

MOVE INC
Form 10-K
March 05, 2010

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

Form 10-K

- o** ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
- o** TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 000-26659

Move, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

95-4438337
*(I.R.S. Employer
Identification No.)*

**910 East Hamilton Avenue
Campbell, California**
(Address of Principal Executive Offices)

95008
(Zip Code)

**Registrant's telephone number, including area code:
(805) 557-2300**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.001 per share	The NASDAQ Stock Market
Warrants to purchase Common Stock, par value \$.001 per share	The NASDAQ Stock Market

**Securities Registered Pursuant to Section 12(g) of the Act:
None**

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

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

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

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

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

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

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

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

Aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2009*	\$223,269,476
Number of shares of common stock outstanding as of March 1, 2010	155,757,194

* Based on the closing price of the common stock of \$2.16 per share on that date, as reported on The NASDAQ Stock Market and, for purposes of this computation only, the assumption that all of the registrant's directors, executive officers and beneficial owners of 10% or more of the registrant's common stock are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

In accordance with General Instruction G(3) to Form 10-K, certain information in the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission relating to the registrant's 2010 Annual Meeting of Stockholders is incorporated by reference into Part III.

MOVE, INC.

FORM 10-K

For the Fiscal Year Ended December 31, 2009

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This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements based on our current expectations, estimates and projections about our industry, beliefs, and certain assumptions made by us. Words such as believes, anticipates, estimates, expects, projections, may, potential, continue and words of similar import constitute forward-looking statements. The forward-looking statements contained in this report involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by these statements. These factors include those listed under Risk Factors, Business, Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this Form 10-K, and the other documents we file with the Securities and Exchange Commission (SEC), including our reports on Form 8-K and Form 10-Q, and any amendments thereto. Other unknown or unpredictable factors also could have material adverse effects on our future results. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this Annual Report. We cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, we expressly disclaim any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances.

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PART I

Item 1. *Business.*

OVERVIEW

Move, Inc. and its subsidiaries (Move , we , our or us) operate an online network of web sites for real estate search, finance, moving and home enthusiasts and provide an essential resource for consumers seeking the online information and connections they need regarding real estate. Our flagship consumer web sites are Move.com, REALTOR.com[®] and Moving.com. We also provide lead management software for real estate agents and brokers through our Top Producer[®] business.

On our web sites we display comprehensive real estate property content, with over four million resale, new home and rental listings, as well as extensive move-related information and tools. We hold the leadership position in terms of web traffic and minutes, attracting an average of 8.9 million consumers to our network per month and 209 million minutes per month in 2009 according to comScore Media Metrix, a substantial lead over the next leading real estate site. We also have strong relationships with the real estate industry, including content agreements with approximately 900 Multiple Listing Services (MLS) across the country and exclusive partnerships with the National Association of REALTORS[®] (NAR) and the National Association of Home Builders (NAHB).

Our vision is to win the hearts and minds of our consumers, customers, and partners. In order to do this, we need to lay a platform foundation that includes 3rd party data aggregation from others, robust search capabilities and new core technology platforms to capture user data and provide an engaging user experience. Today we provide the most up-to-date for sale property listings information among all content aggregators on the web, with more than 50% of the listings updated every 15 minutes. Our property listings are coupled with rich, timely neighborhood information including school data, demographics and crime statistics. In addition, we provide information about home values, mortgage options, moving solutions and topical data as part of our blogs. In the future, we expect to capture similar information on the approximately 95 million properties that are not for sale.

We generate a substantial majority of our revenue from selling advertising and marketing solutions to real estate industry participants, including real estate agents, brokers, and rental property owners, as well as to other local and national advertisers interested in reaching our consumer audience. Most of our revenue is derived from subscription-based services that allow our customers to easily budget for our services. Our sales force consists of a combination of internal phone-based account executives and field sales personnel.

We were incorporated in the State of Delaware in 1993 under the name of InfoTouch Corporation. In February 1999, we changed our corporate name to Homestore.com, Inc. In May 2002, we changed our name to Homestore, Inc. In June 2006, we changed our name to Move, Inc. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for a further description of our history. Our corporate headquarters are located in Campbell, California. Our phone number is (805) 557-2300.

