

NUTI WILLIAM  
Form 4  
May 09, 2013

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
NUTI WILLIAM

(Last) (First) (Middle)

7 WORLD TRADE CENTER, 250 GREENWICH STREET, 35TH FLOOR

(Street)

NEW YORK, NY 10007

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
NCR CORP [NCR]

3. Date of Earliest Transaction (Month/Day/Year)  
05/07/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Chairman, CEO and President

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code V Amount (D) Price			
Common Stock	05/07/2013		M <sup>(1)</sup>	298,446 A \$ 21.27	559,610	D	
Common Stock	05/07/2013		M <sup>(1)</sup>	7,400 A \$ 22.16	567,010	D	
Common Stock	05/07/2013		S <sup>(1)</sup>	305,846 D \$ 30	261,164	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form**

SEC 1474 (9-02)

displays a currently valid OMB control number.

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount Number Shares
Employee Stock Option (Right to Buy)	\$ 21.27	05/07/2013		M	298,446	<u>(2)</u>	03/01/2017	Common Stock	298,446
Employee Stock Option (Right to Buy)	\$ 22.16	05/07/2013		M	7,400	<u>(3)</u>	03/01/2018	Common Stock	7,400

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NUTI WILLIAM 7 WORLD TRADE CENTER 250 GREENWICH STREET, 35TH FLOOR NEW YORK, NY 10007	X		Chairman, CEO and President	

## Signatures

Mary H. Fragola as Attorney-in-Fact for William R. Nuti

05/09/2013

\*\*Signature of Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The exercises and sale reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on August 3, 2012.

(2) The grant representing a right to purchase a total of 315,345 shares, vested in four equal annual installments on March 1, 2008, March 1, 2009, March 1, 2010 and March 1, 2011.

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- (3) The grant representing a right to purchase a total of 281,915 shares, vested in four equal annual installments on March 1, 2009, March 1, 2010, March 1, 2011 and March 1, 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. atements in Item 8 in this Form 10-K.

Litigation may also result from other companies owning or obtaining patents or other intellectual property rights that could prevent, limit or interfere with our ability to provide our products and services. In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights, including in the Internet industry, and companies in the Internet market are increasingly making claims alleging infringement of their intellectual property rights. We have in the past and are currently involved in intellectual property-related disputes, and we may be involved in these and other disputes in the future, to protect our intellectual property or as a result of an alleged infringement of the intellectual property of others. Any such lawsuits, even if ultimately resolved in our favor, would likely be time-consuming and expensive to resolve and could divert management's time and attention. Any potential intellectual property dispute could force us to do one or more of the following:

stop selling, incorporating or using services that use the challenged intellectual property;

obtain from the owner of the infringed intellectual property a license to the relevant intellectual property; and

redesign those services that use technology that is the subject of an infringement claim.

If we are forced to take any of the foregoing actions, such actions could have a material adverse effect on our results of operations and our financial position. Pursuant to our operating agreement with NAR, we may also be required to indemnify NAR for liabilities arising from the infringement or alleged infringement of third parties' intellectual property rights, and these indemnification obligations could have a material adverse effect on our results of operations and our financial position.

### ***We rely on intellectual property and proprietary rights.***

We regard substantial elements of our web sites and underlying technology as proprietary. Despite our precautionary measures, third parties may copy or otherwise obtain and use our proprietary information without authorization, or develop similar technology independently. Any legal action that we may bring to protect our proprietary information could be unsuccessful, expensive and distract management from day-to-day operations.

Other companies may own, obtain or claim trademarks that could prevent or limit or interfere with use of the trademarks we use. The REALTOR.com® web site address and trademark and the REALTOR® trademark are important to our business and are licensed to us by NAR. If we were to lose the REALTOR.com® domain name or the use of these trademarks, our business would be harmed and we would need to devote substantial resources toward developing an independent brand identity.

Legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet-related businesses are uncertain and evolving, and we can give no assurance regarding the future viability or value of any of these proprietary rights.

### ***Our recently issued Series B Preferred Stock could make it more difficult for us to raise additional capital.***

In November 2005, we sold to Elevation Partners, L.P. and Elevation Employee Side Fund, LLC (together, "Elevation") an aggregate of 100,000 shares of our Series B Convertible Participating Preferred Stock (the "Series B Preferred Stock") for an aggregate purchase price of \$100 million. For so long as the holders of Series B Preferred Stock hold at least one-sixth of these 100,000 shares of Series B Preferred Stock, we are generally not permitted, without obtaining

the consent of holders representing at least a majority of the then outstanding shares of Series B Preferred Stock, to create or issue any equity securities that rank senior or on a parity with the Series B Preferred Stock with respect to dividend rights or rights upon our liquidation. In addition, our stockholders agreement with Elevation limits the amount of debt we can incur. If we need to raise additional capital through public or private

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financing, strategic relationships or other arrangements to execute our business plan, we would be restricted in the type of equity securities that we could offer and the amount of debt we can incur without the consent of Elevation. We cannot offer any assurances that we would be able to obtain that consent. If we were unable to obtain Elevation's consent, we may not be able to raise additional capital in the amounts needed to fund our business or for terms that are desirable.

***Our relationship with the National Association of REALTORS® is an important part of our business plan and our business could be harmed if we were to lose the benefits of this agreement.***

The REALTOR.com® trademark and web site address and the REALTOR® trademark are owned by NAR. NAR licenses these trademarks to our subsidiary RealSelect under a license agreement, and RealSelect operates the REALTOR.com® web site under an operating agreement with NAR. Our operating agreement with NAR contains restrictions on how we can operate the REALTOR.com® web site. For example, we can only enter into agreements with entities that provide us with real estate listings, such as MLSs, on terms approved by NAR. In addition, NAR can require us to include on REALTOR.com® real estate related content that it has developed.

Our operating agreement with NAR, as amended, also contains a number of provisions that restrict how we operate our business. For example:

we would need to obtain the consent of NAR if we want to acquire or develop another service that provides real estate listings on an Internet site or through other electronic means; any consent from NAR, if obtained, could be conditioned on our agreeing to conditions such as paying fees to NAR or limiting the types of content or listings on the web sites or service or other terms and conditions;

we are restricted in the type and subject matter of, and the manner in which we display, advertisements on the REALTOR.com® web site;

NAR has the right to approve how we use its trademarks, and we must comply with its quality standards for the use of these marks; and

we must meet performance standards relating to the availability time of the REALTOR.com® web site.

NAR also has significant influence over our RealSelect subsidiary's corporate governance, including the right to have one representative as a member of our Board of Directors (out of a current total of 11) and two representatives as members of RealSelect's Board of Directors (out of a current total of 8). RealSelect also cannot take certain actions, including amending its certificate of incorporation or bylaws, pledging its assets and making changes in its executive officers or Board of Directors, without the consent of at least one of NAR's representatives on its Board of Directors.

Although the REALTOR.com® operating agreement is a perpetual agreement and it does not contain provisions that allow us to terminate, NAR may terminate it for a variety of reasons. These include:

the acquisition of us or RealSelect by another party without NAR's consent;

if traffic on the REALTOR.com® site falls below 500,000 unique users per month;

a substantial decrease in the number of property listings on our REALTOR.com® site; and

a breach of any of our other obligations under the agreement that we do not cure within 30 days of being notified by NAR of the breach.

If our operating agreement with NAR were terminated, we would be required to transfer a copy of the software that operates the REALTOR.com® web site and assign our agreements with data content providers, such as real estate brokers or MLSs, to NAR. NAR would then be able to operate the REALTOR.com® web site itself or with another third party.

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***We must dedicate significant resources to market our subscription products and services to real estate professionals.***

Real estate agents are generally independent contractors rather than employees of brokers and typically spend a majority of their time outside the office. As a result, it is often necessary for us to communicate with them on an individual basis. This results in relatively high fixed costs associated with our inside and field-based sales activities. In addition, since we offer services to both real estate brokers and agents, we are often required to contact them separately when marketing our products and services.

***A failure to establish and maintain strategic online relationships that generate a significant amount of traffic could limit the growth of our business.***

We have established strategic relationships with Internet portals that generate a significant amount of online traffic for our web sites. Failure to maintain these relationships and create new ones could limit the growth of our business. Although we expect that a significant portion of our online customers will continue to come to our web sites directly, we also continue to rely on third-party web sites with which we have relationships, including web sites operated by AOL, Yahoo!, MSN, Excite, iWon.com, Internet Broadcast Systems, United Online through its Juno and NetZero brands, and Google. We may also be required to pay significant fees to establish, maintain and expand our existing online relationships. As a result, our revenue may suffer if we fail to enter into new relationships or maintain existing relationships, or if these relationships do not result in online traffic sufficient to justify their costs.

***Delaware law, our certificate of incorporation and bylaws, and other agreements contain provisions that could discourage a takeover.***

Delaware law, our certificate of incorporation and bylaws, our operating agreement with NAR, other agreements with business partners and a stockholders agreement could have the effect of delaying or preventing a third party from acquiring us, even if a change in control would be beneficial to our stockholders. For example, we currently have a classified Board of Directors, although our certificate of incorporation has been amended to provide for the annual election of all directors beginning at our annual meeting of our shareholders in 2008. In addition, our stockholders are unable to act by written consent or to fill any vacancy on the Board of Directors. Our stockholders cannot call special meetings of stockholders for any purpose, including to remove any director or the entire Board of Directors without cause. Certain terms of the Series B Preferred Stock could also discourage a third party from acquiring us. Upon a change in control, we would be required to make an offer to repurchase all of the outstanding shares of Series B Preferred Stock for total cash consideration generally equal to 101% of the liquidation preference (\$100 million plus all accrued and unpaid dividends) plus, under certain circumstances, 101% of a portion of the dividends which would have accrued had the Series B Preferred Stock remained outstanding. In addition, NAR could terminate the REALTOR.com<sup>®</sup> operating agreement if we are acquired and they do not consent to the acquisition.

**Real Estate Industry Risks**

***Our business is dependent on the strength of the real estate industry, which is both cyclical and seasonal and is affected by general economic conditions.***

The real estate industry traditionally has been cyclical. Economic swings in the real estate industry may be caused by various factors. When interest rates are high or general national and global economic conditions are or are perceived to be weak, there is typically less sales activity in real estate. A decrease in the current level of sales of real estate and products and services related to real estate could adversely affect demand for our products and services. In addition, reduced traffic on our web sites could cause our subscription and advertising revenue to decline, which would

materially and adversely affect our business.

During recessionary periods, there tends to be a corresponding decline in demand for real estate, generally and regionally, that could adversely affect certain segments of our business. Such adverse effects typically are a general decline in rents and sales prices, a decline in leasing activity, a decline in the level of investments in, and the value of real estate, and an increase in defaults by tenants under their respective leases. All of these, in turn, adversely affect



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revenue for fees and brokerage commissions, which are derived from property sales, annual rental payments, and property management fees which may or may not influence advertising.

Purchases of real property and related products and services are particularly affected by negative trends in the general economy. The success of our operations depends to a significant extent upon a number of factors relating to discretionary consumer and business spending, and the overall economy, as well as regional and local economic conditions in markets where we operate, including interest rates, taxation policies, availability of credit, employment levels, wage and salary levels and fears of terrorist attacks or threats of war.

We could experience seasonality in our business as we offer new products and new pricing models. The real estate industry, in most areas of the United States, generally experiences a decrease in activity during the winter months.

*We have risks associated with changing legislation in the real estate industry.*

Real estate is a heavily regulated industry in the U.S., including regulation under the Fair Housing Act, the Real Estate Settlement Procedures Act and state advertising laws. In addition, states could enact legislation or regulatory policies in the future, which could require us to expend significant resources to comply. These laws and related regulations may limit or restrict our activities. As the real estate industry evolves in the Internet environment, legislators, regulators and industry participants may advocate additional legislative or regulatory initiatives. Should existing laws or regulations be amended or new laws or regulations be adopted, we may need to comply with additional legal requirements and incur resulting costs, or we may be precluded from certain activities. For instance, RENTNET® was required to qualify and register as a real estate agent/broker in the State of California. To date, we have not spent significant resources on lobbying or related government issues. Any need to significantly increase our lobbying or related activities could substantially increase our operating costs.

**Internet Industry Risks**

*Our internal network infrastructure could be disrupted as a result of our move to a new data center or other problems.*

Our operations depend upon our ability to maintain and protect our computer systems, located at our corporate headquarters in Westlake Village, California and our technology facility in Phoenix, Arizona. During 2005, we began the process of upgrading a facility we have leased in Phoenix, Arizona, to which we relocated our Thousand Oaks data center operations during 2006.

Temporary or permanent outages of our computers or software equipment could have an adverse effect on our business. Although we have not experienced any material outages to date, we currently do not have fully redundant systems for our web sites and other services at an alternate site. Therefore, our systems are vulnerable to damage from break-ins, unauthorized access, vandalism, fire, earthquakes, power loss, telecommunications failures and similar events. Although we maintain insurance against fires, earthquakes and general business interruptions, the amount of coverage, while adequate to replace assets and compensate for losses incurred, may not be adequate to compensate for the disruption it causes our customers and consumers, which could affect our future revenues and traffic.

Experienced computer programmers, or hackers, may attempt to penetrate our network security from time to time. Although we have not experienced any material security breaches to date, if a hacker were to penetrate our network security, they could misappropriate proprietary information or cause interruptions in our services. We might be required to expend significant capital and resources to protect against, or to alleviate, problems caused by hackers. We also may not have a timely remedy against a hacker who is able to penetrate our network security. In addition to purposeful security breaches, the inadvertent transmission of computer viruses could expose us to litigation or to a

material risk of loss.

***We depend on continued improvements to our computer network.***

Any failure of our computer systems that causes interruption or slower response time of our web sites or services could result in a smaller number of users of our web sites or the web sites that we host for real estate

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professionals. If sustained or repeated, these performance issues could reduce the attractiveness of our web sites to consumers and our subscription products and services to real estate professionals, providers of real estate-related products and services and other Internet advertisers. Increases in the volume of our web site traffic could also strain the capacity of our existing computer systems, which could lead to slower response times or system failures. This would cause the number of real property search inquiries, advertising impressions, other revenue producing offerings and our informational offerings to decline, any of which could hurt our revenue growth and our brand loyalty. We may need to incur additional costs to upgrade our computer systems in order to accommodate increased demand if our systems cannot handle current or higher volumes of traffic. We may not be able to project accurately the rate, timing or cost of any increases in our business, or to expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner.

***We could face liability for information on our web sites and for products and services sold over the Internet.***

We provide third-party content on our web sites, particularly real estate listings. We could be exposed to liability with respect to this third-party information. Persons might assert, among other things, that by directly or indirectly providing a link to web sites operated by third parties, we should be liable for copyright or trademark infringement or other wrongful actions by the third parties operating those web sites. They could also assert that our third-party information contains errors or omissions, and consumers could seek damages for losses incurred if they rely upon incorrect information.

We enter into agreements with other companies under which we share with these other companies revenue resulting from advertising or the purchase of services through direct links to or from our web sites. These arrangements may expose us to additional legal risks and uncertainties, including local, state, federal and foreign government regulation and potential liabilities to consumers of these services, even if we do not provide the services ourselves. We cannot offer any assurance that any indemnification provided to us in our agreements with these parties, if available, will be adequate.

Even if these claims do not result in liability to us, we could incur significant costs in investigating and defending against these claims. Our general liability insurance may not cover all potential claims to which we are exposed and may not be adequate to indemnify us for all liability that may be imposed.

**Item 1B. *Unresolved Staff Comments.***

None.

**Item 2. *Properties.***

We maintain the following principal facilities:

	<b>Location</b>	<b>Square Feet</b>	<b>Lease Expiration</b>
Principal executive and corporate office (C)(R)(M)	Westlake Village, CA	137,762	2008
Technology facility (C)(R)(M)	Phoenix, AZ	8,114	2017
Operations and customer service center (R)(M)	Scottsdale, AZ	36,175	2007
Welcome Wagon(M)	Plainview, NY	48,148	2015
Top Producer(R)	Richmond, BC	33,702	2008
Homeplans.com (M)	St. Paul, MN	24,645	2007

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Enterprise (R)	Milwaukee, WI	13,016	2007
Moving.com (M)	Marlborough, MA	5,580	2009
Sales offices (M)	Manhattan, NY	6,000	2012
(C Corporate) (R Real Estate Services) (M Move-Related Services)			

We believe that our existing facilities and office space are adequate to meet current requirements.

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From time to time, we are party to various litigation and administrative proceedings relating to claims arising from our operations in the ordinary course of business. *See* the disclosure regarding litigation included in Note 20, Settlements of Disputes and Litigation Settlement of Securities Class Action Lawsuit and Potential Obligations, and Note 21, Commitments and Contingencies Legal Proceedings, to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K, which are incorporated herein by reference. As of the date of this Form 10-K and except as set forth herein, 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.

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

We did not submit any matters to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2006.

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

Our common stock was traded on The NASDAQ National Market under the symbol HOMS from January 2, 2004 until May 2, 2006. On May 3, 2006, we changed our symbol to MOVE. We are now listed on the NASDAQ Global Select Market. The following table shows the high and low sale prices of the common stock as reported by The NASDAQ Stock Market for the periods indicated.

	<b>High</b>	<b>Low</b>
<b>2005</b>		
First Quarter	\$ 3.24	\$ 2.09
Second Quarter	2.34	1.65
Third Quarter	4.64	2.06
Fourth Quarter	5.84	3.22
<b>2006</b>		
First Quarter	7.04	5.12
Second Quarter	7.08	4.67
Third Quarter	5.68	3.73
Fourth Quarter	5.89	4.32
<b>2007</b>		
First Quarter(up until February 26, 2007)	6.69	5.22

As of February 26, 2007, there were approximately 3,183 record holders of our common stock. Because many of these shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

## Dividends

We have never declared or paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future, except for an annual dividend of \$0.08 to be paid on the one share of our Series A preferred stock held by NAR. We are obligated to pay dividends on our Series B Preferred Stock of 3.5% per year, paid quarterly. For the first five years the Series B Preferred Stock is outstanding, the dividend will be paid in-kind in shares of Series B Preferred Stock. See Note 14, Series B Convertible Preferred Stock, to our Consolidated

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Financial Statements contained in Item 8 of the Form 10-K for information regarding restrictions on our ability to pay dividends.

**Recent Sales of Unregistered Securities**

There were no sales of unregistered equity securities by Move, Inc. during the year ended December 31, 2006 that have not previously been reported in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information as of December 31, 2006 regarding compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) (In thousands)</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in Column (a) (c) (In thousands)</b>
Equity compensation plans approved by security holders	25,022	\$ 3.60	1,708
Equity compensation plans not approved by security holders	6,591	\$ 2.19	10,211
Total	31,613	\$ 3.30	11,919

**Equity Compensation Plan Information**

Each of the above plans provides that the number of shares with respect to which options may be granted, and the number of shares of common stock subject to an outstanding option, shall be proportionately adjusted in the event of a subdivision or consolidation of shares or the payment of a stock dividend on common stock, and the purchase price per share of outstanding options shall be proportionately revised.

The Move, Inc. 1999 Stock Incentive Plan, a security-holder approved plan, contains a provision for an automatic increase in the number of shares available for issuance each January 1 (until January 1, 2009) by an amount equal to 4.5% of the total number of outstanding shares as of the preceding December 31; provided that the aggregate number of shares that qualify as Incentive Stock Options (as defined in the plan) must not exceed 20.0 million shares.

**Non-Shareholder Approved Plans**

Options are granted from the Move, Inc. 2002 Stock Incentive Plan, a plan established in January 2002 to attract and retain qualified personnel. No more than 40% of the available securities granted under this plan may be awarded to our directors or executive officers. Option grants under this plan are non-qualified stock options and generally have a four-year vesting schedule and a 10-year life.

Other non-shareholder approved plans include the following plans assumed in connection with prior acquisitions: The 1997-1998 Stock Incentive Plan of Cendant Corporation, the Cendant Corporation Move.com Group 1999 Stock Option Plan, as amended and restated effective as of March 21, 2000, the Move.com, Inc. 2000 Stock Incentive Plan, the HomeWrite Incorporated 2000 Equity Incentive Plan, the ConsumerInfo.com, Inc. 1999 Stock Option Plan, the iPlace 2000 Stock Option Plan, the eNeighborhoods, Inc. 1998 Stock Option Plan, the Qspace, Inc. 1999 Stock Option Plan, the iPlace, Inc. 2001 Equity Incentive Plan and The Hessel Group, Inc. 2000 Stock Option Plan. Each of these plans (i) was intended to attract, retain and motivate employees, (ii) was administered by the Board of Directors or by a committee of the Board of Directors of such entities, and (iii) provided that options granted thereunder would be exercisable as determined by such Board or committee, provided that no option would be exercisable after the expiration of 10 years after the grant date. We did not grant options under any of these plans



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in 2006 and 2005, and we do not plan to do so in the future. Options outstanding as of December 31, 2006 pursuant to compensation plans assumed in connection with prior acquisitions, in the aggregate, total 100,214 and the weighted average exercise price of those option shares is \$22.41.

For additional information regarding our equity compensation plans, see Note 12, Stock Plans, to our Consolidated Financial Statements contained in Item 8 of this Form 10-K.

**Item 6. Selected Financial Data**

You should read the following selected consolidated financial data together with the Consolidated Financial Statements and related notes included in Part II Item 8. Financial Statements and Supplementary Data and Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The consolidated statement of operations data for the years ended December 31, 2006, 2005 and 2004 and the consolidated balance sheet data as of December 31, 2006 and 2005 are derived from our audited Consolidated Financial Statements included in Part II Item 8. Financial Statements and Supplementary Data. The consolidated statement of operations data for the years ended December 31, 2003 and 2002 and the consolidated balance sheet data as of December 31, 2004, 2003 and 2002 have been derived from audited Consolidated Financial Statements not included in this Form 10-K.

