and financial condition.

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Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

In March 2013, our Board of Directors authorized a stock repurchase program (the Program). The Program authorizes, in one or more transactions taking place during a two-year period commencing May 2, 2013, the repurchase of our outstanding common stock utilizing surplus cash in an amount of up to $20 million. Under the Program, we are authorized to repurchase shares of our common stock in the open market or in privately negotiated transactions. The timing and amount of any repurchase transaction under this Program are dependent upon market conditions, corporate considerations, and regulatory requirements. Shares repurchased under the Program will be retired to constitute authorized but unissued shares of our common stock. As of September 30, 2014, we have repurchased 84,054 shares of our outstanding common stock in the open market for $1.0 million since the inception of the Program. There were no shares repurchased during the three months ended September 30, 2014. At September 30, 2014, there was $19.0 million authorization remaining pursuant to the Program.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

None.

Item 5. ***Other Information***

None.

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Item 6. ***Exhibits***

Number	Exhibit Title
2.1	Agreement and Plan of Merger, dated as of September 30, 2014, by and among News Corporation, Magpie Merger Sub, Inc. and Move, Inc. (Incorporated by reference to Exhibit 2.1 to our current report on Form 8-K filed September 30, 2014.)
3.01.1	Restated Certificate of Incorporation of Move, Inc., dated June 23, 2005, as amended by the Certificate of Amendment dated June 22, 2006. (Incorporated by reference to Exhibit 3.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2006 filed August 7, 2006.)
3.01.2	Certificate of Amendment, dated November 14, 2011 and effective (based on filing with the State of Delaware) November 18, 2011, to the Restated Certificate of Incorporation of Move, Inc., as such Restated Certificate had previously been amended by a Certificate of Amendment dated June 22, 2006. (Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed November 21, 2011.)
3.01.3	Certificate of Elimination of Series B Convertible Participating Preferred Stock of Move, Inc., effective May 31, 2012 (nullifying and eliminating Certificate of Designation previously filed as Exhibit 3.01.2 of our annual report on Form 10-K for the year ended December 31, 2005 filed March 13, 2006). (Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed June 5, 2012.)
3.02.1	Bylaws of Move, Inc. (Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed June 28, 2006), as amended by the Amendment effective June 15, 2011. (Incorporated by reference to Exhibit 3.02.1 to our annual report on Form 10-K for the year ended December 31, 2011 filed February 17, 2012.)
3.02.2	Amendment, effective June 15, 2011, to the Bylaws of Move, Inc., relating to the permitted size range for the Board of Directors of Move, Inc. (Incorporated by reference to Exhibit 3.02.1 to our annual report on Form 10-K for the year ended December 31, 2011 filed February 17, 2012.)
3.03.1	RealSelect, Inc. s Certificate of Incorporation dated October 25, 1996. (Incorporated by reference to Exhibit 3.05.1 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)
3.03.2	RealSelect, Inc. s Certificate of Amendment to Certificate of Incorporation dated November 25, 1996. (Incorporated by reference to Exhibit 3.05.2 to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)
4.01	Form of Specimen Certificate for Common Stock, for use after November 18, 2011, the date of the 1-for-4 reverse stock split of the common stock of Move, Inc. (Incorporated by reference to Exhibit 4.01.1 to our annual report on Form 10-K for the year ended December 31, 2011 filed February 17, 2012.)
4.02	Indenture, dated as of August 12, 2013, between Move, Inc. and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.1 to our current report on Form 8-K filed August 13, 2013.)
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
99.1	Consent Agreement, dated September 30, 2014, by and among News Corporation, Magpie Merger Sub, Inc., Move, Inc., RealSelect, Inc., the National Association of Realtors® and Realtors® Information Network, Inc. (Incorporated by reference to Exhibit 99.1 to our current report on Form 8-K filed September 30, 2014.)
101.INS	XBRL Instance Document. (Filed herewith.)
101.SCH	XBRL Taxonomy Extension Schema Document. (Filed herewith.)
101.CAL	XBRL Taxonomy Calculation Linkbase Document. (Filed herewith.)
101.LAB	XBRL Taxonomy Label Linkbase Document. (Filed herewith.)
101.PRE	XBRL Taxonomy Presentation Linkbase Document. (Filed herewith.)
101.DEF	XBRL Taxonomy Extension Definition Document. (Filed herewith.)

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SIGNATURES

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

MOVE, INC.

By:	/s/ STEVEN H. BERKOWITZ Steven H. Berkowitz *Chief Executive Officer*
By:	/s/ RACHEL C. GLASER Rachel C. Glaser *Chief Financial Officer* *(Principal Financial Officer)*

Date: November 6, 2014

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