MOVE INC
Form 10-Q
November 02, 2007

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

**Form 10-Q**

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

**For the quarterly period ended September 30, 2007**

**or**

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

**For the transition period from __________ to __________**

**Commission File Number 000-26659**

**Move, Inc.**
*(Exact Name of Registrant as Specified in its Charter)*

| **Delaware** | **95-4438337** |
|---|---|
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification No.)* |
| **30700 Russell Ranch Road Westlake Village, California** | **91362** |
| *(Address of Principal Executive Offices)* | *(Zip Code)* |

**(805) 557-2300**
*(Registrant s Telephone Number, including Area Code:)*
*(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)*

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

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

Large Accelerated Filer o Accelerated Filer þ Non-Accelerated Filer o

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

At October 30, 2007, the registrant had 155,381,310 shares of its common stock outstanding.

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## PART I. FINANCIAL INFORMATION

**Item 1.** ***Condensed Consolidated Financial Statements***

**MOVE, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|---|
| | (In thousands) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 20,333 | $ 14,873 |
| Short-term investments | 165,050 | 142,975 |
| Accounts receivable, net | 18,349 | 18,279 |
| Other current assets | 16,287 | 34,468 |
| Total current assets | 220,019 | 210,595 |
| Property and equipment, net | 37,491 | 29,245 |
| Goodwill, net | 23,877 | 23,877 |
| Intangible assets, net | 15,819 | 16,715 |
| Restricted cash | 3,327 | 4,279 |
| Other assets | 1,589 | 1,238 |
| Total assets | $ 302,122 | $ 285,949 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,846 | $ 4,904 |
| Accrued expenses | 31,580 | 26,738 |
| Obligation under capital leases | 2,005 | 1,904 |
| Deferred revenue | 45,495 | 50,075 |
| Total current liabilities | 83,926 | 83,621 |
| Obligation under capital leases | 651 | 2,167 |
| Other liabilities | 1,852 | 2,497 |
| Total liabilities | 86,429 | 88,285 |
| Commitments and contingencies (see note 12) | | |
| Series B convertible preferred stock | 99,933 | 96,212 |
| Stockholders equity: | | |

| | | | | |
|---|---|---|---|---|
| Series A convertible preferred stock | | | | |
| Common stock | | 155 | | 154 |
| Additional paid-in capital | | 2,091,260 | | 2,069,399 |
| Accumulated other comprehensive income | | 688 | | 326 |
| Accumulated deficit | | (1,976,343) | | (1,968,427) |
| Total stockholders equity | | 115,760 | | 101,452 |
| Total liabilities and stockholders equity | $ | 302,122 | $ | 285,949 |

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

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## MOVE, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | (In thousands, except per share amounts) (Unaudited) | | | |
| Revenue | $ 75,570 | $ 75,672 | $ 220,226 | $ 218,542 |
| Cost of revenue | 16,015 | 16,967 | 46,012 | 49,820 |
| Gross profit | 59,555 | 58,705 | 174,214 | 168,722 |
| Operating expenses: | | | | |
| Sales and marketing | 28,387 | 28,928 | 83,907 | 82,581 |
| Product and web site development | 8,725 | 8,438 | 26,871 | 25,586 |
| General and administrative | 24,434 | 20,950 | 70,238 | 61,304 |
| Amortization of intangible assets | 511 | 497 | 1,514 | 1,833 |
| Litigation settlement | 3,900 | | 3,900 | |
| Restructuring charges | | (278) | | (278) |
| Total operating expenses | 65,957 | 58,535 | 186,430 | 171,026 |
| Income (loss) from operations | (6,402) | 170 | (12,216) | (2,304) |
| Interest income, net | 2,567 | 1,900 | 7,383 | 5,309 |
| Other income, net | 676 | 99 | 1,060 | 602 |
| Net income (loss) before income taxes | (3,159) | 2,169 | (3,773) | 3,607 |
| Provision for income taxes | 169 | | 422 | |
| Net income (loss) | (3,328) | 2,169 | (4,195) | 3,607 |
| Convertible preferred stock dividend and related accretion | (1,248) | (1,189) | (3,721) | (3,544) |
| Net income (loss) applicable to common stockholders | $ (4,576) | $ 980 | $ (7,916) | $ 63 |
| Unrealized gain on marketable securities | 6 | 13,488 | 5 | 13,488 |
| Foreign currency translation | 150 | 13 | 357 | 64 |