	<b>Year Ended December 31,</b>				
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands, except per share amounts)</b>				
<b>Consolidated Statement of Operations Data:</b>					
Revenue(1)	\$ 290,384	\$ 252,622	\$ 216,860	\$ 198,227	\$ 219,867
Related party revenue				7,695	31,158
Total revenue	290,384	252,622	216,860	205,922	251,025
Cost of revenue(1)	65,319	56,188	50,829	56,569	73,622
Gross profit	225,065	196,434	166,031	149,353	177,403
Operating expenses:					
Sales and marketing(1)	110,263	91,071	88,388	101,122	161,554
Product and web site development(1)	33,907	22,059	15,362	17,065	25,497
General and administrative(1)	81,268	82,545	68,442	65,333	83,042
Amortization of intangible assets	2,331	3,624	7,894	21,863	34,699
Restructuring charges(1)	(278)	(1,331)	1,316	4,100	12,057
Impairment of long-lived assets				26,999	3,482
Litigation settlement		1,750	2,168	63,600	23,000
Total operating expenses	227,491	199,718	183,570	300,082	343,331
Loss from operations	(2,426)	(3,284)	(17,539)	(150,729)	(165,928)
Interest income (expense), net	7,255	2,351	672	(406)	2,673
Gain on settlement of distribution agreement				104,071	

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Other income (expense), net	17,410	623	2,366	691	(5,694)
Income (loss) from continuing operations before income taxes	22,239	(310)	(14,501)	(46,373)	(168,949)
Provision for income taxes	(134)				
Income (loss) from continuing operations	22,105	(310)	(14,501)	(46,373)	(168,949)
Gain on disposition of discontinued operations		855	7,294	2,530	11,790
Loss from discontinued operations			(679)	(3,281)	(6,266)

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	2006	Year Ended December 31,			2002
		2005	2004	2003	
		(In thousands, except per share amounts)			
Net income (loss)	22,105	545	(7,886)	(47,124)	(163,425)
Convertible preferred stock dividends and related accretion	(4,859)	(408)			
Net income (loss) applicable to common stockholders	\$ 17,246	\$ 137	\$ (7,886)	\$ (47,124)	\$ (163,425)
Basic income (loss) per share applicable to common stockholders					
Continuing operations	\$ 0.11	\$ (0.01)	\$ (0.11)	\$ (0.39)	\$ (1.43)
Discontinued operations		0.01	0.05	(0.01)	0.05
Basic income (loss) per share applicable to common stockholders	\$ 0.11	\$ 0.00	\$ (0.06)	\$ (0.40)	\$ (1.39)
Diluted income (loss) per share applicable to common stockholders					
Continuing operations	\$ 0.11	\$ (0.00)	\$ (0.11)	\$ (0.39)	\$ (1.43)
Discontinued operations		0.00	0.05	(0.01)	0.05
Diluted income (loss) per share applicable to common stockholders	\$ 0.11	\$ 0.00	\$ (0.06)	\$ (0.40)	\$ (1.39)
Shares used in calculation of income (loss) per share					
Basic	151,170	147,175	136,518	118,996	117,900
Diluted	163,394	182,548	136,518	118,996	117,900

(1) The following chart summarizes the stock-based compensation and charges that have been included in the following captions for the periods presented:

	2006	Year Ended December 31,			2002
		2005	2004	2003	
		(In thousands)			
Revenue	\$	\$	\$	\$ 1,119	\$ 1,501
Cost of revenue	221			16	134
Sales and marketing	1,977	291	301	3,795	63,848
Product and web site development	1,471			15	127
General and administrative	12,006	824	518	164	1,297

Restructuring charges				2,140	
	\$ 15,675	\$ 1,115	\$ 819	\$ 7,249	\$ 66,907

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	2006	2005	December 31, 2004 (In thousands)	2003	2002
<b>Consolidated Balance Sheet Data:</b>					
Cash and short-term investments	\$ 157,848	\$ 152,322	\$ 59,859	\$ 35,517	\$ 80,463
Working capital (deficiency)	126,974	95,810	1,059	(70,729)	(80,763)
Total assets	285,949	249,026	150,504	153,548	379,208
Obligation under capital lease	4,071	1,005	2,765	1,904	
Series B convertible preferred stock	96,212	91,349			
Total stockholders' equity	\$ 101,452	\$ 61,924	\$ 57,393	\$ 328	\$ 38,730

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

You should read the following discussion in conjunction with our audited Consolidated Financial Statements for the years ended December 31, 2006, 2005 and 2004 and related notes included in Part II Item 8. Financial Statements and Supplementary Data.

**Overview*****Our History***

We were incorporated in 1993 under the name of InfoTouch Corporation with the objective of establishing an interactive network of real estate kiosks for consumers to search for homes. In 1996, we began to develop the technology to build and operate real estate related Internet sites. In 1996, we entered into a series of agreements with NAR and several investors and transferred technology and assets to a newly-formed subsidiary, which ultimately became RealSelect, Inc. RealSelect, Inc. in turn entered into a number of formation agreements with, and issued cash and common stock representing a 15% ownership interest in RealSelect, Inc. to, NAR in exchange for the rights to operate the REALTOR.com® web site and pursue commercial opportunities relating to the listing of real estate on the Internet. That 15% ownership in RealSelect, Inc. was exchanged for stock in a new parent company, Homestore.com, Inc., in August 1999. Our initial operating activities primarily consisted of recruiting personnel, developing our web site content and raising our initial capital and we began actively marketing our advertising products and services to real estate professionals in January 1997. We changed our name to Homestore, Inc. in May 2002 and to Move, Inc. in June 2006.

***Our Business***

We have created an online service that enables consumers to find real estate listings and other content related to residential real estate, moving and relocation. Our web sites collectively have become the leading consumer destination on the Internet for home and real estate-related information based on the number of visitors, time spent on our web sites and number of property listings. We generate most of our revenue from selling advertising and marketing solutions to both real estate industry participants, including real estate agents, homebuilders, and rental property owners, and other local and national advertisers interested in reaching our consumer audience before, during or after a move. We also provide software solutions to real estate agents to assist them in managing their client interactions and architects' home plans to consumers considering building a new home. We derive all of our revenues from our North American operations.

During the second quarter of 2006, we launched Move.com<sup>tm</sup> as a real estate listing and move-related search site. Shortly after its launch, Move.com replaced HomeBuilder.com<sup>®</sup>, RENTNET<sup>®</sup> and Homestore.com<sup>®</sup> and we began promoting those services under the Move brand. Our primary consumer web site is now Move.com which provides new home, apartment, corporate housing, and self-storage listings and is a home information resource site with an emphasis on content related to mortgage financing, moving and storage, and home and garden activities. Our web sites also include REALTOR.com<sup>®</sup>, the official site of the National Association of REALTORS<sup>®</sup> ( NAR ); SeniorHousingNet<sup>tm</sup>.com, a comprehensive resource for seniors; and Moving.com which connects consumers with moving companies, van lines, truck rental providers and self storage facilities.

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**Business Trends and Conditions**

In recent years, our business has been, and we expect will continue to be, influenced by a number of macroeconomic, industry-wide and product-specific trends and conditions:

*Market and economic conditions.* In recent years, the U.S. economy has experienced low interest rates, and volatility in the equities markets. Through 2005, housing starts remained strong, while the supply of apartment housing generally exceeded demand. For a number of years prior to 2006, owning a home became much more attainable for the average consumer due to the availability of flexible mortgage options, which required minimal down payments and provided low interest rates. During this period, home builders spent less on advertising, given the strong demand for new houses and that homeowners who were looking to sell a home, only had to list it at a reasonable price in most areas of the U.S. to sell in 60 days or less. Conversely, demand for rental units declined and apartment owners did not spend as much money on advertising, as they have sought to achieve cost savings during the difficult market for rentals. These trends had an impact on our ability to grow our business.

Beginning in the second half of 2005, the market dynamics seemed to reverse. Interest rates rose and mortgage options began to decline. The housing market became saturated with new home inventory in many large metropolitan markets and the available inventory of resale homes began to climb as demand softened. The impact of the rise in interest rates caused demand for homes to decline into 2006 and the rental market improved. The change in economic factors created uncertainty on job creation and made it difficult to gauge whether these trends would continue. While interest rates appear to have stabilized as we enter 2007, housing starts and sales of existing homes have slowed considerably in 2006 and this is projected to continue into early 2007.

During the difficult period for rentals prior to 2006, we saw many rental owners reduce their overall advertising spending and shift their dollars from conventional offline channels, such as newspapers and real estate guides, to the Internet. Because of this trend, we believe a slowdown in the sale of new and existing homes could lead to increased spending on the Internet by home builders, real estate agents and brokers. This trend was confirmed in the first half of 2006. We saw many brokers move their spending online and many home builders increased their marketing spend to move existing inventory, even as they slowed their production and our business grew as a result. However, as the slow market continues into 2007, it is possible that a continued slowdown could cause our rate of growth to decline. While the advertising spend by many of the large home builders, agents and brokers appears strong, some of the medium and smaller businesses may have to reduce expenses to remain in business and this could cause our growth rate to decline.

*Evolution of Our Product and Service Offerings and Pricing Structures.*

*Real Estate Services segment:* Our Real Estate Services segment evolved as a business providing Internet applications to real estate professionals. In recent years, it became apparent that our customers valued the media exposure that the Internet offered them, but not all of the technology that we were offering. Many of our customers objected to our proposition that they purchase our templated web site in order to gain access to our networks. In addition, we were charging a fixed price to all customers regardless of the market they operated in or the size of their business. Our Top Producer® product was a desktop application that required some knowledge of the operations of a desktop computer.

In 2003, we responded to our customers' needs and revamped our service offerings. We began to price our services based on the size of the market and the number of properties the customer displayed. For many of our customers this change led to substantial price increases over our former technology pricing. This change has been reasonably well-accepted by our customers.

In late 2002, Top Producer introduced a monthly subscription model of an online application. This had a negative impact on our revenues over the first 18 months of this offering as we attempted to build the subscriber base. While our desktop product was still attractive to some real estate professionals, our customer base has shifted to the online application and has completely replaced our desktop product as of the end of 2006.



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*Move-Related Services segment:* Continued uncertainty in the economy has had an adverse effect on our Welcome Wagon® business. Our primary customers are small local merchants trying to reach new movers and economic conditions have negatively impacted small businesses more than other businesses. These economic conditions have caused the decline in our revenue in this segment to continue. We have seen some improvement in market conditions in some geographic areas in 2006, but it could take considerable time before this segment yields meaningful growth, if at all. Significant growth will require that we introduce new products that are responsive to advertisers' demands and are presented to consumers much more timely.

*Investment Strategy:* We have made substantial investments in our business in recent years in order to improve our ability to bring consumers and advertisers together. As a result of our greater understanding of both consumer and customer needs, we have concluded that we need to demonstrate strong capabilities in four core areas: size and quality of consumer audience, depth and breadth of content, enduring industry relationships, and scalable business models. We recently announced significant changes to our branding, product and pricing strategies to better align our solutions with these core competencies and we plan to continue to invest in this area in the future.

**Acquisitions and Dispositions**

On February 21, 2006, we acquired certain assets and assumed certain liabilities of Moving.com, Inc. from TMP Directional Marketing, LLC for approximately \$9.6 million in cash. Moving.com connects consumers with moving companies, van lines, truck rental providers and self storage facilities. The acquisition has been accounted for as a purchase. The acquisition cost has been allocated to the assets acquired based on their respective fair values. We integrated Moving.com's product offering into our new Move offering in 2006.

On December 21, 2004, we entered into an Asset Purchase Agreement with Newstar Systems, Inc. ( "Newstar" ) pursuant to which we agreed to sell our Computer for Tracts ( "CFT" ) software business, which at the time had been reported as part of our software segment, for a purchase price of approximately \$2.5 million in cash. The transaction closed on December 21, 2004, resulting in a gain on disposition of discontinued operations of approximately \$1.6 million.

On October 6, 2004, we entered into an Asset Purchase Agreement with Wyld Acquisition Corp. ( "Wyld" ), a wholly owned subsidiary of Siegel Enterprises, Inc., pursuant to which we agreed to sell our Wyldfyre software business, which at the time had been reported as part of our software segment, for a purchase price of \$8.5 million in cash. The transaction closed on October 6, 2004, resulting in a gain on disposition of discontinued operations of \$5.7 million for the year ended December 31, 2004. The sale generated net proceeds of approximately \$7.0 million after transaction fees and monies placed in escrow pursuant to the Asset Purchase Agreement. In the fourth quarter of 2005, the entire amount of the escrow fund, \$855,000, was released and recognized as Gain on disposition of discontinued operations for the year ended December 31, 2005.

Pursuant to SFAS No. 144, our Consolidated Financial Statements for all periods presented reflect the disposition of our Wyldfyre and CFT divisions as discontinued operations. Accordingly, the revenue, costs and expenses, and cash flows of these divisions have been excluded from the respective captions in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows and have been reported as Loss from discontinued operations, net of applicable income taxes of zero; and as Net cash provided by (used in) discontinued operations. Total revenue and loss from discontinued operations for the year ended December 31, 2004 are reflected below (in thousands):

Revenue	\$ 9,137
Total expenses	9,816

Loss from discontinued operations

\$ (679)

27

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The calculation of the gain on the sale of discontinued operations is as follows (in thousands):

	<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>
Gross proceeds from sale	\$ 855	\$ 10,981
Less:		
Cash subject to escrow		850
Net assets sold		2,210
Transaction costs		627
Gain on disposition of discontinued operations	\$ 855	\$ 7,294

**Critical Accounting Policies, Estimates and Assumptions**

Our discussion and analysis of our financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these 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 on-going basis, we evaluate our estimates, including those related to revenue recognition, uncollectible receivables, intangible and other long-lived assets and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements: revenue recognition; valuation allowances, specifically the allowance for doubtful accounts; valuation of goodwill, identified intangibles and other long-lived assets; and legal contingencies.

Management has discussed the development and selection of the following critical accounting policies, estimates and assumptions with the Audit Committee of our Board of Directors and the Audit Committee has reviewed these disclosures.

*Revenue Recognition* We derive our revenue primarily from two sources:

software revenue, which includes software licenses and support revenue which includes software maintenance, training, consulting and web site hosting revenue; and

advertising revenue for running online advertising on our web sites or offline advertising placed in our publications.

As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period.

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*, and Emerging Issues Task Force Issue (EITF) 00-21, *Revenue Arrangements with Multiple Deliverables*. Revenue is

recognized only when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

We assess collection based on a number of factors, including past transaction history with the customer and the credit worthiness of the customer. We do not request collateral from our customers. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash. Cash received in advance is recorded as deferred revenue until earned.

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*Software Revenue* We generally license our software products in two ways:

on a one-year term basis; and

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.

We apply the provisions of Statement of Position ( SOP )97-2, Software Revenue Recognition, as amended by SOP 98-9 Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, to all transactions involving the sale of software. Software license revenue is recognized upon all of the following criteria being satisfied:

the execution of a license agreement;

product delivery;

fees are fixed or determinable;

collectibility is reasonably assured; and

all other significant obligations have been fulfilled.

For arrangements containing multiple elements, such as software license fees, consulting services and maintenance, and where vendor-specific objective evidence ( VSOE ) of fair value exists for all undelivered elements, we account for the delivered elements in accordance with the residual method prescribed by SOP 98-9. For arrangements in which VSOE does not exist for the undelivered element, including specified upgrades, revenue is deferred and not recognized until either VSOE is established or delivery of the element without VSOE has occurred. Our arrangements generally do not include acceptance clauses. However, if an arrangement includes an acceptance clause, acceptance occurs upon the earlier of receipt of a written customer acceptance or expiration of the acceptance period. Revenue for maintenance services are recognized ratably over the contract term. Certain software products are sold as subscriptions, and accordingly, revenue is deferred and recognized ratably over the term of the contract which is typically based on a one-year renewable term.

*Advertising Revenue* We sell online and offline advertising. Online advertising revenue includes three revenue streams:

impression based;

fixed fee subscriptions; and

variable, performance based agreements.

The impressions 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. The fixed fee subscription revenue is recognized ratably over the period in which the services are provided. We measure performance related to advertising obligations on a monthly basis prior to the recording of revenue. Offline advertising revenue is recognized

when the publications in which the advertising is displayed are shipped.

*Allowance for Doubtful Accounts*

Our estimate for the allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount to be reserved. First, we evaluate specific accounts where we have information that the customer may have an inability to meet its financial obligations. In these cases, we use our judgment, based on the best available facts and circumstances, and record a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received that impacts the amount reserved. Second, an additional reserve is established for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major

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customer's ability to meet its financial obligation to us) our estimates of the recoverability of amounts due to us could be reduced or increased by a material amount.

*Valuation of Goodwill, Identified Intangibles and Other Long-lived Assets*

Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized, but is tested for impairment at a reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value amount. Events or circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, significant declines in our stock price for a sustained period or significant underperformance relative to expected historical or projected future operating results.

In testing for a potential impairment of goodwill, we first compare the estimated fair value of each reporting unit with book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the respective reporting unit is less than book value, then we are required to compare the carrying amount of the goodwill with its implied fair value. The estimate of implied fair value of goodwill may require independent valuations of certain internally generated and unrecognized intangible assets such as our subscriber base, software and technology and patents and trademarks. If the carrying amount of our goodwill exceeds the implied fair value of that goodwill, an impairment loss would be recognized in an amount equal to the excess.

*Stock Based Compensation*

On January 1, 2006, the Company adopted the provision of SFAS 123R, which requires that compensation expense be measured and recognized at an amount equal to the fair value of share-based payments granted under compensation arrangements. The Company calculates the fair value of stock options by using the Black-Scholes option-pricing model. The determination of the fair value of share-based awards at the grant date requires judgment in developing assumptions, which involve a number of variables. These variables include, but are not limited to, the expected stock-price volatility over the term of the awards, the expected dividend yield and the expected stock option exercise behavior. Additionally, judgment is also required in estimating the number of share-based awards that are expected to forfeit. Our computation of expected volatility is based on a combination of historical and market-based implied volatility. Due to the unusual volatility of the Company's stock price around the time of the restatement of its financial statements in 2002 and several historical acquisitions that changed the Company's risk profile, historical data was more heavily weighted toward the most recent two years of stock activity. The expected term of options granted was derived by averaging the vesting term with the contractual term.

If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. The Company believes the accounting for stock-based compensation is a critical accounting policy because it requires the use of complex judgment in its application.

*Legal Contingencies*

We are currently involved in certain legal proceedings, as discussed in Note 21, *Commitments and Contingencies* Legal Proceedings to our Consolidated Financial Statements in Item 8 of this Form 10-K. For those matters where we have reached agreed-upon settlements, we have estimated the amount of those settlements and accrued the amount of the settlement in our financial statements. Because of the uncertainties related to both the amount and range of loss on

the remaining pending litigation, we are unable to make a reasonable estimate of the liability that could result from an unfavorable outcome. As additional information becomes available, we will assess the potential liability related to our pending litigation and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operations and financial position.



**Table of Contents****Results of Operations**

We have a limited operating history, and our business model has been modified over the past three years and we expect additional changes to our business model in 2007. Our prospects should be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets such as the Internet. To address these risks, we must, among other things, be able to continue to:

- execute our business model, including changes to that model;
- respond to highly competitive developments;
- attract, retain and motivate qualified personnel;
- implement and successfully execute our marketing plans;
- continue to upgrade our technologies;
- develop new distribution channels; and
- improve our operational and financial systems.

Although our revenue grew significantly in our early history, only recently have we been able to again generate growth. Therefore, you should not consider our historical growth indicative of future revenue levels or operating results. We have achieved net income in a few recent quarters, but we may not be able to sustain it. A more complete description of other risks relating to our business is set forth in Part I Item 1A. Risk Factors.

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(In thousands)</b>		
<b>Consolidated Statement of Operations Data:</b>			
Revenue	\$ 290,384	\$ 252,622	\$ 216,860
Cost of revenue(1)	65,319	56,188	50,829
Gross profit	225,065	196,434	166,031
Operating expenses:			
Sales and marketing(1)	110,263	91,071	88,388
Product and web site development(1)	33,907	22,059	15,362
General and administrative(1)	81,268	82,545	68,442
Amortization of intangible assets(1)	2,331	3,624	7,894
Restructuring charges	(278)	(1,331)	1,316
Litigation settlement		1,750	2,168
Total operating expenses	227,491	199,718	183,570
Loss from operations	(2,426)	(3,284)	(17,539)

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Interest income, net	7,255	2,351	672
Other income, net	17,410	623	2,366
Income (loss) from continuing operations before income taxes	22,239	(310)	(14,501)
Provision for income taxes	(134)		
Income (loss) from continuing operations	22,105	(310)	(14,501)
Gain on disposition of discontinued operations		855	7,294
Loss from discontinued operations			(679)
Net income (loss)	22,105	545	(7,886)
Convertible preferred stock dividends and related accretion	(4,859)	(408)	
Net income (loss) applicable to common stockholders	\$ 17,246	\$ 137	\$ (7,886)

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(1) The following chart summarizes the stock-based compensation and charges that have been included in the following captions for the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(In thousands)</b>		
Cost of revenue	\$ 221	\$	\$
Sales and marketing	1,977	291	301
Product and web site development	1,471		
General and administrative	12,006	824	518
	\$ 15,675	\$ 1,115	\$ 819

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(In thousands)</b>		
<b>As a Percentage of Revenue:</b>			
Revenue	100%	100%	100%
Cost of revenue	22	22	23
Gross profit	78	78	77
Operating expenses:			
Sales and marketing	38	36	41
Product and web site development	12	9	7
General and administrative	28	33	32
Amortization of intangible assets	1	1	4
Restructuring charges		(1)	
Litigation settlement		1	1
Total operating expenses	79	79	85
Loss from operations	(1)	(1)	(8)
Interest income, net	2	1	
Other income, net	6		1
Income (loss) from continuing operations before income taxes	7		(7)
Provision for income taxes			
Income (loss) from continuing operations	7		(7)
Gain on disposition of discontinued operations			3
Loss from discontinued operations			
Net income (loss)	7		(4)

Convertible preferred stock dividends and related accretion	(1)		
Net income (loss) applicable to common stockholders	6%	%	(4)%

**For the Years Ended December 31, 2006 and 2005**

***Revenue***

Revenue increased approximately \$37.8 million, or 15%, to \$290.4 million for the year ended December 31, 2006 from revenue of \$252.6 million for the year ended December 31, 2005. The increase in revenue was due to increases of \$27.0 million in the Real Estate Services segment and \$10.8 million in the Move-Related Services segment. These increases by segment are explained in the segment information below.

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***Cost of Revenue***

Cost of revenue, including non-cash stock-based compensation and charges, increased approximately \$9.1 million, or 16%, to \$65.3 million for the year ended December 31, 2006 from \$56.2 million for the year ended December 31, 2005. The increase was primarily due to increases in personnel related costs of \$4.8 million, increases in material and shipping costs of \$3.0 million, increases in depreciation of \$0.9 million and other cost increases of \$0.4 million.

Gross margin percentage stayed constant at 78% for the years ended December 31, 2006 and December 31, 2005.

***Operating Expenses***

We have provided the major categories of changes in each of our operating expenses so our investors can better understand our operating expense structure.

*Sales and Marketing.* Sales and marketing expenses, including non-cash stock-based compensation and charges, increased approximately \$19.2 million, or 21%, to \$110.3 million for the year ended December 31, 2006 from \$91.1 million for the year ended December 31, 2005. The overall increase was primarily due to increases in online distribution costs of \$9.6 million, increases in personnel related costs of \$5.3 million, an increase of \$1.7 million in expense for non-cash stock-based compensation associated with the adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment, ( SFAS 123R ) as of January 1, 2006 and increased marketing costs of \$2.5 million associated with the launch of the new Move brand and other cost increases of \$0.1 million.

*Product and Web Site Development.* Product and web site development expenses, including non-cash stock-based compensation and charges, increased approximately \$11.8 million, or 54%, to \$33.9 million for the year ended December 31, 2006 from \$22.1 million for the year ended December 31, 2005. There was an increase of \$1.5 million in expense for non-cash stock-based compensation due to the adoption of SFAS 123R in 2006 with the remaining increase of \$10.3 million due to an increase in consulting and personnel related costs to develop the new Move™ web site and to improve our product offerings in our REALTOR.com® and Top Producer® businesses.

*General and Administrative.* General and administrative expenses, including non-cash stock-based compensation and charges, decreased approximately \$1.3 million, or 2%, to \$81.2 million for the year ended December 31, 2006 from \$82.5 million for the year ended December 31, 2005. The decrease was primarily due to a \$15.6 million decrease in legal fees resulting from our obligation to advance legal fees to certain former officers in 2005, a decrease of \$1.2 million due to an insurance refund, a decrease in outside legal and accounting fees of \$1.0 million, decreases in personnel related costs of \$0.8 million and other cost decreases of \$0.2 million. These decreases were partially offset by an increase of \$12.0 million in expense for non-cash compensation primarily associated with the adoption of SFAS 123R in 2006 and the award of restricted stock units to certain executive officers, an increase of \$2.1 million in consulting costs due to the relocation of our data center, an increase of \$1.9 million in depreciation expense, and an increase of \$1.5 million in bad debt expense primarily due to one customer and the acquisition of Moving.com.