PRODUCTS AND SERVICES

REALTOR.com[®]

The REALTOR.com[®] web site offers consumers a comprehensive suite of services, tools and content for all aspects of the residential real estate transaction. We display on REALTOR.com[®] listing content received from approximately

900 MLSs across the United States, resulting in a searchable database of approximately four million existing properties for sale. Over half of our listings are updated every fifteen minutes providing the most comprehensive and timely content currently available among all content aggregators on the Internet.

In addition to property listings and neighborhood profiles, we offer consumers information and tools designed to assist them in understanding the value of their home, preparing the home for sale, listing and advertising the home, home affordability, the offer process, applying for a loan and understanding the mortgage options available, closing the purchase and planning the move.

REALTOR.com[®] is the official web site of NAR, the largest trade association in the United States that represents residential and commercial real estate professionals, including brokers, agents, property managers,

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appraisers, counselors and others engaged in all aspects of the real estate industry. NAR had approximately 1.1 million members as of December 31, 2009. Under our agreement with NAR, we operate REALTOR.com[®], and, as such, we present basic MLS property listings to consumers on the web site at no charge to real estate professionals.

We offer the following services to enable real estate professionals to manage their online content and branding presence and better connect with home buyers and sellers:

Showcase Listing Enhancements. When an agent or broker purchases the showcase listing product they are then able to promote their listings by adding more photos, virtual tours, video and printable brochures to the basic listing. They can also personalize the listing by adding additional features such as custom copy, text effects, their own personal branding information, links to their personal web site and more. Showcase listings are priced based on the size of a geographic market and the number of historical listing counts for the past twelve months an agent may have, and are sold on an annual subscription basis. We sell showcase listings directly to individual real estate agents as well as to real estate brokers who purchase showcase listings on behalf of their agents. Our showcase listing product represented approximately 39%, 39%, and 35% of our overall revenue from continuing operations for fiscal years 2009, 2008 and 2007, respectively;

Display ad products. We provide numerous opportunities for real estate professionals to promote individual properties, themselves or their company brand. These products are priced based on geographic market and are sold as three, six or twelve month subscriptions:

Featured Homes[™] allows agents or brokers to more prominently display a limited number of their property listings on the REALTOR.com[®] web site by presenting them first in certain searches of their respective zip codes;

Featured Agent[™], Featured Company[™] and Featured Community[™] all provide the opportunity for agents or brokers to promote themselves and their services on REALTOR.com[®] in the form of banner advertising within a geographically targeted real estate audience;



Featured CMA[™] allows agents or brokers to present consumers with information about their local market conditions and, in the process, recognize the value of contacting them for professional consultation and assistance; and

Search Assist allows agents or brokers to present consumers who register on the REALTOR.com[®] web site with updated property listings via email in the neighborhood they are searching.

Our Featured Homes product represented approximately 9%, 11%, and 13% of our overall revenue from continuing operations for fiscal years 2009, 2008 and 2007, respectively; and

Web sites. We offer a series of template web sites designed specifically for agents and brokers, which are sold on an annual subscription basis. Such websites can display listings for a broker's local market using Internet Data Exchange (IDX) protocols and technology. We support IDX data feeds in approximately 200 markets.

Top Producer[®]

Our primary Top Producer[®] product,  solution, is the leading customer relationship management (CRM) software designed specifically for real estate agents. Top Producer's  web-based application features client management, appointment and task scheduling, Internet lead distribution and follow-up, prospecting automation, comparative market analysis, customer presentations and mobile data synchronization. Top Producer products are co-branded for

some of the country's largest franchise brands, such as RE/MAX, Keller Williams, Coldwell Banker, Century 21, ERA, GMAC and Real Estate One. We believe that our ability to assist real estate professionals in managing relationships with their customers enables us to better distinguish the value of our media properties.

The Top Producer CRM software is offered exclusively as a web-based application that is purchased through an initial annual subscription. Our 8i product represented approximately 11%, 11% and 12% of our overall revenue from continuing operations for fiscal year 2009, 2008 and 2007, respectively.