| | | | | |
|---|---|---|---|---|
| Comprehensive income (loss) | $ (4,420) | $ 14,481 | $ (7,554) | $ 13,615 |
| Net income (loss) per common share: (see note 8) | | | | |
| Basic net income (loss) applicable to common stockholders | $ (0.03) | $ 0.01 | $ (0.05) | $ 0.00 |
| Diluted net income (loss) applicable to common stockholders | $ (0.03) | $ 0.01 | $ (0.05) | $ 0.00 |
| Shares used to calculate basic and diluted net income (loss) per share applicable to common stockholders: (see note 8) | | | | |
| Basic | 155,015 | 151,916 | 154,749 | 150,556 |
| Diluted | 155,015 | 164,394 | 154,749 | 165,145 |

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

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## MOVE, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine months ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| | (In thousands) (Unaudited) | |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ (4,195) | 3,607 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 8,205 | 7,733 |
| Amortization of intangible assets | 1,514 | 1,833 |
| Provision for doubtful accounts | 791 | 1,742 |
| Gain on sales of property and equipment | (333) | |
| Stock-based compensation and charges | 19,603 | 10,202 |
| Change in market value of embedded derivative liability | (688) | |
| Other non-cash items | (52) | (313) |
| **Changes in operating assets and liabilities:** | | |
| Accounts receivable | (861) | (3,035) |
| Other assets | (3,313) | (514) |
| Accounts payable and accrued expenses | 4,543 | (17,815) |
| Deferred revenue | (4,652) | 9,695 |
| Net cash provided by operating activities | 20,562 | 13,135 |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (16,044) | (8,653) |
| Proceeds from the surrender of life insurance policy | 5,200 | |
| Proceeds from sales of marketable equity securities | 15,743 | |
| Proceeds from sales of property and equipment | 334 | |
| Purchases of intangible assets | (618) | |
| Maturities of short-term investments | 45,200 | 26,325 |
| Purchases of short-term investments | (67,275) | (25,175) |
| Acquisitions, net | | (9,572) |
| Net cash used in investing activities | (17,460) | (17,075) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options and warrants | 2,821 | 5,215 |
| Restricted cash | 952 | 804 |
| Payments on capital lease obligations | (1,415) | (2,112) |

| | | |
|---|---|---|
| Net cash provided by financing activities | 2,358 | 3,907 |
| Change in cash and cash equivalents | 5,460 | (33) |
| Cash and cash equivalents, beginning of period | 14,873 | 13,272 |
| Cash and cash equivalents, end of period | $ 20,333 | $ 13,239 |

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

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**MOVE, INC.**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

Move, Inc. (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 real estate industry participants, including real estate agents, homebuilders 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.

The Company s primary consumer web sites are Move.com and REALTOR.com®, the official site of the National Association of REALTORS® ( NAR ), which provide new and existing home, apartment, and corporate housing listings, and are home information resource sites with an emphasis on content related to mortgage financing, moving and storage, and home and garden activities. The Company s web sites also include 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. Basis of Presentation**

The Company s unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) including those for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission ( SEC ). Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements are unaudited and, in the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Form 10-K for the year ended December 31, 2006, which was filed with the SEC on March 5, 2007. The results of operations for these interim periods are not necessarily indicative of the operating results for a full year.

**3. Significant Accounting Policy**

On January 1, 2007, the Company adopted the provisions of Emerging Issues Task Force ( 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 No. 06-03 ). Under EITF No. 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 EITF No. 06-03 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 EITF No. 06-03. The Company continues to report taxes collected from customers on a net presentation basis after the adoption of EITF No. 06-03.

**4. Recent Accounting Development**

In February 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( 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.