*Amortization of Intangible Assets.* Amortization of intangible assets was \$2.3 million for the year ended December 31, 2006 compared to \$3.6 million for the year ended December 31, 2005. The decrease in amortization was due to certain intangible assets becoming fully amortized during 2006.

*Restructuring Charges.* We recorded a \$0.3 million reduction to our restructuring charges for the year ended December 31, 2006 as a result of the early buy-out of the remaining lease obligation in Canada. The \$1.3 million reduction in the restructuring charges for the year ended December 31, 2005 resulted primarily from a decrease in the estimate for charges related to our San Francisco office space and a change in the exchange rates decreasing our

Canadian lease obligation as well as other revisions of estimated contractual liabilities.

*Litigation Settlement.* We recorded litigation settlement charges of \$1.8 million for the year ended December 31, 2005. There were no litigation settlement charges for the year ended December 31, 2006. These settlements

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are discussed in Note 21, *Settlements of Disputes and Litigation* to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K.

*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):

	<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
Cost of revenue	\$ 221	\$
Sales and marketing	1,977	291
Product and web site development	1,471	
General and administrative	12,006	824
	<b>\$ 15,675</b>	<b>\$ 1,115</b>

Stock-based compensation and charges increased for the year ended December 31, 2006, primarily due to the adoption of SFAS 123R as of January 1, 2006 and the issuance of restricted stock units to certain executive officers.

***Interest Income, Net***

Interest income, net, increased \$4.9 million to \$7.3 million for the year ended December 31, 2006 compared to \$2.4 million for the year ended December 31, 2005, primarily due to increases in short-term investment balances and higher interest rates on those balances.

***Other Income, Net***

Other income, net, increased \$16.8 million to \$17.4 million for the year ended December 31, 2006 compared to \$0.6 million for the year ended December 31, 2005 primarily due to a realized gain on sale of investments of \$15.7 million resulting from the sale of certain securities that had previously been permanently impaired and written off during the year ended December 31, 2001. In addition, there was other income of \$1.1 million recognized as a result of the revaluation of an embedded derivative liability resulting from the sale of convertible preferred stock in December 2005. There was no sale of assets of similar magnitude during the year ended December 31, 2005.

***Income Taxes***

As a result of historical net operating losses, we have generally not recorded a provision for income taxes. However, during the year ended December 31, 2006, we recorded certain indefinite lived intangible assets as a result of the purchase of Moving.com which creates a permanent difference as the amortization can be recorded for tax purposes but not for book purposes. A tax provision in the amount of \$134,000 was recorded during the year ended December 31, 2006 as a result of this permanent difference which cannot be offset against net operating loss carryforwards due to its indefinite life. As of December 31, 2006, we had \$942.0 million of net operating loss carryforwards for federal and foreign income tax purposes, which begin to expire in 2008. We have provided a full valuation allowance on our deferred tax assets, consisting primarily of net operating loss carryforwards, due to the likelihood that we may not generate sufficient taxable income during the carry-forward period to utilize the net operating loss carryforwards. A deferred tax liability was established in 2006 for the difference between tax

amortization for financial statement purposes and for tax purposes.

***Segment Information***

Segment information is presented in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon our internal organization and disclosure of revenue and operating expenses based upon internal accounting methods. During the fourth quarter of 2005, we revised our business segments to align with the way we are approaching the market: Real Estate Services for those products and services offered to industry professionals trying to reach consumers and Move-Related Services for those products and services offered to other advertisers



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who are trying to reach those consumers in the process of a move. As a result of these changes, we evaluate performance and allocate resources based on these two segments. We have reclassified previously reported segment data to conform to the current period presentation. This is consistent with the data that is made available to our management to assess performance and make decisions.

The expenses presented below for each of the business segments include an allocation of certain corporate expenses that are identifiable and benefit those segments and are allocated for internal management reporting purposes. The unallocated expenses are those corporate overhead expenses that are not directly attributable to a segment and include: corporate expenses, such as finance, legal, internal business systems, and human resources; amortization of intangible assets; litigation settlement charges; impairment charges; stock-based charges; and acquisition and restructuring charges. There is no inter-segment revenue. Assets and liabilities are not fully allocated to segments for internal reporting purposes.

Summarized information by segment as excerpted from internal management reports is as follows (in thousands):

	Year Ended December 31, 2006				Year Ended December 31, 2005			
	Real Estate Services	Move-Related Services	Unallocated	Total	Real Estate Services	Move-Related Services	Unallocated	Total
Revenue	\$ 208,339	82,045		290,384	\$ 181,324	\$ 71,298	\$	\$ 252,622
Cost of revenue	33,323	28,840	3,156	65,319	27,902	26,346	1,940	56,188
Gross profit (loss)	175,016	53,205	(3,156)	225,065	153,422	44,952	(1,940)	196,434
Sales and marketing	69,915	36,461	3,887	110,263	60,125	29,644	1,302	91,071
Product and web site development	25,083	4,595	4,229	33,907	15,922	3,755	2,382	22,059
General and administrative	30,113	15,881	35,274	81,268	22,750	12,832	46,963	82,545
Amortization of intangible assets			2,331	2,331			3,624	3,624
Restructuring charges			(278)	(278)			(1,331)	(1,331)
Litigation settlement							1,750	1,750
Total operating expenses	125,111	56,937	45,443	227,491	98,797	46,231	54,690	199,718
Income (loss) from operations	\$ 49,905	(3,732)	(48,599)	(2,426)	\$ 54,625	\$ (1,279)	\$ (56,630)	\$ (3,284)

**Real Estate Services**

Real Estate Services consists of products and services that promote and connect real estate professionals to consumers through our REALTOR.com<sup>®</sup>, New Homes and Rentals on Move.com<sup>™</sup> and SeniorHousingNet<sup>™</sup>.com web sites, in addition to our customer relationship management applications for REALTORS<sup>®</sup> offered through our TOP PRODUCER<sup>®</sup> business. During the second quarter of 2006, we launched Move.com as a real estate listing and move-related search site. Shortly after its launch, Move.com replaced HomeBuilder.com<sup>®</sup> and RENTNET<sup>®</sup>.com and

we began promoting those under the Move™ brand. Our revenue is derived from a variety of advertising and software services, including enhanced listings, company and property display advertising, customer relationship management applications and web site sales which we sell to those businesses interested in reaching our targeted audience or those professionals interested in being more effective in managing their contact with consumers.

Real Estate Services revenue increased approximately \$27.0 million, or 15%, to \$208.3 million for the year ended December 31, 2006, compared to \$181.3 million for the year ended December 31, 2005. The revenue increase was primarily generated by an increase in our REALTOR.com® business driven by increased customer count and higher average spending per customer on our Enhanced Listing Product, increased Featured Home revenue, and revenue associated with the new Featured CMA Product that was launched in the second quarter of 2006. Additionally, there was an increase in our Top Producer business primarily due to continued growth in our 7i™ subscriber base. These increases were partially offset by a decrease in revenue from our New Homes and Rentals businesses as a result of the transition to the new Move.com web site with the introduction of free content and our new Featured Listing product. Real Estate Services revenue represented approximately 72% of total revenue for the years ended December 31, 2006 and December 31, 2005.

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Real Estate Services expenses increased \$31.7 million, or 25%, to \$158.4 million for the year ended December 31, 2006 from \$126.7 million for the year ended December 31, 2005. We incurred \$5.6 million in expense for non-cash stock-based compensation during the year ended December 31, 2006 associated with the adoption of SFAS 123R as of January 1, 2006. The remaining increase was due to a \$16.5 million increase in consulting and personnel related costs primarily related to increased product development efforts, a \$7.0 million increase in online distribution costs, and other operating cost increases of \$2.6 million.

Real Estate Services generated operating income of \$49.9 million for the year ended December 31, 2006 compared to \$54.6 million for the year ended December 31, 2005 primarily due to the increased expenses discussed above. We have announced plans for additional investments in our New Homes and Rentals businesses to introduce auction pricing and self-serve products and this change could negatively impact our operating income in this segment for the near future. We will continue to seek increased revenue through new product offerings and new market opportunities.

***Move-Related Services***

Move-Related Services consists of advertising products and lead generation tools including display, text-link and rich advertising positions, directory products, price quote tools and content sponsorships on Move.com<sup>tm</sup>, Moving.com, and other related sites which we sell to those businesses interested in reaching our targeted audience. In addition, it includes our Welcome Wagon<sup>®</sup> new-mover direct mail advertising products and the sale of new home plans and related magazines through our Homeplans business.

Move-Related Services revenue increased \$10.8 million, or 15%, to \$82.1 million for the year ended December 31, 2006, compared to \$71.3 million for the year ended December 31, 2005. There was a \$6.9 million increase in revenue as a result of the acquisition of Moving.com on February 22, 2006. Additionally, there was an increase in the Welcome Wagon business through improved local book revenue and continued growth in our Pinpoint product and an increase in our on-line advertising revenue. These increases were partially offset by a decline in revenues from our Homeplans business. Move-Related Services revenue represented approximately 28% of total revenue for the years ended December 31, 2006 and December 31, 2005.

Move-Related Services expenses increased \$13.2 million, or 18%, to \$85.8 million for the year ended December 31, 2006 from \$72.6 million for the year ended December 31, 2005. We incurred \$1.8 million in expense for non-cash stock-based compensation during the year ended December 31, 2006 associated with the adoption of SFAS 123R as of January 1, 2006. The remaining increase was due to a \$6.2 million increase in expenses as a result of the acquisition of Moving.com, increased personnel related costs in sales and marketing of \$3.1 million, increased online distribution costs of \$0.9 million, increased bad debt expense of \$0.9 million primarily due to one customer, and other cost increases of \$0.3 million.

Move-Related Services generated an operating loss of \$3.7 million for the year ended December 31, 2006 compared to an operating loss of \$1.3 million for the year ended December 31, 2005 primarily due to factors outlined above. We have announced plans for additional investments in our Welcome Wagon business that could negatively impact our operating results in this segment in the near future. We continue to seek increased revenue through new product offerings and new market opportunities.

***Unallocated***

Unallocated expenses decreased \$8.0 million, or 14%, to \$48.6 million for the year ended December 31, 2006 from \$56.6 million for the year ended December 31, 2005. The decrease was primarily due to a \$15.6 million decrease in legal fees resulting from our obligation to advance legal fees to certain former officers in 2005, a decrease in

personnel related costs of \$1.3 million, a decrease of \$1.2 million due to an insurance refund, and other cost decreases of \$0.7 million. These decreases were partially offset by an increase of \$8.0 million in expense for non-cash compensation primarily associated with the adoption of SFAS 123R in 2006, and the award of restricted stock units to certain executive officers and an increase of \$2.8 million in depreciation expense.

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**For the Years Ended December 31, 2005 and 2004**

***Revenue***

Revenue increased approximately \$35.8 million, or 16%, to \$252.6 million for the year ended December 31, 2005 from revenue of \$216.8 million for the year ended December 31, 2004. The increase in revenue was due to increases of \$33.0 million in the Real Estate Services segment and \$2.8 million in the Move-Related Services segment. These increases by segment are explained in the segment information below.

***Cost of Revenue***

Cost of revenue increased approximately \$5.4 million, or 11%, to \$56.2 million for the year ended December 31, 2005 from \$50.8 million for the year ended December 31, 2004. The increase was primarily due to increases in personnel related costs of \$2.1 million, increases in material and shipping costs of \$2.7 million, increases in hosting and imaging costs of \$1.0 million, and other cost increases of \$1.1 million, offset by a \$1.5 million decrease in royalties resulting from renegotiated contracts.

Gross margin percentage for the year ended December 31, 2005 was 78%, compared to 77% for the year ended December 31, 2004. The increase in gross margin percentage was primarily due to the factors mentioned above.

***Operating Expenses***

We have provided the major categories of changes in each of our operating expenses so our investors can better understand our operating expense structure.

*Sales and Marketing.* Sales and marketing expenses, including non-cash stock-based charges, increased approximately \$2.7 million, or 3%, to \$91.1 million for the year ended December 31, 2005 from \$88.4 million for the year ended December 31, 2004. The overall increase was primarily due to increases in personnel related costs of \$5.0 million and increased offline marketing costs of \$1.2 million, offset by reduced online distribution costs of \$2.9 million due to renegotiated agreements and other cost reductions of \$0.6 million.

*Product and Web Site Development.* Product and web site development expenses increased approximately \$6.7 million, or 44%, to \$22.1 million for the year ended December 31, 2005 from \$15.4 million for the year ended December 31, 2004. The increase was primarily due to an increase in consulting and personnel related costs to improve our product offerings in our HomeBuilder.com<sup>®</sup>, RENTNET<sup>®</sup>, TOP PRODUCER<sup>®</sup>, and Welcome Wagon<sup>®</sup> businesses.

*General and Administrative.* General and administrative expenses, including non-cash stock-based charges, increased approximately \$14.1 million, or 21%, to \$82.5 million for the year ended December 31, 2005 from \$68.4 million for the year ended December 31, 2004. As a result of our obligation to advance expenses (including attorneys' fees) to, and in certain cases indemnify, our former officers and the resulting settlement agreements with certain of these former officers as discussed in Note 20 Settlements of Disputes and Litigation and Note 21 Commitments and Contingencies, to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K, we recorded \$15.6 million in expenses during the year ended December 31, 2005 compared to \$7.2 million during the year ended December 31, 2004, an increase of \$8.4 million. There were also increases in personnel related costs of \$4.5 million and consulting costs of \$3.7 million resulting from various corporate projects including the implementation of a new enterprise resource planning system and the planning of the relocation of our data center. These increases were offset by a \$1.6 million reduction in accounting fees as the cost of compliance with Section 404 of Sarbanes-Oxley and

associated audit costs were reduced during our second year of compliance and other cost decreases of \$0.9 million.

*Amortization of Intangible Assets.* Amortization of intangible assets was \$3.6 million for the year ended December 31, 2005 compared to \$7.9 million for the year ended December 31, 2004. The decrease in amortization was due to certain intangible assets becoming fully amortized during 2005.

*Restructuring Charges.* We recorded a \$1.3 million reduction to our restructuring charges for the year ended December 31, 2005 as a result of changes in estimates for previous restructuring plans. These changes resulted primarily from a decrease in the estimate for charges related to our San Francisco office space and a change in the

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exchange rates decreasing our Canadian lease obligation as well as other revisions of estimated contractual liabilities.

Restructuring charges were \$1.3 million for the year ended December 31, 2004 as a result of revisions to estimates of our sublease assumptions of our remaining San Francisco office space and changes in the exchange rates for our Canadian lease. There were no new restructuring plans approved during the years ended December 31, 2005 and 2004.

*Litigation Settlement.* We recorded litigation settlement charges of \$1.8 million and \$2.2 million for the years ended December 31, 2005 and December 31, 2004, respectively. These settlements are discussed in Note 21, Settlements of Disputes and Litigation to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K.

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

	<b>Year Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
Sales and marketing	\$ 291	\$ 301
General and administrative	824	518
	<b>\$ 1,115</b>	<b>\$ 819</b>

Stock-based charges remained relatively consistent, increasing by \$0.3 million, to \$1.1 million for the year ended December 31, 2005 compared to \$0.8 million for the year ended December 31, 2004.

***Interest Income, Net***

Interest income, net, increased \$1.7 million to \$2.4 million for the year ended December 31, 2005 from \$0.7 million for the year ended December 31, 2004, primarily due to increases in short-term investment balances and higher interest rates on those balances.

***Other Income, Net***

Other income, net, decreased \$1.7 million to \$0.6 million for the year ended December 31, 2005 compared to \$2.4 million for the year ended December 31, 2004 primarily due to a \$1.4 million gain realized on the sale of an office building owned by the Company during the year ended December 31, 2004. There was no sale of assets of similar magnitude during the year ended December 31, 2005.

***Gain on Disposition of Discontinued Operations and Loss from Discontinued Operations***

On October 6, 2004, we sold our Wyldfyre division for \$8.5 million in cash and recorded a gain on disposition of discontinued operations of \$5.7 million for the year ended December 31, 2004. On December 21, 2004, we sold our Computers for Tracts division for \$2.5 million and recorded a gain on disposition of discontinued operations of \$1.6 million for the year ended December 31, 2004. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, our Consolidated Financial Statements reflect these as discontinued operations. The results of operations for the Wyldfyre and Computer for Tracts divisions included operating losses of \$0.7 million for the year ended December 31, 2004. During the year ended December 31, 2005, we recorded a gain on

disposition of discontinued operations of \$0.9 million as a result of the release of escrowed funds related to the sale of Wyldfyre.

***Income Taxes***

As a result of operating losses and our inability to recognize a benefit from our deferred tax assets, we have not recorded a provision for income taxes for the years ended December 31, 2005 and December 31, 2004. We have provided a full valuation allowance on our deferred tax assets, consisting primarily of net operating loss carryforwards, due to the likelihood that we may not generate sufficient taxable income during the carry-forward period to utilize the net operating loss carryforwards.



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Summarized information by segment as excerpted from internal management reports is as follows (in thousands):

	Year Ended December 31, 2005				Year Ended December 31, 2004			
	Real Estate Services	Move-Related Services	Unallocated	Total	Real Estate Services	Move-Related Services	Unallocated	Total
Revenue	\$ 181,324	\$ 71,298	\$	\$ 252,622	\$ 148,359	\$ 68,501	\$	\$ 216,860
Cost of revenue	27,902	26,346	1,940	56,188	28,213	21,784	832	50,829
Gross profit (loss)	153,422	44,952	(1,940)	196,434	120,146	46,717	(832)	166,031
Sales and marketing	60,125	29,644	1,302	91,071	59,039	28,637	712	88,388
Product and web site development	15,922	3,755	2,382	22,059	13,425	1,936	1	15,362
General and administrative	22,750	12,832	46,963	82,545	21,033	12,373	35,036	68,442
Amortization of intangible assets			3,624	3,624			7,894	7,894
Litigation settlement			(1,331)	(1,331)			2,168	2,168
Restructuring charges			1,750	1,750			1,316	1,316
Total operating expenses	98,797	46,231	54,690	199,718	93,497	42,946	47,127	183,570
Income (loss) from operations	\$ 54,625	\$ (1,279)	\$ (56,630)	\$ (3,284)	\$ 26,649	\$ 3,771	\$ (47,959)	\$ (17,539)

**Real Estate Services**

Real Estate Services revenue increased approximately \$33.0 million, or 22%, to \$181.3 million for the year ended December 31, 2005, compared to \$148.4 million for the year ended December 31, 2004. The revenue increase was primarily generated by an increase in our REALTOR.com<sup>®</sup> business driven by increased customer count and higher average spending per customer on our Enhanced Listings Product and an increase in our Top Producer<sup>®</sup> product offerings as our subscriber base for the on-line software continues to grow. These increases were partially offset by a reduction in revenue from our HomeBuilder.com<sup>®</sup> and RENTNET<sup>®</sup> businesses. Real Estate Services revenue represented approximately 72% of total revenue for the year ended December 31, 2005 compared to 68% of the total revenue for the year ended December 31, 2004.

Real Estate Services expenses increased \$5.0 million, or 4%, to \$126.7 million for the year ended December 31, 2005 from \$121.7 million for the year ended December 31, 2004. The increase was primarily due to a \$6.7 million increase in personnel related costs resulting from increased sales and product development efforts and other operating cost increases of \$1.5 million, offset by a \$1.6 million reduction in royalty expense and a \$1.6 million reduction in online distribution costs related to new agreements.

Real Estate Services generated operating income of \$54.6 million for the year ended December 31, 2005 compared to operating income of \$26.6 million for the year ended December 31, 2004 primarily due to the significant growth in revenues.

*Move-Related Services*

Move-Related Services revenue increased \$2.8 million, or 4%, to \$71.3 million for the year ended December 31, 2005, compared to \$68.5 million for the year ended December 31, 2004. The increase was primarily generated in our Welcome Wagon® business through new product offerings, including Early Advantage™ which was introduced in late 2004 and the National Book introduced in the fourth quarter of 2005, as well as continued growth in our Pinpoint product and an increase in our on-line advertising revenue. These increases were offset by a reduction in revenues generated from our Homeplans business. Move-Related Services revenue represented approximately 28% of total revenue for the year ended December 31, 2005, compared to 32% of total revenue for the year ended December 31, 2004.

Move-Related Services expenses increased \$7.8 million, or 12%, to \$72.6 million for the year ended December 31, 2005 from \$64.7 million for the year ended December 31, 2004. The increase was primarily

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due to increased cost of sales of \$4.6 million associated with the new products described above, increased product development costs of \$1.8 million as investments are being made to create new online consumer products, increased personnel related costs in sales and marketing of \$2.7 million, offset by a \$1.3 million reduction in online distribution costs.

Move-Related Services generated an operating loss of \$1.3 million for the year ended December 31, 2005 compared to operating income of \$3.8 million for the year ended December 31, 2004 primarily due to factors outlined above.

***Unallocated***

Unallocated expenses increased \$8.7 million, or 18% to \$56.6 million for the year ended December 31, 2005 from \$48.0 million for the year ended December 31, 2004. As a result of our obligation to advance expenses (including attorneys' fees) to, and in certain cases indemnify, our former officers and the resulting settlement agreements with certain of these former officers as discussed in Note 20 Settlements of Disputes and Litigation, and Note 21, Commitments and Contingencies, to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K, we recorded \$15.6 million in expenses during the year ended December 31, 2005 compared to \$7.2 million in expenses during the year ended December 31, 2004, an increase of \$8.4 million. There were increases in consulting and personnel related costs of \$7.5 million resulting from various corporate projects including the implementation of a new enterprise resource planning system and the planning of the relocation of our data center as well as other cost increases of \$1.3 million, offset by a \$4.3 million decrease in amortization as certain intangibles became fully amortized during 2005, a \$2.6 million reduction in restructuring charges and a \$1.6 million reduction in accounting fees as the cost of compliance with Section 404 of Sarbanes-Oxley and associated audit costs were reduced during our second year of compliance. We continue to seek reductions in our corporate overhead expenses but cannot provide assurances that reductions will be achieved.

**Liquidity and Capital Resources**

Net cash provided by continuing operating activities of \$23.4 million for the year ended December 31, 2006 was attributable to net income from continuing operations of \$22.1 million and non-cash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, stock-based charges and other non-cash items, aggregating to \$30.4 million, offset by changes in operating assets and liabilities of approximately \$29.1 million. The \$14.7 million increase in other assets was primarily due to the sale of \$15.7 million in investments as of December 31, 2006 wherein cash proceeds were received subsequent to year end. The \$17.1 million decrease in accounts payable and accrued expenses was primarily due to payments made for accrued litigation and officer's legal costs and reduced bonus accruals.

Net cash provided by continuing operating activities of \$5.8 million for the year ended December 31, 2005 was attributable to the net loss from continuing operations of \$0.3 million, offset by non-cash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts and stock-based charges, aggregating to \$13.0 million and increased by the gain on sale of fixed assets and other non-cash items of \$0.3 million. Reducing the cash provided by continuing operating activities were the changes in operating assets and liabilities of approximately \$6.6 million, primarily driven by a \$4.2 million increase in accounts receivable resulting from new product offerings.