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We also offer Market Snapshot® and Market Builder™ products that allow real estate professionals to effortlessly provide real-time MLS market updates and trend analysis to their online prospects and clients. Market Snapshot® and Market Builder tools are currently purchased through an annual subscription and are available on a standalone basis, or bundled with the 8i® solution and other Top Producer® products.

Move® Rentals

We aggregate and display rental listings nationwide. We display these listings at no charge to consumers. We offer the following services to enable rental property owners and managers to enhance and promote their listings:

Showcase Listings. Showcase Listings allow rental property owners and managers to promote their listings by giving them priority placement, adding enhanced property descriptions, highlighting unique property amenities, displaying multiple photos, offering interactive floor plans along with additional features. Showcase Listings are sold on a monthly subscription basis;

Featured Listings. Featured Listings allow rental property owners and managers to obtain priority placement for their listings on the search results page. The Featured Listings displayed in the top positions are based on consumer-defined criteria and the relevancy of listing detail to those criteria. Featured Listings are offered on a cost-per-click basis; and

Display Advertising. Display Advertising allows rentals owners and others to advertise their brand and capabilities, as well as particular apartment communities, on Move.com. Display Advertising ads are published within the Rentals channel of the Move.com website by way of banner and skyscraper presentations on the Rentals search results pages. Display Ads are sold with respect to specific geographic regions, each of which are limited to, and may be shared by, up to ten advertisers. Display Advertising is sold on a monthly subscription basis.

Media

Our Media business provides advertisers such as mortgage companies, home improvement retailers, moving service providers and other consumer product and service companies with an efficient way to target consumers in the move cycle. We offer these advertising customers a variety of products and services across the entire Move network of web sites, particularly in our Finance, Moving and Home & Garden content areas on Move.com. These products and services include graphical display advertisements, text links, sponsorships and directories. Pricing models include cost per thousand impressions (CPM), cost-per-click and subscription based sponsorships of specific content areas.

We also provide consumers with quotes from moving companies, truck rental companies and self-storage facilities, as well as other move-related information, on our Moving.com web site. The majority of revenue for Moving.com is derived from cost-per-lead products.

BUSINESSES EXITED OR PLACED INTO JOINT VENTURE

In June 2009, we sold our Welcome Wagon business, which is classified as discontinued operations for all periods presented. In July 2009, we also sold certain products previously produced through our Enterprise business. In October 2009, we entered into an agreement with Builders Homesite, Inc., to create Builders Digital Experience LLC (BDX), a joint venture dedicated to helping new home builders reach buyers with innovative online marketing solutions.

COMPETITION

We compete with a variety of online companies and web sites providing real estate content that sell classified advertising opportunities to real estate professionals and sell advertising opportunities to other advertisers seeking to reach consumers interested in products and services related to the home and real estate. We also compete with web sites that attract consumers by offering rebates for home purchases or rental leases, and then charge the real estate professional who performed the transaction a referral fee for the introduction. However, these sites generally have a limited amount of real estate content and an even more limited directory of qualified REALTORS®.

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Our primary competitors for online real estate advertising dollars include HomeGain (a division of Classified Ventures, LLC), Google, Market Leader, Inc. (formerly HouseValues.com), NewHomeGuide.com, Tree.com (formerly Lending Tree and RealEstate.com), Trulia, Yahoo! Real Estate and Zillow. In addition, our Move® Rentals web site faces competition from Apartments.com, ApartmentGuide.com, ForRent.com and Rent.com. Our Move.com web site also faces competition from general interest consumer web sites that offer home, moving and finance content, including Living Choices (a division of Network Communications, Inc.) and ServiceMagic, Inc. (a division of InterActive Corp).

The barriers to entry for web-based services and businesses are low. While we believe we would have an advantage on listing content for some time over other online businesses, we may not be able to maintain that advantage, and existing or future competitors could create other products and services that could be more attractive to consumers than our products and services.

Newspapers and home/apartment guide publications are the two primary offline competitors of our media offerings. We compete with newspapers and home/apartment guide publications for the advertising dollars spent by real estate professionals to advertise their offerings. In addition, newspapers and the publishers of home/apartments guides, including Classified Ventures, Inc., PRIMEDIA Inc., and Network Communications, Inc., have extended their media offerings to include an Internet presence. We believe that the effectiveness of print publications continues to decline and we will continue to work to demonstrate the value of our online offerings to shift more real estate advertising dollars online.