**5. Goodwill and Other Intangible Assets**

Goodwill, net, by segment, is as follows (in thousands):

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| Real Estate Services | $ 12,988 | $ 12,988 |
| Consumer Media | 10,889 | 10,889 |
| Total | $ 23,877 | $ 23,877 |

The Company has both indefinite and definite lived intangibles. Indefinite-lived intangibles consist of trade names and trademarks acquired during the year ended December 31, 2006. Definite-lived intangible assets consist of certain trade names, trademarks, brand names, domain 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):

| | September 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Trade names, trademarks, brand names, and domain names | $ 22,064 | $ 9,135 | $ 22,046 | $ 8,184 |
| Purchased technology | 10,499 | 9,415 | 10,499 | 9,265 |
| NAR operating agreement | 1,578 | 864 | 1,578 | 751 |
| Customer lists and relationships | 1,041 | 934 | 1,041 | 865 |
| Other | 6,940 | 5,955 | 6,340 | 5,724 |
| Total | $ 42,122 | $ 26,303 | $ 41,504 | $ 24,789 |

Amortization expense for intangible assets was $0.5 million and $1.5 million, respectively, for the three and nine months ended September 30, 2007 and $0.5 million and $1.8 million, respectively, for the three and nine months ended September 30, 2006. Amortization expense for the next five years is estimated to be as follows (in thousands):

| **Years Ended December 31,** | **Amount** |
|---|---|
| 2007 (remaining 3 months) | $ 514 |
| 2008 | 2,028 |
| 2009 | 1,752 |
| 2010 | 1,685 |
| 2011 | 1,682 |

**6. Contract Termination Costs**

In anticipation of a potential move of the Company s corporate headquarters, in August 2007, management entered into a sublease agreement for an interim facility located in Agoura Hills, California for a term of thirteen months. Subsequent to entering into the lease, management renegotiated with the current landlord and executed an amendment to the lease for its corporate headquarters in Westlake Village, California. As a result, the Company will not occupy

the new facility in Agoura Hills. Since the Company will derive no economic value from the sublease, the Company has recorded an estimated liability in accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The estimated liability of $750,000 was recorded and is included in general and administrative expenses for the three and nine months ended September 30, 2007. No estimate was made for estimated subtenant rental income due to the unlikelihood that the Company will be able to sublease the location due to the limited term of the agreement and general economic conditions in the area.

**7. Stock-Based Compensation and Charges**

The Company accounts for stock issued to non-employees in accordance with the provisions of Statement of Financial

Accounting Standards ( SFAS ) No. 123 Accounting for Stock-based Compensation ( SFAS No. 123 ) and EITF No. 96-18 Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods and Services.

The Company has granted restricted stock awards to members of its Board of Directors as compensation during the past four years. These shares will vest on the third anniversary of their issuance. There were 314,950 and 292,200 unvested shares of restricted stock issued to members of the Company s Board of Directors as of September 30, 2007 and 2006, respectively.

The Company has granted restricted stock awards to its Chief Executive Officer in consideration for his service in 2003 and 2004. These shares have vested or will vest on the third anniversary of their issuance. There were 115,740 and 186,662 unvested shares of restricted stock issued to the Company s Chief Executive Officer as of September 30, 2007 and 2006, respectively. The intrinsic value of these restricted stock awards was included in the results of operations in the period in which they were granted. During the nine months ended September 30, 2007, the Company granted 232,018 shares of restricted stock to one of its officers as a sign-on bonus. These shares have a fair value of $1.0 million and were vested fifty percent immediately with the balance vesting one year from the grant date subject to continued employment with the Company. The fair value of the first fifty percent vesting was recognized as stock based compensation immediately with the remaining fifty percent being amortized over one year. The total costs recognized during the three and nine months ended September 30, 2007 was approximately $123,000 and $670,000, respectively, which is included in the stock based compensation and charges detailed below.

The Board of Directors has granted performance-based restricted stock units ( restricted stock units ) to certain of the Company s executive officers beginning in fiscal year 2006. Based on the original terms of the awards, the officers were to earn shares of the Company s common stock based on the attainment of certain performance goals relating to the Company s revenues and EBITDA for the fiscal year ending December 31, 2008. In April of 2007, the Management Development and Compensation Committee of the Board of Directors approved a modification of the performance targets and the vesting period from the original awards, reducing the original restricted stock units available for vesting after the 2008 year end by 50% for each executive, and lowering the target financial performance for 2008 based on current market conditions and the Company s expected performance within the market. At the same time, the committee also established financial performance targets for 2009, which provide the potential for executives to earn the remaining 50% of the restricted stock units previously granted by attainment of those performance goals for the 2009 fiscal year. The 2008 and 2009 financial goals require a high level of financial performance in both years, which the committee believes are challenging but achievable. The modification caused a new measurement date for the awards but caused no change in value of the previous awards. The remaining unamortized expense will be recognized over the remaining service periods.