Net cash used in investing activities of \$26.7 million for the year ended December 31, 2006 was primarily attributable to purchases of short-term investments of \$30.3 million, increased capital expenditures of \$12.9 million due to the build out of our new data center, the acquisition of Moving.com of \$9.6 million and the purchase of intangible assets of \$0.3 million, partially offset by maturities of short-term investments of \$26.3 million. The actual cash used in investing activities was \$22.8 million, as the \$30.3 million and \$26.3 million of investment activity reflects the gross

purchases and sales of investments which is a classification requirement. These investments are available to us as cash in less than 60 days at any point in time and there is minimal principal risk.

Net cash used in investing activities of \$105.0 million for the year ended December 31, 2005 was attributable to purchases of short-term investments of \$116.3 million and increased capital expenditures of \$11.2 million due to the build-out of a new data center, partially offset by maturities of short-term investments of \$22.3 million and the

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sale of assets of \$0.2 million. The actual cash used in investing activities was \$11.0 million, as the \$116.3 million and \$22.3 million of investment activity is a classification requirement as discussed above.

Net cash provided by financing activities of \$4.9 million for the year ended December 31, 2006 was primarily attributable to \$6.9 million due to the exercise of stock options and warrants and a reduction in restricted cash balances of \$0.7 million, partially offset by \$2.7 million in capital lease payments.

Net cash provided by financing activities of \$96.7 million for the year ended December 31, 2005 was primarily attributable to \$94.1 million in net proceeds from the sale of convertible preferred stock, \$3.6 million due to the exercise of stock options and a reduction in restricted cash balances of \$0.8 million, partially offset by \$1.8 million in capital lease payments.

We have generated positive operating cash flows in each of the last two years. We have stated our intention to invest in our products, our infrastructure, and in branding Move.com<sup>tm</sup> although we have not determined the actual amount of those future expenditures. We have no material financial commitments other than those under capital and operating lease agreements and online distribution and marketing agreements. We believe that our existing cash and short-term investments, and any cash generated from operations will be sufficient to fund our working capital requirements, capital expenditures and other obligations for the foreseeable future.

Our contractual obligations as of December 31, 2006 are as follows (in thousands):

	<b>Payments Due by Period</b>					
	<b>Total Payments Due</b>	<b>Due in One Year or Less</b>	<b>Due in One to Three Years</b>	<b>Due in Three to Five Years</b>	<b>Over Five Years</b>	
Capital lease obligations	\$ 4,389	\$ 2,129	\$ 2,260	\$	\$	
Operating lease obligations	15,425	6,648	3,206	2,143	3,428	
Distribution agreements	7,700	7,700				
Web services agreements	420	420				
Other purchase obligations	7,950	1,590	3,180	3,180		
<b>Total</b>	<b>\$ 35,884</b>	<b>\$ 18,487</b>	<b>\$ 8,646</b>	<b>\$ 5,323</b>	<b>\$ 3,428</b>	

In addition, we have commitments of approximately \$1.3 million to purchase property, plant and equipment, software licenses and consulting services as of December 31, 2006.

Although our annual net losses have declined and we anticipate remaining profitable in the future, we announced our new brand Move<sup>tm</sup> and certain business model changes in February 2006 that will require considerable investment with no assurances that our future financial performance will be enhanced by these new initiatives. Specifically, in June 2006 we changed our corporate name to Move, Inc. and introduced our new Move brand, under which we now promote three consumer offerings: REALTOR.com<sup>®</sup>, WelcomeWagon.com<sup>tm</sup>, and a new website, Move.com. We will incur considerable costs in introducing and supporting our new brand, which may not produce the same or greater revenue than we have experienced in the past.

In November 2005, we sold an aggregate of 100,000 shares of our Series B Preferred Stock for an aggregate purchase price of \$100 million to Elevation Partners, L.P. and its affiliate, Elevation Employee Side Fund, LLC (together Elevation ). For so long as the holders of Series B Preferred Stock hold at least one-sixth of these 100,000 shares of Series B Preferred Stock, we are generally not permitted, without obtaining the consent of holders representing at least a majority of the then outstanding shares of Series B Preferred Stock, to create or issue any equity securities that rank senior or on a parity with the Series B Preferred Stock with respect to dividend rights or rights upon our liquidation. In addition, our stockholders agreement with Elevation limits the amount of debt we can incur. If we need to raise additional capital through public or private financing, strategic relationships or other arrangements to execute our business plan, we would be restricted in the type of equity securities that we could offer and the amount of debt we can incur without the consent of Elevation. If we were unable to obtain Elevation's consent, we may not be able to raise additional capital in the amounts that may be needed to fund our business or for terms that are desirable.

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### **Off-Balance Sheet Arrangements**

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us.

### **Recent Accounting Developments**

In July 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48 ( FIN 48 ) Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standard ( SFAS ) No. 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We will adopt FIN 48 in the first quarter of our next fiscal year and are currently assessing the possible impact implementing FIN 48 may have on our financial position and results of operations.

In June 2006, the FASB ratified EITF Issue No. 06-03 How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation) ( EITF 06-03 ). Under EITF 06-03, a company must disclose its accounting policy regarding the gross or net presentation of certain taxes. If taxes included in gross revenues are significant, a company must disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of this EITF are those that are imposed on and concurrent with a specific revenue-producing transaction. Taxes assessed on an entity's activities over a period of time, such as gross receipts taxes, are not within the scope of the EITF. EITF 06-03 is effective for the first annual or interim reporting period beginning after December 15, 2006. We will continue to report taxes collected from customers on a net presentation basis after adoption of EITF 06-03.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115, ( SFAS 159 ). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157, Fair Value Measurements. We are currently evaluating whether the adoption of this statement will have a material effect on our financial condition, our results of operations or our liquidity.

### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

*Interest Rate Risk.* Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. We invest our excess cash in money-market funds, auction rate securities, debt instruments of high quality corporate issuers and debt instruments of the U.S. Government and its agencies, and, by policy, this limits the amount of credit exposure to any one issuer.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.



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**Item 8. *Financial Statements and Supplementary Data***

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of Move, Inc.

We have audited the accompanying consolidated balance sheets of Move, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Move, Inc. at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, Move, Inc. changed its method of accounting for Share-Based Payments in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) on January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Move, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion thereon.

Los Angeles, California  
March 1, 2007

**Table of Contents****MOVE, INC.****CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(In thousands)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,873	\$ 13,272
Short-term investments	142,975	139,050
Accounts receivable, net of allowance for doubtful accounts of \$3,331 and \$1,377 at December 31, 2006 and 2005, respectively	18,279	15,966
Other current assets	34,468	19,485
Total current assets	210,595	187,773
Property and equipment, net	29,245	20,717
Goodwill, net	23,877	19,502
Intangible assets, net	16,715	14,264
Restricted cash	4,279	5,026
Other assets	1,238	1,744
Total assets	\$ 285,949	\$ 249,026
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 4,904	\$ 6,427
Accrued expenses	26,738	40,879
Obligation under capital leases	1,904	1,005
Deferred revenue	50,075	43,652
Total current liabilities	83,621	91,963
Obligation under capital leases	2,167	
Other non-current liabilities	2,497	3,790
Total liabilities	88,285	95,753
Commitments and contingencies (Note 21)		
Series B convertible preferred stock	96,212	91,349
Series A convertible preferred stock		
Common stock, \$.001 par value; 500,000 shares authorized, 154,116 and 149,201 shares issued and outstanding at December 31, 2006 and December 31, 2005, respectively	154	149
Additional paid-in capital	2,069,399	2,047,456
Deferred stock-based charges		(351)
Accumulated other comprehensive income	326	343
Accumulated deficit	(1,968,427)	(1,985,673)

Total stockholders' equity	101,452	61,924
Total liabilities and stockholders' equity	\$ 285,949	\$ 249,026

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**MOVE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(In thousands, except per share amounts)</b>		
Revenue	\$ 290,384	\$ 252,622	\$ 216,860
Cost of revenue	65,319	56,188	50,829
Gross profit	225,065	196,434	166,031
Operating expenses:			
Sales and marketing	110,263	91,071	88,388
Product and web site development	33,907	22,059	15,362
General and administrative	81,268	82,545	68,442
Amortization of intangible assets	2,331	3,624	7,894
Restructuring charges	(278)	(1,331)	1,316
Litigation settlement		1,750	2,168
Total operating expenses	227,491	199,718	183,570
Loss from operations	(2,426)	(3,284)	(17,539)
Interest income, net	7,255	2,351	672
Other income, net	17,410	623	2,366
Income (loss) from continuing operations before income taxes	22,239	(310)	(14,501)
Provision for income taxes	(134)		
Income (loss) from continuing operations	22,105	(310)	(14,501)
Gain on disposition of discontinued operations		855	7,294
Loss from discontinued operations			(679)
Net income (loss)	22,105	545	(7,886)
Convertible preferred stock dividends and related accretion	(4,859)	(408)	
Net income (loss) applicable to common stockholders	\$ 17,246	\$ 137	\$ (7,886)
Basic income (loss) per share applicable to common stockholders			
Continuing operations	\$ 0.11	\$ (0.01)	\$ (0.11)
Discontinued operations		0.01	0.05
Basic income (loss) per share applicable to common stockholders	\$ 0.11	\$ 0.00	\$ (0.06)
Diluted income (loss) per share applicable to common stockholders			
Continuing operations	\$ 0.11	\$ (0.00)	\$ (0.11)
Discontinued operations		0.00	0.05

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Diluted income (loss) per share applicable to common stockholders	\$ 0.11	\$ 0.00	\$ (0.06)
Shares used in calculation of income (loss) per share applicable to common stockholders:			
Basic	151,170	147,175	136,518
Diluted	163,394	182,548	136,518

The accompanying notes are an integral part of these consolidated financial statements.

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## MOVE, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Convertible Preferred Stock	Common Stock		Additional Paid-in Capital	Treasury Stock (In thousands)	Deferred Stock- based Charges	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares Amount	Shares	Amount	Capital	Stock	Charges	(loss)	Deficit	Equity
Balance at December 31, 2003	\$	120,871	\$ 122	\$ 1,992,591	\$ (14,470)	\$ (258)	\$ 267	\$ (1,977,924)	\$
Comprehensive income :									
Net income								(7,886)	(7,886)
Realized loss on debt securities							2		
Foreign currency translation							140		
Comprehensive loss							142	(7,886)	(7,886)
Exercise of common stock under employee purchase plan and exercise of stock options		3,146	4	3,862					3,866
Exercise of restricted stock		148		667		(367)			408
Reversal of treasury stock			(1)	(14,469)	14,470				
Share-based charges accrued						219			219
Settlement of litigation		22,703	22	60,402					83,127
Balance at December 31, 2004	\$	146,868	\$ 147	\$ 2,043,053	\$	\$ (406)	\$ 409	\$ (1,985,810)	\$ 57,243
Comprehensive income :									
Net income								545	545
Realized gain on debt securities							(2)		
Foreign currency translation							(64)		
Comprehensive income							(66)	545	479

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Balance of common stock under exercise of options	1,962	2	3,617						3,617
Balance of restricted stock	106		219		(219)				
Share-based charges	115		249		274				
Convertible preferred dividend and								(408)	(408)
Issuance of discount shares issued in									
Settlement of contractual obligations	150		318						
Balance at December 31, 2005	\$ 149,201	\$ 149	\$ 2,047,456	\$	\$ (351)	\$ 343	\$ (1,985,673)	\$	\$ 61,625
Comprehensive income									
Net income								22,105	22,105
Realized gain on available securities						14,820			14,820
Realized gain on available securities						(14,809)			(14,809)
Foreign currency translation						(28)			(28)
Comprehensive income						(17)		22,105	22,088
Balance of common stock under exercise of options	4,852	5	6,884						6,884
Balance of restricted stock	110								
Repurchase of shares from treasury					(291)				(291)
Settlement of treasury shares	(47)		(291)	291					
Share-based compensation and			15,701						15,701
Convertible preferred dividend and								(4,859)	(4,859)
Issuance of discount shares issued in									
Classification of restricted compensation			(351)	351					
Balance at December 31, 2006	\$ 154,116	\$ 154	\$ 2,069,399	\$	\$	\$ 326	\$ (1,968,427)	\$	\$ 101,062





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## MOVE, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2006	2005	2004
	(In thousands)		
<b>Cash flows from continuing operating activities:</b>			
Income (loss) from continuing operations	\$ 22,105	\$ (310)	\$ (14,501)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by continuing operating activities:			
Depreciation	10,497	7,500	7,901
Amortization of intangible assets	2,331	3,624	7,894
Provision for doubtful accounts	2,200	731	340
Stock-based compensation and charges	15,675	1,115	819
Gain on sales of property and equipment		(156)	(2,226)
Other non-cash items	(305)	(109)	(40)
Changes in operating assets and liabilities, net of acquisitions and discontinued operations:			
Accounts receivable	(3,017)	(4,165)	(430)
Prepaid distribution expense			10,509
Other assets	(14,695)	(1,882)	(130)
Accounts payable and accrued expenses	(17,128)	(680)	1,414
Accrued distribution agreement			(7,406)
Deferred revenue	5,756	141	5,475
Net cash provided by continuing operating activities	23,419	5,809	9,619
Net cash provided by discontinued operations		855	9,915
Net cash provided by operating activities	23,419	6,664	19,534
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(12,923)	(11,154)	(3,716)
Acquisitions, net	(9,572)		
Purchases of short-term investments	(30,250)	(116,285)	(24,465)
Maturities of short-term investments	26,325	22,275	1,000
Purchases of intangible assets	(300)		
Proceeds from sales of property and equipment		203	6,737
Net cash used in investing activities	(26,720)	(104,961)	(20,444)
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of stock options, warrants and share issuances under employee stock purchase plan	6,890	3,619	3,866
Payments on capital lease obligations	(2,735)	(1,760)	(2,079)
Restricted cash	747	814	
Proceeds from sale of convertible preferred stock		94,077	

Net cash provided by financing activities	4,902	96,750	1,787
Change in cash and cash equivalents	1,601	(1,547)	877
Cash and cash equivalents, beginning of period	13,272	14,819	13,942
Cash and cash equivalents, end of period	\$ 14,873	\$ 13,272	\$ 14,819

The accompanying notes are an integral part of these consolidated financial statements.

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

Move, Inc. (the Company) has created an online service that enables consumers to find real estate listings and other content related to residential real estate, moving and relocation. The Company's web sites collectively have become the leading consumer destination on the Internet for home and real estate-related information based on the number of visitors, time spent on its web sites and number of property listings. The Company generates most of its revenue from selling advertising and marketing solutions to both real estate industry participants, including real estate agents, home builders and rental property owners, and other local and national advertisers interested in reaching the Company's consumer audience before, during or after a move. The Company also provides software solutions to real estate agents to assist them in managing their client interactions and architects' home plans to consumers considering building a new home. The Company derives all of its revenue from its North American operations.

During the second quarter of 2006, the Company launched Move.com<sup>tm</sup> as a real estate listing and move-related search site. Shortly after its launch, Move.com replaced HomeBuilder.com<sup>®</sup>, RENTNET<sup>®</sup> and Homestore.com<sup>®</sup> and the Company began promoting those services under the Move brand. The Company's primary consumer web site is now Move.com which provides new home, apartment, corporate housing, and self-storage listings and is a home information resource site with an emphasis on content related to mortgage financing, moving and storage, and home and garden activities. The Company's web sites also include REALTOR.com<sup>®</sup>, the official site of the National Association of REALTORS<sup>®</sup> (NAR); SeniorHousingNet.com, a comprehensive resource for seniors; and Moving.com which connects consumers with moving companies, van lines, truck rental providers and self storage facilities.

**2. Summary of Significant Accounting Policies**

*Principles of Consolidation and Basis of Presentation* The consolidated financial statements include the accounts of the parent company and its subsidiaries, all of which are wholly owned. All material intercompany transactions and balances have been eliminated in consolidation.

*Use of Estimates* The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

*Cash and Cash Equivalents, Short-Term Investments* All highly liquid instruments with an original maturity of three months or less are considered cash and cash equivalents, those with original maturities greater than three months and current maturities less than 12 months from the balance sheet date are considered short-term investments. The Company also invests in certain auction rate preferred equity and debt securities that have been classified as short-term investments in the accompanying balance sheets. The short-term investments are presented in current assets in the accompanying balance sheets, as they are intended to meet the short-term working capital needs of the Company. The Company does not invest in any long-term investments. It invests its excess cash in money-market funds, auction rate securities, debt instruments of high quality corporate issuers and debt instruments of the U.S. Government and its agencies, and, by policy, this limits the amount of credit exposure to any one issuer.

The Company's marketable securities and short-term investments are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in the comprehensive income (loss) component of stockholders' equity. Realized gains or losses and declines in value that are other than temporary, if any, on available-for-sale securities are calculated using the specific identification method and are reported in other income, net as incurred. For the year ended December 31, 2006, the Company recognized \$15.7 million in realized gains on the sale of marketable securities which are included within other income, net, \$14.8 million of which was reclassified from accumulated other comprehensive income into earnings for the period. For the years ended December 31, 2005 and 2004 realized gains and losses were immaterial.

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Restricted Cash* The restricted cash balance is related to letters of credit associated with contractual provisions of two of the Company's facilities lease commitments.

*Concentration of Credit Risk* Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, short and long term investments, marketable equity securities and accounts and notes receivable. The Company's accounts receivable are derived primarily from revenue earned from customers located in the United States. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of accounts and notes receivable.

*Fair Value of Financial Instruments* The Company's financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts payable, and notes payable are carried at cost, which approximates their fair value due to the short-term maturity of these instruments and the relatively stable interest rate environment.

*Prepaid Commissions* The Company prepays commissions to certain of its salespersons on the contract sale date and expenses the commission consistent with the revenue recognition term.

*Property and Equipment* Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three to five years for computer software and equipment, three to five years for furniture, fixtures and office equipment, and five to seven years for machinery and equipment. Amortization of assets recorded under capital leases is included in depreciation expense and amortized over the life of the lease. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives. Construction in progress is primarily related to the building of production equipment servers, software licenses and costs not yet deployed, and leasehold improvements. Depreciation for these assets commences once they are placed in service. Upon the sale or retirement of property or equipment, the cost and related accumulated depreciation and amortization are removed from the Company's financial statements with the resulting gain or loss reflected in the Company's results of operations.

*Product and Web Site Development Costs* The Company capitalizes the cost of software developed for internal use in accordance with Statement of Position ( SOP ) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and the Financial Accounting Standards Board's ( FASB ) Emerging Issue Task Force ( EITF ) Issue 00-02, Accounting for Website Development Costs. The Company had \$4.1 million and \$2.9 million of capitalized software costs and \$2.7 million and \$2.6 million of accumulated amortization included in computer software and equipment at December 31, 2006 and 2005, respectively.

*Identifiable Intangibles, Goodwill and other Long-Lived Assets* The Company has both indefinite and definite lived intangibles. Definite lived identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from one to 15 years. The Company assesses the impairment of long-lived assets, which include property and equipment and identifiable intangible assets, whenever events or changes in circumstances indicate that such assets might be impaired and the carrying value may not be recoverable. Events and circumstances that may indicate that an asset is impaired may include significant decreases in the market value of an asset or common stock, a significant decline in actual and projected advertising and software license revenue, loss of key customer relationships or renegotiation of existing arrangements, a change in the extent or manner in which an asset is used, shifts in technology, loss of key management or personnel, changes in the Company's operating model or strategy and competitive forces as well as other factors.

If events and circumstances indicate that the carrying amount of an asset may not be recoverable and the expected undiscounted future cash flows attributable to the asset are less than the carrying amount of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risk involved, quoted market prices or appraised values, depending on the nature of the assets. Goodwill has been recorded in connection with the Company's various acquisitions. In testing for a potential impairment of

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

goodwill, the Company will first compare the estimated fair value of each reporting unit with book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the respective reporting units of the Company is less than book value, then the Company is required to compare the carrying amount of the goodwill with its implied fair value. The estimate of implied fair value of goodwill may require independent valuations of certain internally generated and unrecognized intangible assets such as its subscriber base, software and technology and patents and trademarks. If the carrying amount of the goodwill exceeds the implied fair value of that goodwill, an impairment loss would be recognized in an amount equal to the excess. There were no impairment charges in the years ended December 31, 2006, 2005 and 2004.

The following table summarizes the Company's useful lives for significant intangible and long-lived assets:

<b>Type</b>	<b>Weighted Average Amortization Period (In Years)</b>
Customer, merchant lists and relationships	4.5
NAR operating agreement	15.5
Online traffic	3
Purchased technology	5.3
Trade names, trademarks and brand name	14.6
Other	4.6

*Revenue Recognition* The Company derives its revenue primarily from two sources (i) software revenue, which includes software licenses and support revenue which includes software maintenance, training, consulting and web site hosting revenue and (ii) advertising revenue for running online advertising on the Company's web sites or offline advertising placed in its publications. As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period.

The Company recognizes revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition, and EITF 00-21, Revenue Arrangements with Multiple Deliverables. Revenue is recognized only when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

The Company assesses collection based on a number of factors, including past transaction history with the customer and the credit worthiness of the customer. The Company does not request collateral from its customers. If the Company determines that collection of a fee is not reasonably assured, the Company defers the fee and recognizes revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash. Cash received in advance is recorded as deferred revenue until earned.

*Software Revenue* The Company generally licenses its software products in two ways: (i) on a one-year term basis; and (ii) on a monthly subscription basis. The Company's hosting arrangements require customers to pay a fixed fee and



receive service over a period of time, generally one year.

The Company applies the provisions of SOP 97-2, Software Revenue Recognition, as amended by SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, to all transactions involving the sale of software. The Company recognizes license revenue upon all of the following criteria being satisfied: (i) the execution of a license agreement; (ii) product delivery; (iii) fees are fixed or determinable; (iv) collectibility is reasonably assured; and (v) all other significant obligations have been fulfilled. For arrangements containing multiple elements, such as software license fees, consulting services and maintenance, and where vendor-specific objective evidence ( VSOE ) of fair value exists for all undelivered elements, the Company accounts for the delivered elements in accordance with the residual method prescribed by SOP 98-9. For arrangements in which VSOE does not exist for the undelivered element, including specified upgrades, revenue

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

is deferred and not recognized until either VSOE is established or delivery of the element without VSOE has occurred. The Company's arrangements generally do not include acceptance clauses. However, if an arrangement includes an acceptance clause, acceptance occurs upon the earlier of receipt of a written customer acceptance or expiration of the acceptance period. Revenue for maintenance services are recognized ratably over the contract term. Certain software products are sold as subscriptions, and accordingly, revenue is deferred and recognized ratably over the term of the contract which is typically based on a one-year renewable term.

*Advertising Revenue* The Company sells online and offline advertising. Online advertising revenue includes three revenue streams: (i) impression based, (ii) fixed fee subscriptions and (iii) variable, performance based agreements. The impressions 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. The fixed fee subscription revenue is recognized ratably over the period in which the services are provided. The Company measures performance related to advertising obligations on a monthly basis prior to the recording of revenue. Offline advertising revenue is recognized when the publications in which the advertising is displayed are shipped.

*Shipping and Handling Income and Costs* The Company accounts for income and costs related to shipping and handling activities in accordance with the EITF Issue 00-10, Accounting for Shipping and Handling Revenues and Costs. Income from shipping and handling is included with revenue. Associated costs of shipping and handling are included in cost of revenue.

*Advertising Expense* Advertising costs are expensed as incurred and totaled \$21.1 million, \$16.5 million and \$22.8 million during the years ended December 31, 2006, 2005 and 2004, respectively.