Our Top Producer® business faces competition from First American's subsidiary, MarketLinx, Inc., and Fidelity National Information Solutions, Inc. which offers competing solutions to real estate professionals. Top Producer also competes with horizontal customer relationship management offerings such as Microsoft Corporation's Outlook solution, Best Software Inc.'s ACT! solution, Salesforce.com and FrontRange Solution, Inc.'s GoldMine product. Some providers of real estate web site solutions, such as ALa Mode, Inc., also offer contact management features which compete with products from Top Producer. Certain Internet media companies such as HomeGain and Market Leader are providing drip marketing solutions that incorporate aspects of lead management, which over time could pose a competitive threat to Top Producer.

Our Moving.com business competes with other web sites that offer comparable products, such as 123movers.com and VanLines.com.

See Risk Factors Risks Related to our Business for additional discussion of factors affecting our competition.

SEASONALITY

Our traffic generally declines on all our web sites during the fourth quarter due to weather and the holiday season when consumers are less likely to search for real estate. This seasonal decline in traffic can negatively impact revenue from our Media business in the fourth quarter, as this business includes revenue models that are directly tied to traffic levels. This seasonal decline in traffic can also negatively impact the revenue from our Featured Listings products in Rentals as that revenue is generated on a cost-per-click basis.

GEOGRAPHIC REGIONS

We derive all of our revenue from our operations in North America.

INFRASTRUCTURE AND TECHNOLOGY

We seek to maintain and enhance our market position with consumers and real estate professionals by building proprietary systems and consumer features into our web sites, such as search engines for real estate listings and the technologies used to aggregate real estate content. We regard many elements of our web sites and underlying technologies as proprietary, and we attempt to protect these elements and underlying technologies by relying on trademark, service mark, patent, copyright and trade secret laws, restrictions on disclosure and other methods. See Intellectual Property below.

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Our web sites are designed to provide fast, secure and reliable high-quality access to our services, while minimizing the capital investment needed for our computer systems. We have made, and expect to continue to make, technological improvements designed to reduce costs and increase the attractiveness to the consumer and the efficiency of our systems. We expect that enhancements to our web sites, and our products and services, will come from internally and externally developed technologies.

Our systems supporting our web sites must accommodate a high volume of user traffic, store a large number of listings and related data, process a significant number of user searches and deliver frequently updated information. Significant increases in utilization of these services could potentially strain the capacity of our computers, causing slower response times or outages. Through 2009, our systems have been able to respond to increased content and more frequent updates to the content on the sites as well as higher consumer demand. We host all of our web sites, as well as custom broker web pages and the on-line subscription product for Top Producer® in Phoenix, Arizona. See **Risk Factors** **Internet Industry Risks** for a more complete description of the risks related to our computer infrastructure and technology.

INTELLECTUAL PROPERTY

We regard substantial elements of our web sites and underlying technology as proprietary. We attempt to protect our intellectual property by relying on a combination of trademark, service mark, patent, copyright and trade secret laws, restrictions on disclosure, and other methods.

Despite our precautions, our intellectual property is subject to a number of risks that may materially adversely affect our business, including, but not limited to, the following:

it may be possible for a third party to copy or otherwise obtain and use our proprietary information without authorization, or to develop similar technology independently;

we could lose the use of the REALTOR.com® trademark or the REALTOR.com® domain name, or be unable to protect the other trademarks or web site addresses that are important to our business, and therefore would need to devote substantial resources toward developing an independent brand identity;

we could be subject to litigation with respect to our intellectual property rights or those of third parties providing us with content or other licensed material;

we may be required to license additional technology and information from others, which could require substantial expenditures by us; and

legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet-related businesses are uncertain and continue to evolve, and we can give no assurance regarding our ability to protect our intellectual property and other proprietary rights.

See **Risk Factors** **Risks Related to Our Business** for a more complete description of the risks related to our intellectual property.