The Board of Directors awarded 2,325,000 shares of restricted stock units during the nine months ended September 30, 2007, and 150,000 and 4,545,000 shares of restricted stock units during the three and nine months ended September 30, 2006, respectively. Some of these awards have been forfeited due to terminations. As of September 30, 2007, there were 5,535,000 shares of restricted stock units outstanding with a fair value of $26.6 million which will be amortized over the service periods. Currently, the Company is assuming that 100% of the shares will be earned by the end of the performance periods. This assumption will be reviewed each reporting period and the total value of the awards may be adjusted accordingly. There were $1.3 million and $5.2 million in costs associated with these restricted stock units amortized during the three and nine months ended September 30, 2007, respectively, and $1.9 million and $2.1 million amortized during the three and nine months ended September 30, 2006, respectively. These costs are included in the stock based compensation and charges detailed below.

The Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004) Share Based Payment ( SFAS 123R ) using the modified-prospective transition method. Under that transition method, compensation cost recognized 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 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 four 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.

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| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Risk-free interest rates | 4.23 4.60% | 4.60 4.91% | 4.23 5.16% | 4.35 5.18% |
| Expected term (in years) | 6.06 | 6.06 | 6.06 | 6.06 |
| Dividend yield | 0% | 0% | 0% | 0% |
| Expected volatility | 70% | 80% | 70 75% | 80% |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Cost of revenue | $ 56 | $ 18 | $ 133 | $ 176 |
| Sales and marketing | 199 | 354 | 1,169 | 1,282 |
| Product and web site development | 396 | 249 | 963 | 1,088 |
| General and administrative | 5,429 | 3,695 | 17,338 | 7,656 |
| Total | $ 6,080 | $ 4,316 | $ 19,603 | $ 10,202 |

In addition to costs related to stock options and restricted stock units, stock-based compensation and charges in sales and marketing includes costs related to vendor agreements and general and administrative includes costs related to the amortization of restricted stock grants to the Company s board of directors.

**8. 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):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Numerator: | | | | |
| Net income (loss) | $ (3,328) | $ 2,169 | $ (4,195) | $ 3,607 |
| Convertible preferred stock dividend and related accretion | (1,248) | (1,189) | (3,721) | (3,544) |
| Net income (loss) applicable to common stockholders | $ (4,576) | $ 980 | $ (7,916) | $ 63 |
| Denominator: | | | | |
| Basic weighted average shares outstanding | 155,015 | 151,916 | 154,749 | 150,556 |
| Add: dilutive effect of options, warrants and restricted stock | | 12,478 | | 14,589 |
| Diluted weighted average shares outstanding | 155,015 | 164,394 | 154,749 | 165,145 |
| Net income (loss) per common share: | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Basic net income (loss) per share applicable to common stockholders | $ | (0.03) | $ | 0.01 | $ | (0.05) | $ | 0.00 |
| Diluted net income (loss) per share applicable to common stockholders | $ | (0.03) | $ | 0.01 | $ | (0.05) | $ | 0.00 |

Because their effects would be anti-dilutive for the periods presented, the above computation of diluted income (loss) per share excludes preferred stock, stock options and warrants of 63,104,083 for both the three and nine months ended September 30, 2007, and 30,468,381 and 25,923,132 for the three and nine months ended September 30, 2006, respectively.

In the third quarter of 2006, the amounts reported as Dividends on convertible preferred stock in the Company s Form 10-Q omitted the related accretion of the discount that was derived from the issuance of the convertible preferred stock. The reported results for that quarter 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 and $888,000 for the three and nine months ended September 30, 2006, respectively, is reflected in the line Convertible preferred stock dividends and related accretion. As a result of this change, basic and diluted loss per share attributable to common stockholders for the nine months ended September 30, 2006 decreased by $0.01 from $0.01 to $0.00.

**9. 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. The Company s management evaluates performance and allocates resources based on two segments consisting of Real Estate Services for those products and services offered to industry professionals trying to reach new movers and manage their relationships with them and Consumer Media for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move. This is consistent with the data that is made available to our management to assess performance and make decisions. In June 2007, the Company changed the name of its former Move-Related Services segment to Consumer Media.