*Stock-Based Compensation and Charges* On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004) Share Based Payment (SFAS 123R) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values. SFAS 123R supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees (APB 25) for periods beginning in fiscal 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) related to SFAS 123R. The Company has applied the provisions of SAB 107 in its adoption of SFAS 123R.

The Company adopted SFAS 123R using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal year 2006. The Company's Consolidated Financial Statements as of and for the year ended December 31, 2006 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, the Company's Consolidated Financial Statements for prior periods have not been restated to reflect and do not include the impact of SFAS 123R. Stock-based compensation expense recognized under SFAS 123R for the year ended December 31, 2006 was \$11.4 million related to employee stock options.

Prior to January 1, 2006, the Company accounted for stock options granted in accordance with the provisions and related interpretations of APB 25 as permitted by Statement of Accounting Standards No. 123 Accounting for Stock-based Compensation (SFAS 123). Therefore, there was no stock-based compensation related to employee stock options for the years ended December 31, 2005 and 2004.

The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS 123 and EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods and Services.

*Income Taxes* Income taxes are accounted for under Statement of Financial Accounting Standards ( SFAS ) No. 109, Accounting for Income Taxes ( SFAS 109 ). Under SFAS 109, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities,

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred taxes to the amount expected to be realized.

*Net Income (Loss) Per Share* Net income (loss) per share is computed by dividing the net income (loss) applicable to common stockholders for the period by the weighted average number of common shares outstanding. Shares associated with stock options, warrants and convertible preferred stock are not included to the extent they are anti-dilutive.

*Foreign Currency Translation* The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rate of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange prevailing during the year. The resulting translation adjustments are included in accumulated other comprehensive income as a separate component of stockholders' equity.

*Comprehensive Income* Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the Company, comprehensive income consists of its reported net income or loss, the change in the foreign currency translation adjustments during a period and the net unrealized gains or losses on short-term investments and marketable equity securities.

*Segments* The Company reports segment information in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company's internal organization and disclosure of revenue and operating expenses based upon internal accounting methods. During the fourth quarter of 2005, the Company revised its business segments to align with the way it is approaching the market: Real Estate Services for those products and services offered to industry professionals trying to reach consumers and Move-Related Services for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move.

*Recent Accounting Developments* In July 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48 ( FIN 48 ) Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 in the first quarter of our next fiscal year and is currently assessing the possible impact implementing FIN 48 may have on its financial position and results of operations.

In June 2006, FASB ratified Emerging Issues Task Force ( EITF ) Issue 06-03, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation) ( EITF 06-03 ). Under EITF 06-03, a company must disclose its accounting policy regarding the gross or net presentation of certain taxes. If taxes included in gross revenues are significant, a company must disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of this EITF are those that are imposed on and concurrent with a specific

revenue-producing transaction. Taxes assessed on an entity's activities over a period of time, such as gross receipts taxes, are not within the scope of the EITF. EITF 06-03 is effective for the first annual or interim reporting period beginning after December 15, 2006. The Company will continue to report taxes collected from customers on a net presentation basis after adoption of EITF 06-03.

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*, ( SFAS 159 ). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*. The Company is currently evaluating whether the adoption of this statement will have a material effect on its financial conditions, its results of operations or its liquidity.

*Reclassifications* Certain reclassifications have been made to prior years' financial statements in order to conform to the 2006 presentations.

**3. Acquisitions and Disposals**

On February 21, 2006, the Company acquired certain assets and assumed certain liabilities of Moving.com, Inc. from TMP Directional Marketing, LLC for approximately \$9.6 million in cash. Moving.com connects consumers with moving companies, van lines, truck rental providers and self storage facilities. The acquisition has been accounted for as a purchase. The acquisition cost has been allocated to the assets acquired based on their respective fair values. The excess of purchase consideration over net tangible assets acquired of \$8.9 million has been allocated to goodwill and other identifiable intangible assets. The identifiable intangible assets include \$2.0 million associated with indefinite lived trade name and trademarks with the remaining being amortized over estimated lives ranging from two to seven years. At December 31, 2006, the Company had goodwill of \$4.4 million and net intangible assets of \$4.0 million associated with the Moving.com acquisition.

On October 6, 2004, the Company entered into an Asset Purchase Agreement with Wyld Acquisition Corp. ( Wyld ), a wholly owned subsidiary of Siegel Enterprises, Inc., pursuant to which the Company agreed to sell its Wyldfyre software business, which at the time had been reported as part of the Company's software segment, for a purchase price of \$8.5 million in cash. The transaction closed on October 6, 2004, resulting in a gain on disposition of discontinued operations of \$5.7 million for the year ended December 31, 2004. The sale generated net proceeds of approximately \$7.0 million after transaction fees and monies placed in escrow pursuant to the Asset Purchase Agreement. The entire amount in the escrow was released and an additional gain on disposition of discontinued operations of \$855,000 was recognized for the year ended December 31, 2005.

On December 21, 2004, the Company entered into an Asset Purchase Agreement with Newstar Systems, Inc. ( Newstar ) pursuant to which the Company agreed to sell its Computer for Tracts ( CFT ) software business, which at the time had been reported as part of the Company's software segment for a purchase price of approximately

\$2.5 million in cash. The transaction closed on December 21, 2004, resulting in a gain on disposition of discontinued operations of approximately \$1.6 million.

Pursuant to SFAS 144, the consolidated financial statements of the Company for all periods presented reflect the disposition of its Wyldfyre and CFT divisions as discontinued operations. Accordingly, the revenue, costs and expenses, and cash flows of these divisions have been excluded from the respective captions in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows and have been reported as Loss from discontinued operations, net of applicable income taxes of zero; and as Net cash provided by (used in)

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

discontinued operations. Total revenue and loss from discontinued operations for the year ended December 31, 2004 are reflected below (in thousands):

Revenue	\$ 9,137
Total expenses	9,816
Loss from discontinued operations	\$ (679)

The calculation of the gain on disposition of discontinued operations is as follows (in thousands):

	<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>
Gross proceeds from sale	\$ 855	\$ 10,981
Less:		
Cash subject to escrow		850
Net assets sold		2,210
Transaction costs		627
Gain on disposition of discontinued operations	\$ 855	\$ 7,294

**4. Restructuring Charges**

In the fourth quarter of 2001, the Company's Board of Directors approved a restructuring and integration plan, with the objective of eliminating duplicate resources and redundancies and implementing a new management structure to more efficiently serve the Company's customers. The plan included the unwinding of the Company's newly formed or recently acquired international operations and a broad restructuring of the Company's core operations.

As part of this restructuring and integration plan, the Company undertook a review of its existing locations and elected to close a number of satellite offices and identified and notified approximately 700 employees whose positions with the Company were eliminated. The work force reductions affected approximately 150 members of management, 100 in research and development, 200 in sales and marketing and 250 in administrative functions.

In connection with this restructuring and integration plan, the Company recorded a charge of \$35.8 million in the fourth quarter of 2001, which was included in restructuring charges on the Consolidated Statement of Operations. This charge consists of the following: (i) employee termination benefits of \$6.4 million; (ii) facility closure charges of \$20.8 million, comprised of \$12.8 million in future lease obligations, exit costs and cancellation penalties, net of estimated sublease income of \$11.9 million, and \$8.0 million of non-cash fixed asset disposals related to vacating duplicate facilities and decreased equipment requirements due to lower headcount; (iii) non-cash write-offs of \$2.9 million in other assets related to exited activities; and (iv) accrued future payments of \$5.7 million for existing



contractual obligations with no future benefits to the Company. During the year ended December 31, 2002, the Company revised its estimates relating to a lease obligation and recorded an additional \$6.5 million charge. The Company also reduced its estimates for employee termination pay by \$396,000 and its contractual obligations by \$798,000 in 2002. The Company's original estimate with respect to sublease income related primarily to a lease commitment for office space in San Francisco that expired in November 2006. The Company originally estimated that it would sublease the facility by the second quarter of 2003 at a rate of approximately two-thirds of the existing commitment. However, declines in the demand for office space in the San Francisco market have led the Company to revise these estimates on three other occasions. In the fourth quarter of 2003, the Company recorded an additional charge of \$1.3 million. During the year ended December 31, 2004, the Company recorded an additional charge of approximately \$1.0 million because the Company was uncertain it would be able to sublease the remaining one-third of the San Francisco property. During the year ended December 31, 2005, the Company negotiated a reduction to its lease obligation for the San Francisco property. That revision along with fluctuations in

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the exchange rate for some of the contractual obligations related to the foreign operations resulted in a \$1.3 million reduction in the restructuring charges. During the year ended December 31, 2006, the Company negotiated reductions of the contractual obligations related to the foreign operations resulting in a \$218,000 reduction in the restructuring charges.

A summary of activity related to the fourth quarter 2001 restructuring charge is as follows (in thousands):

	<b>Employee Termination Benefits</b>	<b>Lease Obligations and Related Charges</b>	<b>Asset Write-offs</b>	<b>Contractual Obligations</b>	<b>Total</b>
Initial restructuring charge	\$ 6,364	\$ 12,782	\$ 10,917	\$ 5,733	\$ 35,796
Cash paid	(3,511)	(137)		(141)	(3,789)
Non-cash charges			(10,917)		(10,917)
Restructuring accrual at December 31, 2001	2,853	12,645		5,592	21,090
Cash paid	(2,274)	(5,480)		(3,631)	(11,385)
Change in estimates	(396)	6,027		(798)	4,833
Non-cash charges		488			488
Sale of a subsidiary	(156)				(156)
Restructuring accrual at December 31, 2002	27	13,680		1,163	14,870
Cash paid	(6)	(4,970)		(576)	(5,552)
Change in estimates	(10)	1,290		(203)	1,077
Restructuring accrual at December 31, 2003	11	10,000		384	10,395
Cash paid	(5)	(3,966)		(11)	(3,982)
Change in estimates		987		28	1,015
Restructuring accrual at December 31, 2004	6	7,021		401	7,428
Cash paid		(3,260)		(8)	(3,268)
Change in estimates	(6)	(1,172)		(148)	(1,326)
Restructuring accrual at December 31, 2005		2,589		245	2,834
Cash paid		(2,544)		(20)	(2,564)
Change in estimates		(22)		(196)	(218)

Restructuring accrual at December 31, 2006	\$	\$	23	\$	\$	29	\$	52
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In the first quarter of 2002, the Company's Board of Directors approved an additional restructuring and integration plan, with the objective of eliminating duplicate resources and redundancies.

As part of this restructuring and integration plan, the Company undertook a review of its existing locations and elected to close offices and identified and notified approximately 270 employees whose positions with the Company were eliminated. The work force reductions affected approximately 30 members of management, 40 in research and development, 140 in sales and marketing and 60 in administrative functions.

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In connection with this restructuring and integration plan, the Company recorded a charge of \$2.3 million in the first quarter of 2002, which was included in restructuring charges in the consolidated statement of operations. This charge consists of the employee termination benefits of \$1.7 million and facility closure charges of approximately \$600,000. In the third quarter of 2002, the Company evaluated its original estimates and concluded it must increase its charge for lease obligations by \$1.6 million because of a decline in market rates and reduce its estimate for employee termination pay by \$242,000. In the fourth quarter of 2003, the Company reduced its estimate for employee termination by \$14,000 and increased its charge for lease obligations and related charges by \$46,000 as a result of changes in exchange rates. During the year ended December 31, 2004, the Company increased its charge for lease obligations and related charges by \$372,000 as a result of changes in exchange rates. During the year ended December 31, 2005, the Company increased its charge for lease obligation and related charges by \$29,000 as a result of changes in exchange rates. During the year ended December 31, 2006, the Company bought out the remaining term of the lease obligation resulting in a \$60,000 reduction in restructuring charges.

A summary of activity related to the first quarter 2002 restructuring charge is as follows (in thousands):

	<b>Employee Termination Benefits</b>	<b>Lease Obligations and Related Charges</b>	<b>Asset Write-offs</b>	<b>Total</b>
Initial restructuring charge	\$ 1,720	\$ 309	\$ 260	\$ 2,289
Non-cash charges			(260)	(260)
Cash paid	(1,452)	(187)		(1,639)
Change in estimates	(242)	1,584		1,342
Restructuring accrual at December 31, 2002	26	1,706		1,732
Cash paid	(12)	(387)		(399)
Change in estimates	(14)	46		32
Restructuring accrual at December 31, 2003		1,365		1,365
Cash paid		(386)		(386)
Change in estimates		372		372
Restructuring accrual at December 31, 2004		1,351		1,351
Cash paid		(414)		(414)
Change in estimates		29		29
Restructuring accrual at December 31, 2005		966		966
Cash paid		(881)		(881)
Change in estimates		(60)		(60)

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Restructuring accrual at December 31, 2006	\$	\$	25	\$	\$	25
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**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Short-term Investments**

The following table summarizes the Company's investments in available-for-sale securities classified as short-term investments and marketable equity securities at December 31, 2006 and 2005 (in thousands):

	<b>Book Value</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Estimated Fair Value</b>
December 31, 2006				
Corporate bonds	\$ 58,550	\$	\$	\$ 58,550
Municipal bonds	84,425			84,425
Total short term investments	\$ 142,975	\$	\$	\$ 142,975
December 31, 2005				
Money market funds	\$ 7,150	\$	\$	\$ 7,150
Municipal bonds	131,900			131,900
Total short term investments	\$ 139,050	\$	\$	\$ 139,050

The contractual maturities of available-for-sale debt securities at December 31, 2006 and 2005 were less than 60 days. Although the auction rate securities are reset every thirty to sixty days, the contractual maturities of the underlying available-for-sale debt securities at December 31, 2006 and 2005 were greater than one year.

**6. Property and Equipment**

Property and equipment consists of the following (in thousands):

	<b>As of December 31,</b>	
	<b>2006</b>	<b>2005</b>
Computer software and equipment	\$ 56,063	\$ 44,562
Furniture, fixtures and office equipment	4,358	4,264
Leasehold improvements	10,599	6,607
Machinery and equipment	2,389	1,380
Construction in progress	3,658	4,061
	77,067	60,874
Less: accumulated depreciation	(47,822)	(40,157)
	\$ 29,245	\$ 20,717

Depreciation expense, excluding discontinued operations, for the years ended December 31, 2006, 2005 and 2004 was \$10.5 million, \$7.5 million and \$7.9 million, respectively. Computer software and equipment above includes \$9.4 million and \$5.5 million of assets purchased under capital leases at December 31, 2006 and 2005, respectively. Amortization expense associated with assets purchased under capital leases for the years ended December 31, 2006, 2005 and 2004 was \$2.4 million, \$1.3 million, and \$926,000, respectively.

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Goodwill and Other Intangible Assets**

Goodwill increased by \$4.4 million for the year ended December 31, 2006 due to the purchase of certain assets and liabilities of Moving.com, Inc. Goodwill by segment as of December 31, 2006 and 2005 is as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2006</b>	<b>2005</b>
Real Estate Services	\$ 12,988	\$ 12,988
Move-Related Services	10,889	6,514
Total	\$ 23,877	\$ 19,502

The Company has both indefinite and definite lived intangibles. Indefinite-lived intangibles consist of \$2.3 million of trade name and trademarks acquired during the year ended December 31, 2006. Definite-lived intangible assets consist of certain trade names, trademarks, brand names, purchased technology and other miscellaneous agreements entered into in connection with business combinations and are amortized over expected periods of benefits. There are no expected residual values related to these intangible assets (in thousands):

	<b>As of December 31,</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Amount</b>	<b>Accumulated Amortization</b>
Trade names, trademarks, and brand names	\$ 22,046	\$ 8,184	\$ 19,746	\$ 6,902
Purchased technology	10,499	9,265	9,099	9,099
NAR <sup>®</sup> operating agreement	1,578	751	1,578	601
Customer lists and relationships	1,041	865	786	732
Other	6,340	5,724	5,515	5,126
Total	\$ 41,504	\$ 24,789	\$ 36,724	\$ 22,460

Amortization expense, excluding discontinued operations, for intangible assets for the years ended December 31, 2006, 2005 and 2004 was \$2.3 million, \$3.6 million and \$7.9 million, respectively. Amortization expense for the next five years is estimated to be as follows (in thousands):

<b>Year Ended December 31,</b>	<b>Amount</b>
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2007	\$ 1,990
2008	1,963
2009	1,687
2010	1,620
2011	1,617

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Other Current Assets**

Other current assets consist of the following (in thousands):

	<b>As of December 31,</b>	
	<b>2006</b>	<b>2005</b>
Receivable from sale of equity securities	\$ 15,743	\$
Prepaid commissions	7,849	7,139
Cash surrender value of life insurance policies	5,218	5,218
Other	5,658	7,128
	<b>\$ 34,468</b>	<b>\$ 19,485</b>

**9. Accrued Expenses**

Accrued expenses, current, consist of the following (in thousands):

	<b>As of December 31,</b>	
	<b>2006</b>	<b>2005</b>
Accrued payroll and related benefits	\$ 12,310	\$ 16,060
Accrued professional fees	1,429	9,140
Accrued restructuring charges	77	3,264
Other	12,922	12,415
	<b>\$ 26,738</b>	<b>\$ 40,879</b>

**10. Related-party Transactions**

As part of an employment agreement entered into in 2002, the Company reimburses its chief executive officer for the business use of an airplane, which is owned indirectly by him. Total expense incurred by the Company for reimbursement was approximately \$1.4 million, \$1.7 million and \$1.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

**11. Segment Information**

Segment information is presented in accordance with SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company's internal organization and disclosure of revenue and operating expenses based upon internal accounting

methods. During the fourth quarter of 2005, the Company revised its business segments to align with the way it is approaching the market: Real Estate Services for those products and services offered to industry professionals trying to reach consumers and manage their relationships with them and Move-Related Services for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move. As a result of these changes, we evaluate performance and allocate resources based on these two segments. We have reclassified previously reported segment data to conform to the current period presentation. This is consistent with the data that is made available to our management to assess performance and make decisions.

The expenses presented below for each of the business segments include an allocation of certain corporate expenses that are identifiable and benefit those segments and are allocated for internal management reporting purposes. The unallocated expenses are those corporate overhead expenses that are not directly attributable to a segment and include: corporate expenses, such as finance, legal, internal business systems, and human resources; amortization of intangible assets; litigation settlement charges; stock-based charges; impairment charges and

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

acquisition and restructuring charges. There is no inter-segment revenue. Assets and liabilities are not fully allocated to segments for internal reporting purposes.

The listing enhancement product within the Real Estate Services segment represented approximately 25%, 22%, and 19% of the overall revenue for fiscal years 2006, 2005 and 2004, respectively. The Featured Homes product within the Real Estate Services segment represented 11% of the overall revenue for fiscal year 2006. The Welcome Wagon gift book within the Move-Related Services segment represented approximately 11%, 12% and 14% of the overall revenue for fiscal years 2006, 2005 and 2004, respectively.

Summarized information, by segment, as excerpted from the internal management reports is as follows (in thousands):

**For the Year Ended December 31, 2006**

	<b>Real Estate Services</b>	<b>Move-Related Services</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	\$ 208,339	\$ 82,045	\$	\$ 290,384
Cost of revenue	33,323	28,840	3,156	65,319
Gross profit (loss)	175,016	53,205	(3,156)	225,065
Sales and marketing	69,915	36,461	3,887	110,263
Product and web site development	25,083	4,595	4,229	33,907
General and administrative	30,113	15,881	35,274	81,268
Amortization of intangible assets			2,331	2,331
Restructuring charges			(278)	(278)
Total operating expenses	125,111	56,937	45,443	227,491
Income (loss) from operations	\$ 49,905	\$ (3,732)	\$ (48,599)	\$ (2,426)

**For the Year Ended December 31, 2005**

	<b>Real Estate Services</b>	<b>Move-Related Services</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	\$ 181,324	\$ 71,298	\$	\$ 252,622
Cost of revenue	27,902	26,346	1,940	56,188
Gross profit (loss)	153,422	44,952	(1,940)	196,434
Sales and marketing	60,125	29,644	1,302	91,071
Product and web site development	15,922	3,755	2,382	22,059

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General and administrative	22,750	12,832	46,963	82,545
Amortization of intangible assets			3,624	3,624
Litigation settlement			1,750	1,750
Restructuring charges			(1,331)	(1,331)
Total operating expenses	98,797	46,231	54,690	199,718
Income (loss) from operations	\$ 54,625	\$ (1,279)	\$ (56,630)	\$ (3,284)

**Table of Contents****MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<b>For the Year Ended December 31, 2004</b>			
	<b>Real Estate Services</b>	<b>Move-Related Services</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	\$ 148,359	\$ 68,501	\$	\$ 216,860
Cost of revenue	28,213	21,784	832	50,829
Gross profit (loss)	120,146	46,717	(832)	166,031
Sales and marketing	59,039	28,637	712	88,388
Product and web site development	13,425	1,936	1	15,362
General and administrative	21,033	12,373	35,036	68,442
Amortization of intangible assets			7,894	7,894
Litigation settlement			2,168	2,168
Restructuring charges			1,316	1,316
Total operating expenses	93,497	42,946	47,127	183,570
Income (loss) from operations	\$ 26,649	\$ 3,771	\$ (47,959)	\$ (17,539)

**12. Stock Plans*****Option Plans***

In general, options granted by the Company vest over a four year period and are granted at fair market value at the date of grant. The life of an option grant cannot exceed ten years. In January 1999, the Board of Directors adopted, and in March 1999 the Company's stockholders approved, the 1999 Equity Incentive Plan ( 1999 Plan ) to replace a pre-existing stock option plan ( 1996 Plan ). The 1999 Plan provides for the issuance of both non-statutory and incentive stock options to employees, officers, directors and consultants of the Company. The initial number of shares of common stock reserved for issuance under the 1999 Plan was 10,000,000. In April 1999 and June 1999, the Board of Directors authorized, and the stockholders approved, an increase in the number of shares reserved for issuance under the 1999 Plan by an additional 3,000,000 shares and 625,000 shares, respectively.

In June 1999, the Board of Directors adopted, and the stockholders approved, the 1999 Stock Incentive Plan ( SIP ). The SIP reserves 4,900,000 shares of common stock for future grants. The SIP contains a provision for an automatic increase in the number of shares available for grant starting January 1, 2000 and each January thereafter by an amount equal to 4.5% of the outstanding shares as of the preceding December 31; provided, however, that the aggregate number of shares that qualify as Incentive Stock Options (as defined in the plan) must not exceed 20.0 million shares. In accordance with the provisions of the SIP, the number of options available for grant was increased by 6,937,250, 6,713,966 and 6,608,957 shares in January 2007, 2006 and 2005, respectively. Pursuant to the terms of the plan, no person is eligible to receive more than 2 million shares in any calendar year under the plan.

In connection with acquisitions prior to 2002, the Company assumed options of 5,400,000. Options outstanding as of December 31, 2006 pursuant to compensation plans assumed in connection with prior acquisitions were 100,214 and the weighted average exercise price of those option shares is \$22.41.

On January 15, 2002, the Board of Directors adopted the 2002 Stock Incentive Plan ( 2002 SIP ). The 2002 SIP reserved 15,000,000 shares of common stock for future grants of nonqualified stock options to employees, consultants, contractors and advisors as to be determined by the Compensation Committee of the Board of Directors. Pursuant to the terms of the plan, options granted to insiders (officers or directors of the Company who are subject to Section 16 of the Securities Exchange Act of 1934) may not exceed in the aggregate forty percent (40%) of all shares that are reserved for grant under the plan.