EMPLOYEES

As of December 31, 2009, we had 951 active full-time equivalent employees. We consider our relations with our employees to be good. No employee is represented by a collective bargaining agreement and we have never had a work stoppage. We believe that our future success will depend in part on our ability to attract, integrate, retain and

motivate highly qualified personnel and upon the continued service of our senior management and key technical personnel.

See Risk Factors Risks Related to Our Business.

AVAILABLE INFORMATION

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as our proxy statements and other information, with the SEC. In most cases, those documents are available, without charge, on our web site at <http://investor.move.com> as soon as reasonably

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practicable after they are filed electronically with the SEC. Copies are also available, without charge, from Move, Inc., Investor Relations, 910 E. Hamilton Ave, Campbell, CA 95008. You may also read and copy these documents at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549 under our SEC file number (000-26659), and you may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In most cases, these documents are available over the Internet from the SEC's web site at <http://www.sec.gov>.

Item 1A. Risk Factors.

You should consider carefully the following risk factors and other information included or incorporated by reference in this Form 10-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem to be currently immaterial also may impair our business operations. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected.

Risks Related to Our Business

We have had a history of net losses and could incur net losses in the future.

Except for net income of \$20.9 million in 2006, and \$0.5 million in 2005, we have incurred net losses every year since 1993 including net losses of \$6.9 million, \$29.2 million and \$0.3 million for the years ended December 31, 2009, 2008 and 2007, respectively. We have an accumulated deficit of approximately \$2.0 billion. Current market conditions around residential real estate make it difficult to project if we will become consistently profitable in the future. Furthermore, we have been making significant changes to our organizational structure and our business models. While these changes are being implemented with the belief that they will strengthen our business and our market position in the long run, there can be no assurance that these changes will generate additional revenue or a more efficient cost structure, which will be needed to return to profitability.

Competition for our services may adversely impact our business.

Our existing and potential competitors include web sites offering real estate related content and services as well as general purpose online services, and traditional media such as newspapers, magazines and television that may compete for advertising dollars. The real estate search services market in which we operate is becoming increasingly competitive. A number of competitors have emerged or intensified their focus on the real estate market, including Apartments.com, ApartmentGuide.com, ForRent.com, Google, HomeGain (a division of Classified Ventures, LLC), Market Leader, Inc. (formerly HouseValues.com), NewHomeGuide.com, Rent.com, Tree.com (formerly Lending Tree and RealEstate.com), Trulia, Yahoo! Real Estate and Zillow as well as general interest consumer web sites that offer home, moving and finance content, including Living Choices (a division of Network Communications, Inc.) and ServiceMagic, Inc. (a division of InterActive Corp).

The barriers to entry for web-based services and businesses are low. In addition, parties with whom we have listing and marketing agreements could choose to develop their own Internet strategies or competing real estate sites. Furthermore, real estate brokers or other website operators, due to evolving policies, rules, regulatory initiatives, conventions and strategies (for example, recent changes in the NAR's policies concerning virtual office web sites (VOWs)), might be able to more effectively aggregate listing data for display over the Internet in ways comparable to REALTOR.com®. Developments such as these could impact how consumers and customers value our content and product offerings on the REALTOR.com® web site. Also, developments in the real estate search services market may also encourage additional competitors to enter that market. Some of our existing and potential competitors have longer operating histories in the Internet market, greater name recognition, larger consumer bases and significantly greater

financial, technical and marketing resources than us. The rapid pace of technological change constantly creates new opportunities for existing and new competitors and it can quickly render our existing technologies less valuable.

We cannot predict how, if at all, our competitors may respond to our initiatives. We also cannot provide assurance that our offerings will be able to compete successfully against these competitors or new competitors that enter our markets.

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We may not be able to continue to obtain more listings from MLSs and real estate brokers than other web site operators.

We believe that part of the success of REALTOR.com[®] depends on displaying a larger and more current database of existing homes for sale than other web sites. We obtain these listings through agreements with MLSs that have fixed terms, typically 12 to 36 months. At the end of the term of each agreement, the MLS could choose not to renew their agreement with us. There are no assurances the MLSs will continue to renew their agreements to provide listing data to us. If they choose not to renew their relationship with us, then REALTOR.com[®] could become less attractive to consumers and thus, less attractive to our advertising customers.