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; and stock-based 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):

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2007 | | | | September 30, 2006 | | | |
| | Real Estate Services | Consumer Media | Unallocated | Total | Real Estate Services | Consumer Media | Unallocated | Total |
| Revenue | $ 55,936 | $ 19,634 | $ | $ 75,570 | $ 53,395 | $ 22,277 | $ | $ 75,672 |
| Cost of revenue | 8,897 | 6,532 | 586 | 16,015 | 8,352 | 7,631 | 984 | 16,967 |
| Gross profit (loss) | 47,039 | 13,102 | (586) | 59,555 | 45,043 | 14,646 | (984) | 58,705 |
| Sales and marketing | 18,116 | 8,626 | 1,645 | 28,387 | 17,469 | 9,793 | 1,666 | 28,928 |
| Product and web site development | 6,857 | 1,434 | 434 | 8,725 | 6,279 | 1,207 | 952 | 8,438 |
| General and administrative | 7,995 | 3,893 | 12,546 | 24,434 | 7,230 | 4,555 | 9,165 | 20,950 |
| Amortization of intangible assets | | | 511 | 511 | | | 497 | 497 |
| Litigation settlement | | | 3,900 | 3,900 | | | | |
| Restructuring charges | | | | | | | (278) | (278) |
| Total operating expenses | 32,968 | 13,953 | 19,036 | 65,957 | 30,978 | 15,555 | 12,002 | 58,535 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Income (loss) from operations | $ 14,071 | $ (851) | $ (19,622) | $ (6,402) | $ 14,065 | $ (909) | $ (12,986) | $ 170 |

| | Nine Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2007 | | | | September 30, 2006 | | | |
| | Real Estate Services | Consumer Media | Unallocated | Total | Real Estate Services | Consumer Media | Unallocated | Total |
| Revenue | $ 164,209 | $ 56,017 | $ | $ 220,226 | $ 154,743 | $ 63,799 | $ | $ 218,542 |
| Cost of revenue | 25,636 | 18,591 | 1,785 | 46,012 | 24,481 | 22,455 | 2,884 | 49,820 |
| Gross profit (loss) | 138,573 | 37,426 | (1,785) | 174,214 | 130,262 | 41,344 | (2,884) | 168,722 |
| Sales and marketing | 53,343 | 26,240 | 4,324 | 83,907 | 51,869 | 27,663 | 3,049 | 82,581 |
| Product and web site development | 20,737 | 4,903 | 1,231 | 26,871 | 18,721 | 3,506 | 3,359 | 25,586 |
| General and administrative | 23,388 | 12,297 | 34,553 | 70,238 | 22,631 | 12,338 | 26,335 | 61,304 |
| Amortization of intangible assets | | | 1,514 | 1,514 | | | 1,833 | 1,833 |
| Litigation settlement | | | 3,900 | 3,900 | | | | |
| Restructuring charges | | | | | | | (278) | (278) |
| Total operating expenses | 97,468 | 43,440 | 45,522 | 186,430 | 93,221 | 43,507 | 34,298 | 171,026 |
| Income (loss) from operations | $ 41,105 | $ (6,014) | $ (47,307) | $ (12,216) | $ 37,041 | $ (2,163) | $ (37,182) | $ (2,304) |

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**10. 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 of $42,000 and $122,000 was recorded in the three and nine months ended September 30, 2007, respectively, as a result of this permanent difference which cannot be offset against net operating loss carryforwards due to its indefinite life and an additional $127,000 and $300,000 tax provision was recorded in the three and nine months ended September 30, 2007, respectively, due to federal alternative minimum taxes incurred as the result of the utilization of net operating losses against our taxable income for the respective period.

The Company adopted the FASB s Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ( FIN 48 ), effective January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not to be sustained by the taxing authority. The adoption of FIN 48 did not have a material effect on the Company s consolidated financial position or results of operations.

As of September 30, 2007, we do not have any accrued interest or penalties related to uncertain tax positions. The Company s policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. We do not have any interest or penalties related to uncertain tax positions in income tax expense for the three and nine months ended September 30, 2007 and 2006. The tax years 1993-2006 remain open to examination by the major taxing jurisdictions to which we are subject.