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the activities under the option plans for the years ended December 31, 2006, 2005 and 2004 (shares in thousands):

	<b>Number of Shares</b>	<b>Price per Share</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2003	22,549	\$ 0.30 to 89.25	\$ 2.87
Granted	8,459	2.18 to 4.88	3.37
Exercised	(1,739)	0.30 to 3.00	1.39
Cancelled	(1,356)	0.30 to 89.25	5.40
Outstanding at December 31, 2004	27,913	0.30 to 89.25	2.99
Granted	7,031	1.95 to 5.10	2.31
Exercised	(1,962)	0.30 to 4.80	1.84
Cancelled	(767)	0.30 to 69.63	5.86
Outstanding at December 31, 2005	32,215	0.30 to 89.25	2.84
Granted	6,274	4.40 to 6.45	5.13
Exercised	(4,612)	0.30 to 4.80	1.39
Cancelled	(2,264)	0.30 to 89.25	5.60
Outstanding at December 31, 2006	31,613	\$ 0.30 to 89.25	\$ 3.30

Common stock available for future grants as of December 31, 2006 was 11.9 million shares, but increased on January 1, 2007 to 18.9 million shares.

Additional information with respect to the outstanding options at December 31, 2006 is as follows (shares in thousands):

<b>Prices</b>	<b>Number of Shares</b>	<b>Options Outstanding Weighted Average Remaining Contractual Life</b>	<b>Weighted Average Exercise Price</b>	<b>Options Exercisable Number of Shares</b>	<b>Weighted Average Exercise Price</b>
\$0.30 to 1.72	1,159	5.79	\$ 0.97	1,126	\$ 0.97



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1.76	10,416	5.06	1.76	10,416	1.76
1.95 to 2.07	1,018	8.44	1.95	357	1.96
2.16	4,300	8.21	2.16	1,875	2.16
2.18 to 3.24	3,467	6.97	2.46	2,266	2.47
3.49 to 4.09	3,446	7.35	4.02	1,718	3.99
4.17 to 4.80	3,193	8.94	4.64	837	4.49
4.88 to 5.48	3,208	9.54	5.10	340	4.92
5.51 to 72.13	1,401	6.78	14.06	692	22.25
89.25	5	3.09	89.25	5	89.25
\$0.30 to \$89.25	31,613	7.01	\$ 3.30	19,632	\$ 2.95

The weighted-average fair value of options granted during the years ended December 31, 2006, 2005 and 2004 was \$3.69, \$1.87 and \$2.80, respectively. The total number of shares exercisable was 19.6 million, 19.8 million and 14.3 million at December 31, 2006, 2005 and 2004, respectively. The weighted average exercise price at those dates was \$2.95, \$2.91 and \$3.25, respectively.

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Stock-Based Compensation and Charges***

Prior to the adoption of SFAS 123R, the Company accounted for stock-based employee compensation arrangements in accordance with the provisions of APB 25, and complied with the disclosure provisions of SFAS 123. Under APB 25, compensation expense is recognized over the vesting period based on the difference, if any, on the date of grant between the deemed fair value for accounting purposes of the Company's stock and the exercise price on the date of grant.

Effective January 1, 2006, the Company accounts for stock issued to non-employees in accordance with the provisions of SFAS 123 and EITF 96-18 Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods and Services.

During the years ended December 31, 2006, 2005 and 2004, the Company issued 109,500, 105,450, and 77,250 shares of restricted stock, respectively, to certain members of the Company's Board of Directors. These shares will vest on the third anniversary of their issuance. The total intrinsic value associated with the issuance of these shares was \$522,000, \$219,000, and \$367,000 for the years ended December 31, 2006, 2005 and 2004, respectively, and is being recognized over their respective vesting period. There were 292,200, 619,288 and 513,838 unvested shares of restricted stock issued to members of the Company's Board of Directors as of December 31, 2006, 2005 and 2004, respectively.

Prior to the adoption of SFAS 123R, the intrinsic value of restricted stock awards granted to the Company's Board of Directors was recorded as deferred compensation. Upon adoption of SFAS 123R on January 1, 2006, the deferred compensation balance of approximately \$351,000 was reclassified to additional-paid-in-capital.

During the years ended December 31, 2005 and 2004, the Company issued 115,740 and 70,922 restricted shares to the chief executive officer for compensation resulting in charges of \$250,000 and \$300,000 for the years ended December 31, 2005 and 2004, respectively. These shares will vest on the third anniversary of their issuance. There were 186,662 unvested shares of restricted stock issued to the Company's Chief Executive Officer as of December 31, 2006 and 2005.

During the year ended December 31, 2006, the Board of Directors awarded a total of 5,145,000 performance-based restricted stock units to certain of the Company's executive officers. Based on the terms of the awards, the officers may earn shares of the Company's stock based on the attainment of certain performance goals relating to the Company's revenues and EBITDA for the fiscal year ended December 31, 2008. As of December 31, 2006, two of the executive officers surrendered 505,000 shares of restricted stock units. The fair value of the remaining restricted stock units on the grant date was \$22.6 million and will be amortized over the service period. Currently, the Company is assuming that 100% of the shares will be earned by the end of the performance period. This assumption will be reviewed each reporting period and the total value of the awards may be adjusted accordingly. The total costs amortized as of December 31, 2006 associated with these restricted stock units was \$4.0 million, which is included in the total stock based compensation detailed below.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123R using the modified-prospective transition method. Under that transition method, compensation cost recognized in 2006 includes: (a) compensation cost for all share-based payments granted prior to January 1, 2006, but not yet vested, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123; and

(b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Compensation costs are recognized using a straight-line amortization method over the vesting period. Results for prior periods have not been restated.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the ranges of assumptions in the following table. Our computation of expected volatility is based on a combination of historical and market-based implied volatility. Due to the unusual volatility of the Company's

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

stock price around the time of the restatement of its financial statements in 2002 and several historical acquisitions that changed the Company's risk profile, historical data was more heavily weighted toward the most recent three years of stock activity. The expected term of options granted was derived by averaging the vesting term with the contractual term. The risk-free interest rates are based on U.S. Treasury zero-coupon bonds for the periods in which the options were granted.

	<b>For the Year Ended December 31, 2006</b>	
Risk-free interest rates	4.35	5.33%
Expected term (in years)	6.06	
Dividend yield	0%	
Expected volatility	80%	

During the year ended December 31, 2006, the Company updated the estimated forfeiture rates it uses in the determination of its stock-based compensation expense; this change was a result of an assessment that included an analysis of the actual number of equity awards that had been forfeited to date compared to prior estimates and an evaluation of future estimated forfeitures. The Company periodically evaluates its forfeiture rates and updates the rates it uses in the determination of its stock-based compensation expense. The Company recorded a cumulative benefit from the change in estimate of approximately \$846,000, which reduced non-cash compensation expense for the year ended December 31, 2006.

During the year ended December 31, 2006, the Company accelerated the vesting of stock options of three employees upon their termination of employment with the Company. As a result of this modification, the Company recorded additional compensation expense of \$498,000.

As a result of adopting SFAS 123R on January 1, 2006, the Company's income from continuing operations, income before taxes and net income for the year ended December 31, 2006 was \$11.4 million lower, than if it had continued to account for share-based compensation under APB 25. Basic and diluted net income per share for the year ended December 31, 2006 was \$0.08 and \$0.07 lower, respectively, than if the Company had continued to account for share-based compensation under APB 25. 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):

	<b>For the Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Cost of revenue	\$ 221	\$	\$
Sales and marketing	1,977	291	301
Product and web site development	1,471		
General and administrative	12,006	824	518

Total	\$ 15,675	\$ 1,115	\$ 819
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Stock-based compensation and charges for the years ended December 31, 2006, 2005 and 2004 include \$0.3 million related to vendor agreements with the remainder related to employee-based stock option and restricted stock unit charges.

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table illustrates the effect on net income (loss) and net income (loss) per share had the Company applied the fair value recognition provisions of SFAS 123 to stock options granted under the Company's equity-based compensation plans for the years ended December 31, 2005 and 2004, respectively. For the purposes of this pro forma disclosure, the grant-date fair value of the Company's stock options was estimated using a Black-Scholes option-pricing model and amortized over the stock-options' vesting periods (in thousands, except per share amounts).

	<b>For the Year Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
Net income (loss) applicable to common stockholders:		
As reported	\$ 137	\$ (7,886)
Add: Stock-based employee compensation charges included in reported net income (loss)(1)	550	300
Deduct: Total stock-based compensation determined under the fair value-based method for all awards	(17,429)	(15,747)
Pro forma net loss	\$ (16,742)	\$ (23,333)
Net loss per share basic and diluted:		
As reported	\$ (0.00)	\$ (0.06)
Pro forma	\$ (0.11)	\$ (0.17)

(1) Represents restricted stock compensation expense.

The fair value for each option granted was estimated at the date of grant using a Black-Scholes option pricing model, assuming the following weighted-average assumptions:

	<b>For the Year Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
Risk-free interest rates	4%	3%
Expected lives (in years)	4	4
Dividend yield	0%	0%
Expected volatility	124%	130%

The weighted-average grant-date fair value of options granted during the year ended December 31, 2006 was \$3.69 per share. The total intrinsic value of stock options exercised during the year ended December 31, 2006, 2005 and 2004 was \$19.1 million, \$4.1 million and \$4.8 million, respectively. The intrinsic value of options currently exercisable as of December 31, 2006 is \$62.3 million. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

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A summary of the Company's non-vested options as of and for the year ended December 31, 2006 is as follows (in thousands, except per share amounts):

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Non-vested options at December 31, 2005	12,429	\$ 2.72
Granted	6,274	5.13
Vested	(4,738)	2.71
Forfeited	(1,985)	3.15
Non-vested options at December 31, 2006	11,980	\$ 3.91

As of December 31, 2006, there was \$31.6 million of unrecognized compensation cost related to non-vested stock option awards granted under the Company's plans. Substantially all of that cost is expected to be recognized over a weighted average period of 2.9 years.

**13. Warrants**

During the year ended December 31, 2000, the Company issued a warrant to purchase 40,000 shares at \$88.12 as part of a consumer web site operating agreement with the Manufactured Homes Institute ( MHI ) wherein the Company would be the exclusive provider of web sites, home pages, electronic mail and similar Internet related products and services to MHI members and MHI would provide the Company with joint marketing activities and access to member lists and other materials. The Company recorded a prepaid asset of approximately \$2.7 million and has a remaining balance of \$820,000 as of December 31, 2006 and \$1.1 million as of December 31, 2005. The Company recognized \$0.3 million in stock-based charges for the years ending December 31, 2006, 2005 and 2004 in connection with the issuance of the warrant.

**14. Series B Convertible Preferred Stock**

On November 6, 2005, the Company entered into a Preferred Stock Purchase Agreement ( Agreement ) with Elevation Partners, L.P. and such affiliates as Elevation designated (the Purchasers ) to sell to the Purchasers 100,000 shares of its Series B Convertible Participating Preferred Stock ( Series B Preferred Stock ) for an aggregate purchase price of \$100 million. The transaction was exempt from the registration requirements of the Securities Act of 1933, as amended. The transaction closed on November 29, 2005. The net proceeds of \$94.1 million from the issuance of the Series B Preferred Stock are net of issuance costs of \$5.9 million, and are classified as mezzanine equity due to certain change of control provisions which provide for redemption outside the control of the Company. The Company determined that due to those change of control provisions, the Series B Preferred Stock should be recorded on the Company's financial statements as though it consisted of two components: (i) convertible preferred stock (the Host Contract ) with a 3.5% annual dividend, and (ii) an embedded derivative (the Embedded Derivative ) which reflected



the right of the holders of the Series B Preferred Stock to receive additional guaranteed dividends in the event of a change of control. The Series B Preferred Stock reported on the Company's consolidated balance sheet consists only of the value of the Host Contract (less issuance costs) plus the amount of accretion for issuance costs and accrued dividends. Such discount and issuance costs are being accreted over the life of the Series B Preferred Stock with such accretion being recorded as a reduction in retained earnings. During the years ended December 31, 2006 and 2005, the Company recorded accretion on the issuance costs of approximately \$1.3 million and \$99,000, respectively. The Company determined that the fair value of the Embedded Derivative as of December 31, 2006 and 2005 was \$2.1 million and \$3.1 million, respectively, and is included in other non-current liabilities. As a result of the reduction in fair value of the embedded derivative during the year ended December 31, 2006, the Company recognized other income of \$1.0 million.

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Series B Preferred Stock has an aggregate liquidation preference of \$100 million plus all accrued and unpaid dividends. The Series B Preferred Stock will be convertible into the Company's common stock at a conversion price of \$4.20 per share, subject to certain adjustment upon certain events. Based on the number of shares of common stock outstanding as of December 31, 2006, if all shares of Series B Preferred Stock were converted they would represent approximately 14% of the Company's outstanding common stock. The Series B Preferred Stock pays a quarterly dividend of 3.5% per annum of the original price per share, payable in additional Series B Preferred Stock, for the first five years following issuance, after which such dividends will be paid only in cash. After the third anniversary of the issuance, the Company may cause all of the Series B Preferred Stock to be converted to the Company's common stock if the closing price per share of the Company's common stock during any 30 consecutive trading days is at least \$7.77. The Company may not redeem the Series B Preferred Stock until after the fifth anniversary of the issuance, and must redeem it on the seventh anniversary if not converted to common stock.

In the event of a change of control, the Company will be required to offer to repurchase all of the outstanding shares of Series B Preferred Stock for total cash equal to 100% of the liquidation preference (or, if such change of control occurs after the six month anniversary of the issuance, 101% of the liquidation preference). If a change of control occurs within five years after the issuance of the Series B Preferred Stock, and the price per share of common stock in such change of control is less than \$7.98, then the Company will be required to issue additional shares of Series B Preferred Stock, or in certain instances cash, in an amount equal to the regular dividends such shares would have received from the date of repurchase following the change of control until the fifth anniversary of the issuance of the shares. In no event would the Company be obligated to issue Series B Preferred Shares or cash equating to more than three years of dividends.

The Series B Preferred Stock ranks senior to the common stock of the Company and junior to the Company's Series A Preferred Stock, and votes as a single class with the common stock on any matter to come before the stockholders of the Company, with each share of Series B Preferred Stock being entitled to cast a number of votes equal to the number of shares of Common Stock into which it is then convertible. The Agreement contains customary anti-dilution provisions.

The holders of the Series B Preferred Stock are entitled to elect two Directors to the Company's Board of Directors. The Purchasers are required to vote their shares in the manner recommended by the Board with respect to the election or removal of directors, other than any directors designated by the Purchasers.

The Stockholders Agreement dated November 29, 2005 between the Company and Elevation Partners, L.P. and Elevation Employee Side Fund, LLC ( "Stockholders Agreement" ) requires the consent of the holders of the Series B Preferred Stock before the Company may engage in the following: (i) incurrence of certain additional indebtedness; (ii) certain divestitures, acquisitions or other business reorganizations; (iii) filing for bankruptcy protection; (iv) transactions with affiliates in excess of \$100,000; and (v) payment of any dividend on, or the redemption or repurchase of, common stock in aggregate amounts of \$10 million or more. The Stockholders Agreement also provides the Purchasers with certain rights to register shares of common stock upon conversion of the Series B Preferred Stock. The Purchasers are entitled to three demand registration rights, which may include shelf registration beginning two years from date of issuance, subject to certain dollar and share number thresholds. The Purchasers are also entitled to piggyback registration rights.



Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of activity related to the Series B Preferred Stock is as follows (in thousands):

Gross Proceeds	\$ 100,000
Costs and expenses of issuance	(5,924)
Embedded derivative liability	(3,137)
Net convertible preferred stock at issuance	90,939
Accretion of discount	99
Dividends	311
Net convertible preferred stock at December 31, 2005	91,349
Accretion of discount	1,302
Dividends	3,557
Costs and expenses of issuance	4
Net convertible preferred stock at December 31, 2006	\$ 96,212

**15. Capitalization**

At December 31, 2004, the Company had authorized the issuance of one share of Series A Preferred Stock. At December 31, 2006 and December 31, 2005, one share of Series A Preferred Stock was issued and outstanding and held by NAR. The holder of Series A Preferred Stock has the following rights:

*Voting* Except as provided in this paragraph, the Series A preferred stockholder is not entitled to notice of any stockholders' meetings and shall not be entitled to vote on any matters with respect to any question upon which holders of common stock or preferred stock have the right to vote, except as may be required by law (and, in any such case, the Series A Preferred Stock shall have one vote per share and shall vote together with the common stock as a single class). The holder of Series A Preferred Stock is entitled to elect one director of the Company. If there is any vacancy in the office of a director elected by the holder of the Series A Preferred Stock, then a director to hold office for the unexpired term of such directorship may be elected by the vote or written consent of the holder of the Series A Preferred Stock. The provisions dealing with preferred stockholders' rights included in the Certificate of Incorporation may not be amended without the approval of the holder of the Series A Preferred Stock.

*Dividends* In each calendar year, the holder of the Series A Preferred Stock is entitled to receive, when, as and if declared by the Board, non-cumulative dividends in an amount equal to \$0.08 per share (as appropriately adjusted for stock splits, stock dividends, recapitalizations and the like), prior and in preference to the payment of any dividend on the common stock in such calendar year. If, after dividends in the full preferential amounts specified in this section for the Series A Preferred Stock have been paid or declared and set apart in any calendar year of the Company, the holder of Series A Preferred Stock shall have no further rights to receive any further dividends that the Board may declare or pay in that calendar year.

*Liquidation* In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the Series A Preferred Stockholder is entitled to receive, prior and in preference to any payment or distribution on any shares of common stock, an amount per share equal to \$1.00 per share of Series A Preferred Stock. After payment of such amount, any further amounts available for distribution shall be distributed among the holders of common stock and the holders of preferred stock other than Series A Preferred Stock, if any, entitled to receive such distributions.

*Redemption* Upon the earlier to occur of (i) termination of that certain operating agreement dated November 26, 1996, as the same may be amended from time to time (the operating agreement ), or (ii) NAR ceases to own at least 149,778 shares of common stock of the Company, or (iii) the existence and continuance of a material breach by NAR of that certain Joint Ownership Agreement, dated as of November 26, 1996, between NAR, and subsidiaries of the Company, or the Trademark License dated as of November 26, 1996, by and between NAR

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and the Company, at any time thereafter the Company may, at the option of the Board, redeem the Series A Preferred Stock. The redemption price for each share of Series A Preferred Stock shall be \$1.00 per share.

*Conversion* Each share of Series A Preferred Stock shall automatically be converted into one share of common stock upon any sale, transfer, pledge, or other disposition of the share of Series A Preferred Stock to any person or entity other than the initial holder of such share of Series A Preferred Stock, or any successor by operation of law that functions as a non-profit trade association for REALTORS® under Section 501(c)(6) of Internal Revenue Code of 1986, as amended, that owns the REALTOR® trademark, or any wholly-owned affiliate of such holder as long as the holder continues to own such affiliate.

*Issuance of Common Stock*

In May 2004, in accordance with an order entered by the District Court, the Company issued 20.0 million shares of its common stock in connection with the settlement of the Securities Class Action Lawsuit. The fair value of the shares on the date the settlement was approved was \$50.6 million which was recorded as expense in the year ended December 31, 2003.

In May 2004 the Company issued 200,000 shares of its common stock with a fair value of \$560,000 in settlement of the derivative litigation. The Company had previously accrued for the expense of this settlement.

In July 2004, pursuant to the settlement of three lawsuits brought by certain former shareholders of Top Producer Systems, Inc., the Company (i) issued 2,097,984 shares of common stock in satisfaction of the remaining installments of the Company's purchase price of Top Producer® that were due in 2003, 2004 and 2005, (ii) issued 151,064 shares of common stock and paid \$104,000 in cash in satisfaction of non-competition payments due to the former president of Top Producer® and (iii) issued 75,988 shares of common stock in settlement of the various claims. The fair value of these shares was \$8.7 million of which \$7.9 million had previously been accrued resulting in a \$0.8 million settlement charge in the year ended December 31, 2004.

Also in July 2004, pursuant to the settlement of a lawsuit brought by certain former owners and directors of iPlace, the Company issued 177,631 shares of its common stock and paid \$700,000 in cash. As a result of this settlement, the Company recorded a litigation settlement charge of approximately \$1.4 million in the year ended December 31, 2004.

In July 2005, pursuant to an amendment to its operating agreement with the National Association of Homebuilders (NAHB), the Company issued 150,000 shares of its common stock to the NAHB. As a result of this amendment and subsequent stock issuance, the Company satisfied an existing obligation to the NAHB and recorded additional royalty expense of \$101,000 in the year ended December 31, 2005.

The Company recognized \$0.3 million in stock-based charges in connection with the issuance of common stock for the years ended December 31, 2006, 2005 and 2004.

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Net Income (Loss) per Share**

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

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Numerator:			
Income (loss) from continuing operations	\$ 22,105	\$ (310)	\$ (14,501)
Gain on disposition of discontinued operations		855	7,294
Loss from discontinued operations			(679)
Net income (loss)	22,105	545	(7,886)
Convertible preferred stock dividends and related accretion	4,859	408	
Net income (loss) applicable to common stockholders	\$ 17,246	\$ 137	\$ (7,886)
Denominator:			
Basic weighted average shares outstanding	151,170	147,175	136,518
Dilutive effect of options, warrants and restricted stock	12,224	11,489	
Dilutive effect of assumed conversion of convertible preferred stock		23,884	
Fully diluted weighted average shares outstanding	163,394	182,548	136,518
Basic income (loss) applicable to common stockholders:			
Continuing operations	\$ 0.11	\$ (0.01)	\$ (0.11)
Discontinued operations		0.01	0.05
Net income (loss)	\$ 0.11	\$ 0.00	\$ (0.06)
Diluted income (loss) applicable to common stockholders:			
Continuing operations	\$ 0.11	\$ (0.00)	\$ (0.11)
Discontinued operations		0.00	0.05
Net income (loss)	\$ 0.11	\$ 0.00	\$ (0.06)

Because their effects would be anti-dilutive for the periods presented, the above computation of diluted income (loss) per share excludes preferred stock, options and warrants of 27,235,665, 6,568,656 and 28,204,581 for the years ended December 31, 2006, 2005, and 2004, respectively.

**17. Supplemental Cash Flow Information**

During the year ended December 31, 2006:

The Company paid \$303,000 in interest.

The Company issued 109,500 shares of restricted common stock to certain members of its Board of Directors. These shares vest in three years. The charge associated with these shares was \$522,000 and is being recognized over the three-year vesting period.

The Company issued \$3.6 million in additional Series B Preferred Stock as in-kind dividends.

The Company funded \$5.8 million of capital expenditures through capital lease financing arrangements.



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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the year ended December 31, 2005:

The Company paid \$75,000 in interest.

The Company issued 150,000 shares of stock to settle contractual obligations of \$318,000.

The Company issued \$311,000 in additional Series B Preferred Stock as in-kind dividends.

The Company issued 115,740 shares of restricted common stock to its Chief Executive Officer. These shares vest over three years. The expense associated with these shares was \$250,000 and was recognized in 2005.

The Company issued 105,450 shares of restricted common stock to certain members of its Board of Directors. These shares vest in three years. The charge associated with these shares was \$219,000 and is being recognized over the three-year vesting period.

The Company excluded \$1.8 million of capital expenditures and associated accounts payable recorded at the end of December 2005 as these purchases were subsequently funded through capital lease financing arrangements in January 2006.

During the year ended December 31, 2004:

The Company paid \$62,000 in interest.