Poor execution could harm our business, profitability and growth.

Although we have significant advantages that help us compete effectively, we might fail to plan, execute, manage and leverage new systems developments, new product launches, new web site features, our partnering ventures, new resource allocations and other current and new operational initiatives in a savvy, timely, efficient and cost-effective manner. Such failures could harm our competitive position, increase our costs, cause operational disruptions and difficulties, damage or limit profitability and growth prospects, limit our ability to make needed investments in our business and harm our reputation, our ability to attract consumers and customers and our ability to sustain and increase revenue.

Although the relative market position of our network of websites is an advantage, we might be unable to interest a sufficient number of new advertisers to purchase advertising presence on our web sites, or we might fail to retain advertisers who do purchase advertising from us. These circumstances could adversely affect revenue, growth and profitability and could prevent us from effectively monetizing the advertising potential of our web sites and could limit our ability to make additional investments in our business.

Although our customer support function is a valuable asset to our business, we might make errors in executing, or fail to effectively manage our customer support function. This could result in negative publicity, damage our reputation, harm customer relationships and diminish interest in, loyalty to and use of our web sites, products and services.

Our quarterly financial results are subject to significant fluctuations.

Our quarterly results of operations have varied in the past and may vary significantly in the future. We have made significant investments in our businesses and incurred restructuring charges as we have made adjustments to our business model. As we change business models, we could experience a decline in quarterly revenue. If revenue from these initiatives falls below our expectations, we may not be able to reduce our spending or change our pricing models rapidly in response to the shortfall. Fluctuations in our quarterly results could also adversely affect the price of our common stock.

Other factors that could affect our quarterly operating results include those described elsewhere in this Form 10-K, and include:

the level at which real estate agents, brokers and rental owners renew the arrangements through which they obtain our services;

a continued downturn in, or a slow (rather than speedy) recovery of, the residential real estate market and the impact on advertising;

the amount of advertising sold on our web sites and the timing of payments for this advertising; and

the costs from litigation, including the cost of settlements.

Negative conditions in the global credit markets may continue to impair the liquidity of a portion of our investment portfolio.

As of December 31, 2009, our long-term investments included \$111.8 million of high-grade (primarily AAA rated) student loan auction rate securities issued by student loan funding organizations, which loans are 97%

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guaranteed under FFELP (Federal Family Education Loan Program). These auction rate securities (ARS) were intended to provide liquidity via an auction process that resets the interest rate, generally every 28 days, allowing investors to either roll over their holdings or sell them at par. In February 2008, auctions for the investments in these securities failed to settle on their respective settlement dates. Consequently, the investments are not currently liquid and we will not be able to access these funds until a future auction of these investments is successful, the securities mature, or a buyer is found outside of the auction process. Maturity dates for these ARS investments range from 2030 to 2047 with principal distributions occurring on certain securities prior to maturity. Because the arbitration proceeding we brought that is described in Note 23 Commitments and Contingencies Legal Proceedings to our Consolidated Financial Statements in Item 8 of this Form 10-K was not successful, the possibility of a compelled buy-back of these ARS investments is no longer available. We do not have a need to access these funds for operational purposes for the foreseeable future, and we currently have the intent to hold these ARS investments until their fair value recovers, until they reach maturity or until they can be sold in a market that facilitates orderly transactions. We have classified the ARS investment balance as Long-term Investments because of the inability to determine when these investments will become liquid. We have also modified our current investment strategy and increased our investments in more liquid money market and treasury bill investments. During the year ended December 31, 2008, we determined that there was a decline in the fair value of our ARS investments of approximately \$17.6 million which we deemed as temporary and included in Other Comprehensive Income. We believe our conclusion that the impairment is temporary is still appropriate as of December 31, 2009.

The valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes in credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates and ongoing strength and quality of market credit and liquidity. Macro economic factors, such as fluctuations in and expectations regarding inflation, interest rates, currency exchange rates and national, regional and local demand, as well as tax, political and social factors could also affect our investments adversely.

If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required in future periods to record additional unrealized losses in other comprehensive income (loss) or depending on the circumstances existing at the time, such losses may be considered other than temporary and recorded as a component of net income (loss).

The mortgage, financial and credit markets have been and continue to experience unprecedented disruption, which have had, and are expected to continue to have, an adverse effect on our business, financial condition and results of operations.

The ongoing global financial crisis affecting the banking system and financial markets has resulted in a severe tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in credit and equity markets. This financial crisis could impact our business in a number of ways.

The U.S. residential real estate market is currently in a significant downturn due to downward pressure on housing prices, credit constraints inhibiting home buyers, foreclosures, and an exceptionally large inventory of unsold homes. We cannot predict when the market and related economic forces will return the U.S. residential real estate industry to normal conditions.

Until market conditions improve, our customers ability to continue advertising on our sites could be adversely impacted.

We are and may continue to be involved in litigation and other disputes.

Our business and operations may subject us to claims, litigation and other proceedings brought by private parties and governmental authorities. We are currently involved in several matters, which are described in Note 23, Commitments and Contingencies – Legal Proceedings, to our Consolidated Financial Statements 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,

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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 litigation, 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 lawsuit, including those we are currently defending, may result in significant monetary damages against us that could have an adverse effect on our results of operations and our financial position. Moreover, even those intellectual property disputes that are ultimately resolved in our favor, are time-consuming and expensive to resolve and divert management's time and attention. In addition to subjecting us to monetary damages, any 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;

pay significant sums to obtain a license to the relevant intellectual property that we are alleged to infringe; 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 an 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 and other third parties for liabilities arising from the infringement or alleged infringement of third parties' intellectual property rights, and these indemnification obligations could have an 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 might bring or other steps we might take to protect this property 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 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 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 on terms that are desirable.

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Our relationship with the NAR is an important part of our business plan and our business could be harmed if we were to lose the benefits of this relationship.

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 (including amendments) 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 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 corporate governance, including the right to have one representative as a member of our board of directors (out of a current total of nine) and two representatives as members of our RealSelect's subsidiary's board of directors (out of a current total of seven). 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 provide copies of our agreements with advertisers and 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.

In addition to limitations and risks of the kind set forth above, our business relationship with NAR could erode, become strained or otherwise develop adversely or non-amicably. This could arise from poor management of the relationship, existing or new areas of conflict or potential conflict between our interests and NAR's interests, changes in the real estate industry or from other causes. Adverse circumstances such as these could result in significant erosion of or damage to our business since, among other reasons, many of our customers and data providers are members of, have interests that are closely aligned with or are otherwise influenced by or inclined favorably toward the NAR.

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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.

Our future success depends largely on our ability to attract, retain and motivate qualified personnel.

Our future success depends on our ability to attract, retain and motivate highly skilled technical, managerial and sales personnel, senior management and other key personnel. The loss of the services of key employees would likely have a significantly detrimental effect on our business. Several of our key senior management have employment agreements that we believe will assist in our ability to retain them. However, many other key employees do not have employment agreements. Competition for qualified personnel in our industry and geographical locations is intense. Attracting and retaining qualified personnel with experience in the real estate industry, a complex industry that requires a unique knowledge base, is an additional challenge for us. We can give no assurance that we will be successful in attracting, integrating, retaining and motivating a sufficient number of qualified employees to conduct our business in the future. The loss of services of any of our key personnel, excessive turnover of our work force, the inability to retain and attract qualified personnel in the future or delays in hiring required personnel may have an adverse effect on our business, operating results or financial condition.

Our net operating loss carry forwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

At December 31, 2009, we had gross net operating losses carry forwards (NOLs) for federal and state income tax purposes of approximately \$939.4 million and \$382.7 million, respectively, and we could generate NOLs in future years. The federal NOLs will begin to expire in 2018. Approximately \$1.1 million of the state NOLs expired in 2009 and the state NOLs will continue to expire from 2010 to 2028. Gross net operating loss carry forwards for both federal and state tax purposes may be subject to an annual limitation under relevant tax laws. Currently, the NOLs have a full valuation allowance recorded against them.