The Company sold two of its business units generating net proceeds of \$9.5 million and a gain on sale of \$7.3 million.

The Company sold its Welcome Wagon® office building generating net proceeds of \$6.3 million and a gain on sale of \$1.4 million.

The Company issued 20 million shares of stock and paid \$3.0 million in settlement of the Securities Class Action lawsuit that had previously been accrued at \$53.6 million.

The Company issued 200,000 shares of stock and paid \$150,000 in settlement of the derivative litigation suit which had previously been accrued at \$710,000.

The Company issued 2.3 million shares of stock in settlement of the Top Producer® litigation resulting in an additional charge of \$793,000 against an existing accrual of \$7.9 million.

The Company granted 70,922 shares of restricted common stock to its Chief Executive Officer. These shares vest in three years. The expense associated with these shares was \$300,000 and was recognized in 2004.

The Company issued 77,250 shares of restricted common stock to certain members of its Board of Directors. These shares vest in three years. The charge associated with these shares was \$367,000 and is being recognized

over the three-year vesting period.

The Company funded \$3.2 million of capital expenditure through capital lease financing arrangements.

#### **18. Defined Contribution Plan**

The Company has a savings plan ( Savings Plan ) that qualifies as a defined contribution plan under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, participating employees may defer a percentage (not to exceed 25%) of their eligible pretax earnings up to the Internal Revenue Service's annual contribution limit. All full-time employees on the payroll of the Company are eligible to participate in the Plan. The Company pays all general and administrative expenses of the plan and may make contributions to the plan. The Company made matching contributions of approximately \$1.8 million and \$1.5 million for the years ended December 31, 2006 and 2005, respectively.

Table of Contents**MOVE, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Income Taxes**

As a result of historical net operating losses, the Company has generally not recorded a provision for income taxes. However, during the year ended December 31, 2006, the Company recorded certain indefinite lived intangible assets as a result of the purchase of Moving.com which creates a permanent difference as the amortization can be recorded for tax purposes but not for book purposes. A tax provision in the amount of \$134,000 was recorded during the year ended December 31, 2006 as a result of this permanent difference which cannot be offset against net operating loss carryforwards due to its indefinite life.

The components of the deferred tax assets and related valuation allowance at December 31, 2006 and 2005 are as follows (in thousands):

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
Deferred tax assets:		
Net operating loss carryforwards	\$ 338,543	\$ 370,174
Deferred expenses	7,285	11,230
Impairment charges	1,864	6,232
Amortization of acquired intangible assets	3,901	11,098
Other	6,317	710
	357,910	399,444
Less: valuation allowance	(357,910)	(399,444)
Net deferred tax assets		
Deferred tax liabilities:		
Amortization of acquired intangible assets	134	
Net deferred tax liability	\$ 134	\$

Based on management's assessment, the Company has placed a valuation reserve against its otherwise recognizable deferred tax assets due to the likelihood that the Company may not generate sufficient taxable income during the carryforward period to utilize the net operating loss carryforwards. The valuation reserve for net deferred taxes was decreased by approximately \$41.5 million primarily as a result of the decrease to the deferred tax asset relating to acquired net operating loss carryforwards, the amount of valuation used to offset current year book income and permanent items, an adjustment of other deferred tax assets and an adjustment to the Company's state net operating loss carryforwards.

Included in the deferred tax assets are net operating losses from acquired entities. To the extent that the valuation allowance recorded in connection with the acquisition of tax carryforwards is subsequently released, it will be credited

directly to goodwill.

The difference between the statutory tax rate and the effective tax rate is due to permanent differences, a valuation reserve placed against the Company's deferred tax assets, and the establishment of a deferred tax liability

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on long lived acquired intangibles. The reconciliation between the Company's effective tax rate and the federal statutory rate is as follows (in thousands):

	<b>Year Ended</b>	
	<b>December 31, 2006</b>	
	<b>Amount</b>	<b>Tax Rate</b>
Statutory rate applied to income before income taxes	\$ 6,352	34%
State taxes, net of federal tax benefit	1,434	8%
Permanent items	3,127	17%
Foreign tax rate differences	(17)	(0)%
Change in indefinite lived intangibles	134	1%
Change in valuation allowance	(10,896)	(59)%
Total tax provision	\$ 134	1%

At December 31, 2006 and 2005, the Company had gross net operating loss carryforwards for federal and foreign income tax purposes of approximately \$942.0 million and \$1,012.6 million, respectively, which begin to expire in 2008. At December 31, 2006 and 2005, the Company had gross net operating loss carryforwards for state income tax purposes of approximately \$465.1 million and \$500.6 million, respectively, which begin to expire in 2007. The state gross net operating loss carryforward was adjusted downward as a result of having reassessed the Company's statutory tax rate. Gross net operating loss carryforwards for both federal and state tax purposes may be subject to an annual limitation under relevant tax laws.

At December 31, 2006 and 2005, the gross net operating loss carryforwards for federal and foreign income tax purposes included approximately \$2.9 million and \$1.5 million of Canadian gross net operating losses, respectively.

At December 31, 2005, the gross deferred tax asset included approximately \$0.4 million related to warrants.

**20. Settlements of Disputes and Litigation*****Settlement of Securities Class Action Lawsuit and Potential Obligations***

Beginning in December 2001, numerous separate complaints purporting to be class actions were filed in various jurisdictions alleging that the Company and certain of its current and former officers and directors violated certain provisions of the Securities Exchange Act of 1934. In March 2002, the California State Teachers' Retirement System was named lead plaintiff (the Plaintiff), and the complaints were consolidated in the United States District Court, Central District of California (District Court). In November 2002, the Plaintiff filed a first amended consolidated class action complaint (Securities Class Action Lawsuit). In August 2003, the Company entered into a settlement agreement with the Plaintiff to resolve all outstanding claims against the Company in the Securities Class Action Lawsuit.

In March 2003, the District Court in the Securities Class Action Lawsuit dismissed with prejudice several defendants, including Avis Budget Group, Inc. ( Avis ) (formerly Cendant Corporation). On June 30, 2006, the United States Court of Appeals for the Ninth Circuit ( Ninth Circuit ) affirmed the dismissals, but remanded the case to the District Court to determine whether it would be possible for the Plaintiff to amend its complaint to state a claim against any of the dismissed defendants consistent with the Ninth Circuit 's opinion in the case. The Plaintiff filed a motion for leave to file a second amended complaint naming several defendants including Avis. On December 19, 2006, the District Court issued an order denying Plaintiff 's motion to file an amended complaint naming Avis among the defendants. On January 18, 2007, the Plaintiff filed a notice of appeal of the District Court 's order with the Ninth Circuit. If Avis is ultimately found liable or settles the claims against it in the Securities Class Action Lawsuit, Avis will likely seek indemnification, contribution or similar relief from the Company up to the amount for which it is held liable or for which it settles. However, in March 2004, as part of the Company 's

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

settlement of the Securities Class Action Lawsuit, the District Court issued an order approving the settlement and barring claims by third parties against the Company for indemnification, contribution and similar relief with respect to liability such third parties may have in the Securities Class Action Lawsuit.

The March 2004 order may preclude Avis from seeking indemnification, contribution or similar relief from the Company in the event Avis is found liable or settles claims against it in the Securities Class Action Lawsuit. However, the Company has been advised by counsel that the law is unclear on whether Avis would be so precluded. Therefore, the Company would likely incur significant expenses in defending such an action by Avis and could ultimately be found liable to Avis or settle with Avis, notwithstanding the bar order. Such expenses, liability or settlement could have a material adverse effect on the Company's results of operations and financial position.

In addition, if Avis is not permitted to share in the settlement of the Securities Class Action Lawsuit (which would be the case if its dismissal as a defendant is reversed on appeal), the Company has agreed to pay or otherwise provide to Avis the amount of money and/or other consideration that Avis would have been otherwise entitled to receive from that portion of the class action settlement fund provided by the Company had Avis been a class member and Avis proof of claim in respect of its shares had been accepted in full. At this time, Avis is still a member of the class and has not been excluded, but is one of the members of the class whose dismissal as a defendant is pending appeal. As such, Avis has not yet received any cash or shares of stock the Company paid in the settlement. The Company estimates that Avis could be entitled to receive approximately \$2.3 million in cash and approximately 3.79 million shares from the Company should Avis be prevented from participating in the settlement.

***Insurance Coverage Litigation***

Between September 2002 and November 2002, Genesis Insurance Company ( Genesis ), Federal Insurance Company ( Federal ), Clarendon National Insurance Company ( Clarendon ), Royal Indemnity Company ( Royal ) and TIG Insurance Company of Michigan ( TIG ) sent the Company notices of rescission of the officers and directors liability policies issued to the Company for the period of August 4, 2001 through August 4, 2002 and subsequently filed complaints to judicially confirm the rescissions. The courts granted motions for summary judgments declaring that the directors and officers liability policies were rescinded as to all insureds. The Company initiated appeals from such judgments; however, in March 2006 those judgments were affirmed by the appellate courts. The Company does not intend to pursue any further appeals. The Company received premium refunds of \$1.2 million from the insurance carriers which are included in general and administrative expenses for the year ended December 31, 2006.

***Settlement and Resolution of Other Litigation***

In July 2005, Stuart Wolff ( Wolff ), the Company's former chairman and chief executive officer, filed a suit against the Company in the Delaware Chancery Court in New Castle County. The complaint sought advancement of expenses (including attorneys' fees) purportedly incurred and to be incurred by Wolff in connection with the SEC and the United States Department of Justice ( DOJ ) investigations and certain civil actions filed against Wolff. Effective September 28, 2005, the Company entered into a settlement agreement to reimburse Wolff \$11.0 million for expenses incurred in his defense. The Company has no further financial obligations to Wolff. The Company recorded legal costs associated with Wolff of approximately \$8.0 million and \$3.0 million for the years ended December 31, 2005 and 2004, respectively, which have been reflected in general and administrative expense.

In October 2003, Peter Tafeen ( Tafeen ), a former officer of the Company, filed suit in the Delaware Chancery Court in New Castle County asserting a claim for advancement of fees in connection with the SEC and DOJ investigations and the civil actions filed against Tafeen for his purported role in a scheme to inflate the Company s revenues. Effective February 22, 2006, the Company entered into a settlement agreement to reimburse Tafeen \$11.85 million for expenses incurred in his defense. The Company has no further financial obligations to Tafeen. The Company recorded legal costs associated with Tafeen of approximately \$4.1 million and \$7.75 million



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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

for the years ended December 31, 2005 and 2004, respectively, which have been reflected in general and administrative expense.

In December 2001, Pentawave, Inc. and its principal stockholder, Bruce Culver ( Plaintiffs ), filed a suit for fraud, securities fraud, rescission, breach of contract and defamation in Ventura County Superior Court seeking approximately \$5.0 million in compensatory damages, plus punitive damages. In December 2005, the parties reached a settlement wherein the Company agreed to pay Plaintiffs \$1.75 million in exchange for a dismissal, with prejudice, of the entire action. The Company finalized the settlement in February 2006. As a result of the settlement, the Company recorded a litigation settlement charge of \$1.75 million in the year ended December 31, 2005.

In April 2004, the U.S. Department of Labor Wage and Hour Division (the DOL ), commenced a preliminary investigation into the Company s compliance with the Fair Labor Standards Act with regard to job classifications. The DOL and the Company entered into a settlement on September 30, 2004 in connection with the DOL s investigation pursuant to which the Company, without admitting liability, agreed to (1) convert its account executives to non-exempt classifications effective October 11, 2004; and (2) make payments of approximately \$1.4 million to 434 current and former account executives for past overtime compensation under Federal law. These payments were made in October 2004 and have been reflected in sales and marketing expense in the year ended December 31, 2004.

In September 2004, Elizabeth Hathaway ( Hathaway ) filed a class action lawsuit in Los Angeles Superior Court on behalf of herself and all current and former account executives employed by the Company, alleging that the Company misclassified account executives as exempt from overtime wage requirements in violation of California law. Hathaway sought back wages, interest and attorneys fees. On March 11, 2005, Hathaway and the Company reached a settlement for \$1.4 million which was reflected in sales and marketing expense in the year ended December 31, 2005. Settlement funds for settling class members were transferred to a trust on October 11, 2005, and distribution of the settlement proceeds took place in December 2005.

In June 2004, the Company entered into an agreement providing for the settlement of three lawsuits brought against it by certain former shareholders of Top Producer® in connection with the acquisition of Top Producer in May 2000. Pursuant to this settlement, in July 2004, the Company (i) issued 2,097,984 shares of common stock in satisfaction of the remaining installments of the Company s purchase price of Top Producer that were due in 2003, 2004 and 2005, (ii) issued 151,064 shares of common stock and paid \$104,000 in cash in satisfaction of non-competition payments due to the former president of Top Producer, and (iii) issued an additional 75,988 shares of common stock in settlement of the various claims. Issuance of the shares was exempt from registration under Section 3(a)(10) of the Securities Act of 1933. As a result of the acceleration of the remaining installments of the purchase price and the issuance of additional stock to settle this dispute, the Company recorded a litigation settlement charge of \$793,000 in the year ended December 31, 2004.

On July 6, 2004, the Company settled a lawsuit brought against it by certain former owners and directors of iPlace. Pursuant to this settlement, on July 9, 2004, the Company issued to the plaintiffs 177,631 shares of the Company s common stock and paid \$700,000 in cash. The issuance of the shares in the settlement was exempt from registration under Section 3(a)(10) of the Securities Act of 1933. As a result of the settlement, the Company recorded a litigation settlement charge of approximately \$1.4 million in the year ended December 31, 2004.

**21. Commitments and Contingencies**

***Operating and Capital Leases***

The Company leases certain facilities and equipment under non-cancelable operating leases with various expiration dates through 2008. The leases generally contain renewal options and payments that may be adjusted for increases in operating expenses and increases in the Consumer Price Index. Certain equipment leases constitute capital leases. The accompanying consolidated financial statements include the assets and liabilities arising from

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these capital lease obligations. Future minimum lease payments under these capital and operating leases as of December 31, 2006 are as follows (in thousands):

<b>Year Ended December 31,</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2007	\$ 2,129	\$ 6,648
2008	1,983	2,100
2009	277	1,106
2010		1,091
2011 and thereafter		4,480
<b>Total</b>	<b>\$ 4,389</b>	<b>\$ 15,425</b>
Less: Amount representing interest	(318)	
Net capital leases	4,071	
Less: Current portion	(1,904)	
Long-term capital leases	\$ 2,167	

Rental expense for the Company for operating leases was \$6.0 million, \$5.7 million and \$5.6 million for the years ended December 31, 2006, 2005 and 2004, respectively.

The contractual provisions of two of the Company's facilities lease commitments required that the Company collateralize the obligation with outstanding letters of credit, resulting in \$4.3 million classified as restricted cash at December 31, 2006.

***Distribution and Web Services Agreements***

The Company has entered into various web portal distribution and preferred alliance agreements which require the Company to make \$7.7 million in scheduled payments through 2007. The Company has entered into various web services agreements which require the Company to make \$420,000 of scheduled payments through 2007.

***Other Commitments***

Under the Company's operating agreement with NAR, the Company has an exclusive arrangement to operate REALTOR.com® as well as a license to use the REALTOR.com® domain name and trademark and the REALTORS® trademark in exchange for minimum annual royalty payments. Commitments for the years ending 2007 and beyond will be calculated based on amounts paid in the prior year adjusted for the Annual Consumer Price Index for the period ending in the prior calendar year. The following presents the Company's future minimum commitments under the remaining NAR agreement (in thousands):

**Year Ending December 31,**

2007	\$ 1,590
2008	1,590
2009	1,590
2010	1,590
2011	1,590
Total	\$ 7,950

Commitments for the purchase of property, plant and equipment, software licenses and other consulting services were approximately \$1.3 million as of December 31, 2006.

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Legal Proceedings***

See Note 20, Settlements of Disputes and Litigation Settlement of Securities Class Action Lawsuit and Potential Obligations for contingencies related to the settlement of the Securities Class Action Lawsuit.

In June 2002, Tren Technologies Holdings LLC., ( Tren ) sued the Company, NAR and NAHB in the United States District Court, Eastern District of Pennsylvania for patent infringement based on the Company's operation of the REALTOR.com® and HomeBuilder.com® web sites. Specifically, Tren alleged that it owns a patent (U.S. Patent No. 5,584,025) on an application, method and system for tracking demographic customer information, including tracking information related to real estate and real estate demographics information, and that the Company has developed an infringing technology for the NAR's REALTOR.com and NAHB's HomeBuilder.com web sites. Tren's complaint sought an unspecified amount of damages (including treble damages for willful infringement and attorneys fees) and a permanent injunction against the Company using the technology. In October 2003, Kevin Keithley ( Keithley ) sued the Company, NAR and NAHB in the United States District Court for the Northern District of California asserting that he was the exclusive licensee of U.S. Patent No. 5,584,025, and alleging the same infringement and seeking the same relief as in the Tren action. On May 22, 2004, the Company filed with the United States Patent and Trademark Office ( USPTO ) a Request for Reexamination of the patent at issue in these actions. The Keithley and Tren action were stayed pending the reexamination proceeding. In August 2005, the USPTO confirmed the original claims of the patent and allowed additional claims. Accordingly, the stay in the Keithley action was lifted and the parties have agreed that the Keithley action should go forward. On May 24, 2006, the court in Pennsylvania dismissed the Tren case without prejudice. In September 2006, Keithley amended his complaint to add Tren as a Plaintiff. The Company believes that the claims in the Keithley action are without merit and intends to vigorously defend the case.

In July 2005, the Company received a demand from David Rosenblatt ( Rosenblatt ), the Company's former General Counsel, seeking indemnification for expenses (including attorneys fees) purportedly incurred by Rosenblatt in connection with the SEC and DOJ investigations and certain civil actions filed against Rosenblatt, including indemnification of a settlement payment of \$195,000 Rosenblatt has agreed to make in connection with his settlement of the claims brought against him in the Securities Class Action Lawsuit. The Company has advanced expenses of \$692,170 as of December 31, 2006. The Company is unable to determine what portion, if any, of Rosenblatt's additional expenses it will ultimately have to advance, or if Rosenblatt will ultimately demonstrate an entitlement to indemnification with respect to the claimed amounts.

In March 2004, three former shareholders of WyldFyre Technologies, Inc. ( WyldFyre ), two of whom had previously opted out of the settlement of the Securities Class Action Lawsuit, filed a complaint in the Superior Court of California, County of Los Angeles against the Company, two of its former officers and Merrill Lynch & Co., Inc. In August 2005, plaintiffs filed a second amended complaint. In the second amended complaint, two of the three former shareholders, Myers and Koehmsted who opted out of the Securities Class Action Lawsuit, allege claims against the Company for vicarious liability for fraud allegedly committed by Messrs. Wolff and Tafeen, two of the Company's former officers, unfair business practices, unjust enrichment and breach of contract arising out of the Company's acquisition of WyldFyre in March 2000. The plaintiffs seek restitution, rescissory or compensatory damages in an unspecified amount, disgorgement of benefits, punitive damages and costs of litigation including attorneys fees. The Company has filed an answer to the second amended complaint. Although most discovery in the case was stayed pending the criminal trial of the Company's former chief executive officer who is a co-defendant in the case, following

his conviction in June 2006, discovery has resumed. The Company intends to vigorously defend this action. At this time, however, the Company is unable to express an opinion on the outcome of this case.

In December 2005, CIVIX-DDI, LLC ( CIVIX ) filed suit against NAR, the Company, Hotels.com, L.P. and Hotels.com GP LLC in the United States District Court for the Northern District of Illinois, Eastern Division. The complaint alleges that the Company and NAR infringe U.S. Patents 6,385,622; 6,408,307; 6,415,291; and 6,473,692 by offering, providing, using and operating location-based searching services through the REALTOR.com® web

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

site and requests an unspecified amount of damages (including treble damages for willful infringement and attorneys fees) and an injunction. Yahoo! Inc. was added as a defendant in the Amended Complaint which was filed by CIVIX on January 11, 2006. The Company is defending both itself and NAR. On January 26, 2006, the Company and NAR filed their answer and counterclaims responding to CIVIX's complaint denying that the Company and NAR infringed on these patents and alleging that these patents are invalid. CIVIX has replied to the answer and counterclaims filed by the Company and NAR. On May 31, 2006, the case was consolidated with another action brought by CIVIX against Orbitz, LLC, Yellowpages.com and Travelocity.com, Inc. The Company intends to vigorously defend this action. At this time, however, the Company is unable to express an opinion on the outcome of this case.

In June 2006, InternetAd Systems, LLC ( InternetAd ) filed suit against the Company, Turner Broadcasting Systems, Inc., FreeRealTime.com, Inc., Knight Ridder Digital, and Condenet, Inc. in the United States District Court for the Northern District of Texas, Dallas Division. The complaint alleges that InternetAd is licensee of U.S. Patents 5,572,643; 5,737,619; 6,185,586; and 6,457,025, and that the Company infringes these patents by manufacturing, making, having made, and/or using products and/or advertising systems through the Company's web sites. InternetAd requests an unspecified amount of damages, as well as interest, attorney fees and costs, and an injunction. On August 10, 2006, the Company filed its answer and counterclaims in which it denied that the Company infringes such patents and asserts that such patents are invalid. The Company intends to vigorously defend this action. At this time, however, the Company is unable to express an opinion on the outcome of this case.

In December 2006, Scott C. Harris and Memory Control Enterprise, LLC ( MCE ) filed suit against the Company, Classified Ventures, LLC and Eastman Kodak Company in the United States District Court for the Northern District of Illinois, Eastern Division. The complaint alleges that MCE is the exclusive licensee of U.S. Patent 6,704,791, and that the Company infringes this patent by facilitating thick and thin communication of three dimensional rotation of objects through the Company's web sites, and by controlling and connecting its web sites to third parties who carry out some steps of the infringement. MCE requests an unspecified amount of damages, as well as interest, attorney fees and costs, and an injunction. The Company intends to vigorously defend this action. At this time, however, the Company is unable to express an opinion on the outcome of this case.

As part of the sale in 2002 of the Company's ConsumerInfo division to Experian Holdings, Inc. ( Experian ), \$10.0 million of the purchase price was put in escrow to secure our indemnification obligations (the Indemnity Escrow ). The Indemnity Escrow was scheduled to terminate in the third quarter of 2003, but prior to the scheduled termination, Experian demanded indemnification from the Company for claims made against Experian or its subsidiaries by several parties and the Federal Trade Commission ( FTC ), including allegations of unfair and deceptive advertising in connection with ConsumerInfo's furnishing of credit reports and providing Advice for Improving Credit that appeared on its web site both before, during, and after the Company's ownership of ConsumerInfo. Under the stock purchase agreement, pursuant to which the Company sold ConsumerInfo to Experian, the Company could have elected to defend against the claims, but because the alleged conduct occurred both before and after its sale to Experian, the Company elected to rely on Experian to defend it. Accordingly, the Company has not made a complete evaluation of the underlying claims, but rather receives periodic updates from Experian and its counsel concerning their defense of the claims.

The FTC action against Experian has now been resolved by stipulated judgment that requires, among other things, that refunds be made available to certain customers who purchased ConsumerInfo products during the period November 2000 through September 2003. The Company is unable to determine at this time the amount which the Company may be obligated to pay Experian under our indemnity obligations in connection with the FTC matter, or any other matter.

Civil actions for which Experian demanded indemnification from the Company continue. Because those cases are continuing, the amounts to be paid by Experian arising from these actions for which Experian may seek indemnity from the Company cannot be reasonably estimated.



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The Company has received information from Experian concerning the total expenses incurred by Experian to date in connection with all matters for which they claim indemnity, but those amounts have not yet been substantiated, allocated or reduced by offsets that the Company may be entitled to under the indemnification agreement. Under the terms of the stock purchase agreement, the Company's maximum potential liability for claims by Experian is capped at \$29.25 million less the balance in escrow. The Company anticipates that Experian may seek to recover from the Company an amount in excess of the Indemnity Escrow amount, which was \$7.9 million on December 31, 2006. In the opinion of the Company, the costs associated with its indemnification obligations cannot be reasonably estimated.

*Contingencies*

From time to time, the Company is party to various other litigation and administrative proceedings relating to claims arising from its operations in the ordinary course of business. As of the date of this Form 10-K and except as set forth herein, the Company is not a party to any other litigation or administrative proceedings that management believes would have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

**22. Subsequent Events (unaudited)***Stock Plans*

In January 2007, in accordance with plan provisions, the number of shares reserved for issuance under the SIP was increased by an additional 6,937,250 shares.

**23. Quarterly Financial Data (unaudited)**

Provided below is the selected unaudited quarterly financial data for 2006 and 2005:

	Mar. 31, 2006	June 30, 2006	Three Months Ended				Sept. 30, 2005	Dec. 31, 2005
			Sept. 30, 2006	Dec. 31, 2006	Mar. 31, 2005	June 30, 2005		
	(In thousands, except per share amounts)							
Revenue	\$ 68,979	\$ 73,891	\$ 75,672	\$ 71,842	\$ 56,456	\$ 63,253	\$ 66,338	\$ 66,575
Gross profit	52,573	57,444	58,705	56,343	43,555	49,714	52,437	50,728
Income (loss) from continuing operations	(1,159)	2,597	2,169	18,632	(395)	3,320	1,945	(5,180)
Income (loss) from discontinued operations								855
Net income (loss)	(1,159)	2,597	2,169	18,498	(395)	3,320	1,945	(4,325)
Convertible preferred stock dividends and	(1,174)	(1,181)	(1,189)	(1,315)				(408)

related accretion

Net income (loss) applicable to common stockholders	\$ (2,333)	\$ 1,416	\$ 980	\$ 17,183	\$ (395)	\$ 3,320	\$ 1,945	\$ (4,733)
Basic net income (loss) per share applicable to common stockholders:								
Continuing operations	\$ (0.02)	\$ 0.01	\$ 0.01	\$ 0.11	\$ (0.00)	\$ 0.02	\$ 0.01	\$ (0.04)
Discontinued operations								0.01
Net income (loss)	\$ (0.02)	\$ 0.01	\$ 0.01	\$ 0.11	\$ (0.00)	\$ 0.02	\$ 0.01	\$ (0.03)
Diluted net income (loss) per share applicable to common stockholders:								
Continuing operations	\$ (0.02)	\$ 0.01	\$ 0.01	\$ 0.10	\$ (0.00)	\$ 0.02	\$ 0.01	\$ (0.04)
Discontinued operations								0.01
Net income (loss)	\$ (0.02)	\$ 0.01	\$ 0.01	\$ 0.10	\$ (0.00)	\$ 0.02	\$ 0.01	\$ (0.03)

In the first, second and third quarters of 2006, and in the fourth quarter of 2005, the amounts reported as Dividends on convertible preferred stock omitted the related accretion of the discount that was derived from the

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**MOVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

issuance of the convertible preferred stock. The reported results for each of those quarters have been revised to reflect both the accretion and the dividends in arriving at Net income (loss) applicable to common stockholders. As a result of the revision, additional expense of \$296,000 in each of the first three quarters of 2006, and \$97,000 for the fourth quarter of 2005, is reflected in the line Convertible preferred stock dividends and related accretion.

As a result of these changes, basic and diluted loss per share attributable to common stockholders in the first quarter of 2006 decreased by \$0.01 from \$(0.01) to \$(0.02). In the six months ended June 30, 2006, both the basic and diluted income (loss) per share decreased by \$0.01 from \$0.00 to \$(0.01) and basic income (loss) per share for the nine months ended September 30, 2006 decreased \$(0.01) per share from \$0.01 to \$0.00.

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**Item 9. *Changes In and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *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 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**Management's Annual Report on Internal Control over Financial Reporting**

The management of Move, Inc. ( Move or the Company ) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

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

Move's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment, management believes that, as of December 31, 2006, the Company's internal control over financial reporting is effective based on those criteria.

Move's independent registered public accounting firm has issued an audit report on our assessment of the Company's internal control over financial reporting. This report appears below.

March 1, 2007

/s/ W. MICHAEL LONG  
W. Michael Long  
Chief Executive Officer

March 1, 2007

/s/ LEWIS R. BELOTE, III  
Lewis R. Belote, III  
Chief Financial Officer

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Shareholders of Move, Inc.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing above, that Move, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Move, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that Move, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Move, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of move, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006 and our report dated March 1, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Los Angeles, California  
March 1, 2007

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**Item 9B. *Other Information***

None

**PART III**

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this Annual Report and will be filed in a definitive proxy statement or by an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report.

**Item 10. *Directors, Executive Officers and Corporate Governance***

We will provide information that is responsive to this item not later than 120 days after the end of the fiscal year covered by this Annual Report, in an amendment to this Annual Report, or in our definitive proxy statement under the captions Management, Section 16(a) Beneficial Ownership Reporting Compliance, Code of Conduct and Business Ethics and possibly elsewhere therein. That information is incorporated in this item by reference.

**Item 11. *Executive Compensation***

We will provide information that is responsive to this item not later than 120 days after the end of the fiscal year covered by this Annual Report, in an amendment to this Annual Report, or in our definitive proxy statement under the captions Executive Compensation, Director Compensation, Compensation Committee Interlocks and Insider Participation, Compensation Committee Report, and possibly elsewhere therein. That information is incorporated in this item by reference.

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

We will provide information that is responsive to this item not later than 120 days after the end of the fiscal year covered by this Annual Report, in an amendment to this Annual Report, or in our definitive proxy statement under the captions Security Ownership of Certain Beneficial Owners and Management, Securities Authorized for Issuance Under Equity Compensation Plans, and possibly elsewhere therein. That information is incorporated in this item by reference.

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

We will provide information that is responsive to this item not later than 120 days after the end of the fiscal year covered by this Annual Report, in an amendment to this Annual Report, or in our definitive proxy statement under the captions Certain Relationships and Related Transactions, Meetings and Committees of the Board of Directors, and possibly elsewhere therein. That information is incorporated in this item by reference.

**Item 14. *Principal Accounting Fees and Services***

We will provide information that is responsive to this item not later than 120 days after the end of the fiscal year covered by this Annual Report, in an amendment to this Annual Report, or in our definitive proxy statement under the caption Fees Billed for Services Rendered by Independent Auditors, and possibly elsewhere therein. That information is incorporated in this item by reference.



**PART IV**

**Item 15. *Exhibits and Financial Statement Schedules***

(a) *The following documents are filed as part of this report:*

(1) Consolidated Financial Statements and Supplementary Data: See Index to Consolidated Financial Statements at Item 8 on page 39 of this report.

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(2) Schedule II Valuation and Qualifying Accounts, Exhibit Number 99.01.

(3) *Exhibits*

<b>Number</b>	<b>Exhibit Title</b>
2.01	Agreement and Plan of Reorganization dated October 26, 2000 among Homestore.com®, Inc., Metal Acquisition Corp., WW Acquisition Corp., Move.com, Inc., Welcome Wagon® International, Inc., Cendant Membership Services Holdings, Inc. and Cendant Corporation. (Incorporated by reference to Annex A to the definitive proxy statement filed November 29, 2000.)
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 Designation of Series B Convertible Participating Preferred Stock dated November 29, 2005. (Incorporated by reference to Exhibit 3.01.2 of our Form 10-K for the year ended December 31, 2005 filed March 13, 2006.)
3.02	Bylaws of Move, Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 28, 2006.
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.)
3.04	RealSelect, Inc. s Amended By-laws dated December 1999. (Incorporated by reference to Exhibit 3.07 of our Form 10-K for the year ended December 31, 1999 filed March 10, 2000.)
4.01	Form of Specimen Certificate for common stock.(2)
10.01.1	Operating Agreement dated November 26, 1996, between REALTORS® Information Network, Inc. and RealSelect, Inc. (Incorporated by reference to Exhibit 10.02 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)
10.01.2	First Amendment to Operating Agreement dated December 27, 1996 between REALTORS® Information Network, Inc. and RealSelect, Inc. (Incorporated by reference to Exhibit 10.02.2 to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)
10.01.3	Amendment No. 2 to Operating Agreement dated May 28, 1999 between REALTORS® Information Network, Inc. and RealSelect, Inc. (Incorporated by reference to Exhibit 10.02.3 to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)
10.02	Joint Ownership Agreement dated November 26, 1996, among National Association of REALTORS®, NetSelect, L.L.C., and NetSelect, Inc. (Incorporated by reference to Exhibit 10.04 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)
10.03	Trademark License dated November 26, 1996, between National Association of REALTORS® and RealSelect, Inc. (Incorporated by reference to Exhibit 10.05 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)
10.04	Agreement dated August 21, 1998 among RealSelect, Inc., REALTORS® Information Network, Inc., National Association of REALTORS®, NetSelect, Inc., and NetSelect L.L.C. (Incorporated by reference to Exhibit 10.29 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)
10.05	Agreement dated May 28, 1999 among NetSelect, Inc., RealSelect, Inc., REALTORS® Information Network, Inc. and National Association of REALTORS®. (Incorporated by reference to Exhibit 10.30

- to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)
- 10.06 Letter Agreement Regarding Rental Site Acquisition dated May 17, 1999 among National Association of REALTORS®, REALTORS® Information Network, Inc. and RealSelect, Inc. (Incorporated by reference to Exhibit 10.32 to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)(1)
- 10.07 Stock Purchase Agreement dated March 16, 2002 between Experian Holdings, Inc. and Homestore.com®, Inc. (Incorporated by reference to Exhibit 2.1 to our Form 8-K filed March 19, 2002.)
- 10.08 Distribution Agreement dated January 9, 2003 between America Online, Inc. and Homestore, Inc. (Incorporated by reference to Exhibit 10.10 to our annual report on Form 10-K filed March 26, 2003.)(1)

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<b>Number</b>	<b>Exhibit Title</b>
10.09	Standard Office Lease Form, Westlake North Business Park dated March 7, 2000 between Westlake North Associates, LLC, and Homestore, Inc. for 30700 Russell Ranch Road, Westlake Village, California. (Incorporated by reference to Exhibit 10.33 to our Form 10-K for the year ended December 31, 2000 filed April 2, 2001.)
10.10	NetSelect, Inc. 1996 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.16 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)(3)
10.11	NetSelect, Inc. 1999 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.17 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)(3)
10.12	Homestore.com®, Inc. 1999 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.18 to our registration statement on Form S-1/A (File No. 333-79689) filed July 27, 1999.)(3)
10.13	Homestore.com®, Inc. 1999 Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.19 to our registration statement on Form S-1/A (File No. 333-79689) filed July 27, 1999.)(3)
10.14	Homestore.com®, Inc. 2002 Stock Incentive Plan. (Incorporated by reference to Exhibit 4.04 to our registration statement on Form S-8 (File No. 333-89172) filed May 24, 2002.)(3)
10.15	InfoTouch Corporation 1994 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.20 to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)(3)
10.16	Move.com, Inc. 2000 Stock Incentive Plan. (Incorporated by reference to Exhibit 4.04 to our registration statement on Form S-8 (File No. 333-55828) filed February 16, 2001.)(3)
10.17	Cendant Corporation Move.com Group 1999 Stock Option Plan as assumed by Cendant Corporation from Move.com, Inc. and amended and restated effective as of March 21, 2000. (Incorporated by reference to Exhibit 4.05 to our registration statement on Form S-8 (File No. 333-55828) filed February 16, 2001.)(3)
10.18	1997 Stock Initiative Plan of Cendant Corporation as amended and restated through October 14, 1998. (Incorporated by reference to Exhibit 4.06 to our registration statement on Form S-8 (File No. 333-55828) filed February 16, 2001.)(3)
10.19	Amendment to Amended and Restated 1997 Stock Incentive Plan of Cendant Corporation dated March 27, 2000. (Incorporated by reference to Exhibit 4.07 to our registration statement on Form S-8 (File No. 333-55828) filed February 16, 2001.)(3)
10.20	Amendment to Amended and Restated 1997 Stock Incentive Plan of Cendant Corporation dated March 28, 2000. (Incorporated by reference to Exhibit 4.08 to our registration statement on Form S-8 (File No. 333-55828) filed February 16, 2001.)(3)
10.21	Homestore 401(k) Plan. (Incorporated by reference to Exhibit 10.25 to our registration statement on Form S-1/ A (File No. 333-79689) filed June 17, 1999.)(3)
10.22	Form of Indemnity Agreement between Homestore, Inc. and each of its directors and executive officers (Incorporated by reference to Exhibit 10.25 to our annual report on Form 10-K for the year ended December 31, 2003 filed March 15, 2004.)(3)
10.23	Employment Agreement dated March 6, 2002 between Homestore.com®, Inc. and W. Michael Long. (Incorporated by reference to Exhibit 6.01(A) to our quarterly report on Form 10-Q for the quarter ended March 31, 2002 filed May 14, 2002.)(3)
10.24	2003 Executive Bonus Plan of W. Michael Long. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2003 filed November 13, 2003.)(3)
10.25	2005 Executive Bonus Plan of W. Michael Long. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 5, 2005.)(3)
10.26	2006 Executive Bonus Plan for W. Michael Long. (Incorporated by reference to Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.)(3)
10.27	

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Employment Agreement dated March 6, 2002 between Homestore.com®, Inc. and Jack D. Dennison. (Incorporated by reference to Exhibit 6.03(A) to our quarterly report on Form 10-Q for the quarter ended March 31, 2002 filed May 14, 2002.)(3)

10.28 2003 Executive Bonus Plan of Jack D. Dennison. (Incorporated by reference to Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 30, 2003 filed November 13, 2003.)(3)

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<b>Number</b>	<b>Exhibit Title</b>
10.29	2005 Executive Bonus Plan of Jack D. Dennison. (Incorporated by reference to Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 5, 2005.)(3)
10.30	2006 Executive Bonus Plan for Jack D. Dennison. (Incorporated by reference to Exhibit 10.4 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.)(3)
10.31	Employment Agreement dated March 6, 2002 between Homestore.com®, Inc. and Lewis R. Belote III. (Incorporated by reference to Exhibit 6.02(A) to our quarterly report on Form 10-Q for the quarter ended March 31, 2002 filed May 14, 2002.)(3)
10.32	2003 Executive Bonus Plan of Lewis R. Belote III. (Incorporated by reference to Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended September 30, 2003 filed November 13, 2003.)(3)
10.33	2005 Executive Bonus Plan of Lewis R. Belote III. (Incorporated by reference to Exhibit 10.4 to our quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 5, 2005.)(3)
10.34	2006 Executive Bonus Plan for Lewis R. Belote III. (Incorporated by reference to Exhibit 10.6 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.)(3)
10.35	Executive Retention and Severance Agreement dated April 24, 2002 between Homestore.com®, Inc. and Allan P. Merrill. (Incorporated by reference to Exhibit 6.06(A) to our Form 10-Q for the quarter ended March 31, 2002 filed May 14, 2002.)(3)
10.36	Memorandum dated March 29, 2002 to Allan P. Merrill. (Incorporated by reference to Exhibit 6.07(A) to our Form 10-Q for the quarter ended March 31, 2002 filed May 14, 2002.)(3)
10.37	2003 Executive Bonus Plan of Allan P. Merrill. (Incorporated by reference to Exhibit 10.5 to our quarterly report on Form 10-Q for the quarter ended September 30, 2003 filed November 31, 2003.)(3)
10.38	2005 Executive Bonus Plan of Allan P. Merrill. (Incorporated by reference to Exhibit 10.6 to our quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 5, 2005.)(3)
10.39	2006 Executive Bonus Plan for Allan P. Merrill. (Incorporated by reference to Exhibit 10.8 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.)(3)
10.40	Executive Retention and Severance Agreement dated September 30, 2002 between Homestore.com®, Inc. and Allan D. Dalton. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2002 filed November 14, 2002.)(3)
10.41	Offer Letter dated October 7, 2002 between Homestore.com®, Inc. and Allan D. Dalton. (Incorporated by reference to Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 30, 2002 filed November 14, 2002.)(3)
10.42	2003 Executive Bonus Plan of Allan D. Dalton. (Incorporated by reference to Exhibit 10.4 to our quarterly report on Form 10-Q for the quarter ended September 30, 2003 filed November 13, 2003.)(3)
10.43	Realtor + Top Producer 2005 Executive Bonus Plan of Allan D. Dalton. (Incorporated by reference to Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 5, 2005.)(3)
10.44	Realtor + Top Producer 2006 Executive Bonus Plan for Allan D. Dalton. (Incorporated by reference to Exhibit 10.5 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.)(3)
10.45	Stipulation and Agreement of Settlement between California State Teachers Retirement System and Homestore, Inc. dated as of August 12, 2003. (Incorporated by reference to Exhibit 10.7 to our quarterly report on Form 10-Q for the quarter ended September 30, 2003 filed November 13, 2003.)
10.46	Settlement Agreement and Release dated August 5, 2003 among Homestore, Inc., Welcome Wagon® International, Inc., Cendant Corporation, Cendant Membership Services Holdings, Inc, Century 21 Real Estate Corporation, Coldwell Banker Real Estate Corporation, ERA Franchise Systems, Inc., NRT Incorporated, and Cendant Mortgage Corporation. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2003 filed August 14, 2003.)

- 10.47 Registration Rights Agreement dated August 5, 2003 among Homestore, Inc., Cendant Corporation and Cendant Membership Services Holdings, Inc. (Incorporated by reference to Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended June 30, 2003 filed August 14, 2003.)

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<b>Number</b>	<b>Exhibit Title</b>
10.48	Listings License Agreement dated August 5, 2003 between Cendant Corporation and Homestore, Inc. (Incorporated by reference to Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended June 30, 2003 filed August 14, 2003.)
10.49	Source Code License and Maintenance Services Agreement dated August 5, 2003 between Homestore, Inc. and Cendant Corporation. (Incorporated by reference to Exhibit 10.4 to our quarterly report on Form 10-Q for the quarter ended June 30, 2003 filed August 14, 2003.)
10.50.1	Distribution Agreement dated June 30, 2004 between America Online, Inc. and Homestore, Inc. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2004 filed August 4, 2004.) (1)
10.51.2	Amendment to Distribution Agreement dated as of October 29, 2005 between Registrant and America Online, Inc. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2005 filed November 9, 2005.)(4)
10.52	Asset Purchase Agreement dated October 6, 2004 between Homestore, Inc. and Wyld Acquisition Corp. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 30, 2004 filed November 5, 2004.)
10.53	Master Distribution Agreement dated February 2, 2005 among Homestore, Inc., Homestore Sales Company, Inc. and NRT Incorporated. (Incorporated by reference to Exhibit 10.55 of our Form 10-K for the year ended December 31, 2004 filed March 11, 2005.) (1)
10.54	Exclusivity Termination Agreement between Homestore, Inc., RealSelect, Inc., REALTORS® Information Network, Inc. and the National Association of REALTORS® (Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed April 21, 2005.)
10.55	Form of Certificate of Stock Option Grant to Executive Officers (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended March 31, 2005 filed May 6, 2005.)(3)
10.56	Settlement Agreement and Releases dated September 20, 2005 between the Company and Stuart Wolff (Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed September 26, 2005.)
10.57	Preferred Stock Purchase Agreement, dated November 6, 2005, by and among Homestore, Inc. and the Purchasers signatory thereto (Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed November 7, 2005.)
10.58	Stockholders Agreement, dated November 29, 2005, by and among Homestore, Inc., Elevation Partners, L.P. and Elevation Employee Side Fund, LLC. (Incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed November 30, 2005.)
10.59	Asset Purchase Agreement dated February 21, 2006 between Homestore, Inc., TMP Directional Marketing, LLC and Moving.com, Inc. (Incorporated by reference to Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.)
10.60	Letter Amendment dated March 16, 2006 to Master Distribution Agreement dated February 2, 2006 between Homestore, Inc., Move Sales, Inc. (then known as Homestore Sales Company, Inc.), and NRT Incorporated. (Incorporated by reference to Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended March 31, 2006 filed May 5, 2006.) (1)
10.61	Settlement Agreement and Releases dated February 15, 2006 between Homestore, Inc. and Peter Tafeen (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 22, 2006.)
14.01	Homestore, Inc. Code of Conduct and Business Ethics. (Incorporated by reference to Exhibit 14.1 to our current report on Form 8-K filed March 21, 2005.)
21.01	Subsidiaries of Move, Inc.(2)



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- 23.01 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.(2)
- 24.01 Power of Attorney (included on signature pages to this report).(2)
- 31.01 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(2)
- 31.02 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(2)

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<b>Number</b>	<b>Exhibit Title</b>
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.(2)
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.(2)
99.01	Schedule II Valuation and Qualifying Accounts.(2)

(1) Confidential treatment has been granted with respect to certain information in these exhibits pursuant to a confidential treatment request.

(2) Filed herewith.

(3) Denotes management contracts and compensatory plans and arrangements.

(c) *Exhibits*

See Item 15(a)(3) above.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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/ W. MICHAEL LONG  
W. Michael Long  
*Chief Executive Officer*

By: /s/ LEWIS R. BELOTE, III  
Lewis R. Belote, III  
*Chief Financial Officer*

Date: March 1, 2007

**POWER OF ATTORNEY**

**KNOW ALL PERSONS BY THESE PRESENTS**, that each person whose signature appears below constitutes and appoints jointly and severally, Lewis R. Belote, III and James S. Caulfield, and each one of them, his or her true and lawful attorneys-in-fact and agents each with full power of substitution, for him or her and in his or her name, place and stead, in any all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her, or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<b>Principal Executive Officer:</b>		
/s/ W. MICHAEL LONG	Chief Executive Officer and Director	March 1, 2007
W. Michael Long		
<b>Principal Financial Officer and Principal Accounting Officer:</b>		
/s/ LEWIS R. BELOTE, III	Chief Financial Officer	March 1, 2007

Lewis R. Belote, III

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<b>Signature</b>	<b>Title</b>	<b>Date</b>
<b>Additional Directors:</b>		
/s/ JOE F. HANAUER Joe F. Hanauer	Chairman of the Board and Director	March 1, 2007
/s/ FRED D. ANDERSON Fred D. Anderson	Director	March 1, 2007
/s/ L. JOHN DOERR L. John Doerr	Director	March 1, 2007
/s/ WILLIAM E. KELVIE William E. Kelvie	Director	March 1, 2007
/s/ KENNETH K. KLEIN Kenneth K. Klein	Director	March 1, 2007
/s/ GERALDINE B. LAYBOURNE Geraldine B. Laybourne	Director	March 1, 2007
/s/ ROGER B. MCNAMEE Roger B. McNamee	Director	March 1, 2007
/s/ V. PAUL UNRUH V. Paul Unruh	Director	March 1, 2007
/s/ BRUCE G. WILLISON Bruce G. Willison	Director	March 1, 2007
/s/ ALAN J. YASSKY Alan J. Yassky	Director	March 1, 2007