**11. Settlement of Disputes and Litigation**

On September 7, 2007, the Company entered into an agreement resolving the patent infringement claims brought against it by Scott C. Harris and Memory Control Enterprise, LLC ( MCE ) in a lawsuit described in Note 21, Commitments and Contingencies Legal Proceedings, to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006. Pursuant to the agreement, the Company paid cash and received a fully paid up worldwide license to the patents at issue in the case, and the claims against the Company were dismissed by the plaintiffs with prejudice.

On October 8, 2007, the Company entered into an agreement resolving the claims brought against it and two of its former officers by certain former shareholders of WyldFyre Technologies, Inc. ( WyldFyre ) in a lawsuit described in Note 21, Commitments and Contingencies Legal Proceedings, to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006. Pursuant to the agreement, the Company paid $3.9 million in cash and the parties entered into mutual releases and the claims against the Company were dismissed by the plaintiffs with prejudice. As a result of the settlement, the Company recorded a litigation settlement charge of $3.9 million in the three and nine months ended September 30, 2007.

**12. Commitments and Contingencies**

We are currently involved in certain legal proceedings, as discussed in Note 21, Commitments and Contingencies Legal Proceedings, to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006 ( Annual Report ) and below in this Note 12. As of the date of this Form 10-Q, and except as disclosed below, the Company is not a party to any other litigation or administrative proceedings that management believes will have a material adverse effect on the Company s business, results of operations, financial condition or cash flows.

On August 2, 2007, ActiveRain Corp. ( ActiveRain ) sued the Company in the United States District Court, Central District of California for violation of the California Uniform Trade Secrets Act, breach of contract, unjust enrichment, promissory and/or equitable estoppel, unfair competition, violation of the Washington Unfair Business Practices statute and fraud. ActiveRain alleges that the Company breached a mutual non-disclosure agreement entered into between the Company and ActiveRain in connection with discussions in early 2007 for the potential acquisition of ActiveRain by the Company. The discussions were terminated by the Company prior to entering into a definitive acquisition agreement. ActiveRain seeks to recover monetary damages, including exemplary damages, attorney s fees

and interest, as well as to enjoin the Company from using what ActiveRain alleges is its confidential information. The Company believes the claims are without merit and intends to vigorously defend the 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 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. Each of the patents in suit has been submitted to the U.S. Patent and Trademark Office ( PTO ) for reexamination, and the PTO has granted the requests for reexamination, concluding that there is a substantial new question of patentability. On September 17, 2007, the court stayed the case pending completion of reexamination of the patents in suit. The Company is continuing its evaluation and investigation of the allegations made in the lawsuit and intends to vigorously defend against them if and when the patents emerge from reexamination and the stay of the case is lifted. At this time, however, the Company is unable to express an opinion on the outcome of this case.

On February 28, 2007, Real Estate Alliance, Limited ( REAL ), in a patent infringement action against a real estate agent, Diane Sarkisian, pending in the U.S. District Court for the Eastern District of Pennsylvania ( the Sarkisian case ), REAL moved to certify as a class of defendants, among others, customers of the Company who had purchased enhanced listings from the Company. The Company filed an Amicus Curiae brief (friend of the court brief) opposing REAL s motion, however on motion by REAL, the court struck that brief. On September 24, 2007, the court in the Sarkisian case denied REAL s motion to certify the class of defendants. On April 3, 2007, the Company filed a complaint in the U.S. District Court for the Central District of California seeking a declaratory judgment that the Company does not infringe U.S. Patent Nos. 4,870,576 and 5,032,989 ( the REAL patents ) and that the REAL patents are invalid and/or unenforceable ( the California Action ). The California Action was brought against REAL, and its licensing agent Equias Technology Development, LLC ( Equias ) and Equias s principal, Scott Tatro ( Tatro ). The California Action also includes claims by the Company against the defendants for several business torts, such as interference with contractual relations and prospective economic advantage and unfair competition under California common law and statutory law. On May 14, 2007, Defendants in the California Action moved to have the California case dismissed or transferred to Pennsylvania, and on June 27, 2007, the court denied defendants motion as to defendants REAL and Equias, but granted dismissal of the claims against Tatro without prejudice. On August 8, 2007, REAL and Equias denied the Company s allegations, and REAL asserted counterclaims against the Company asserting infringement of the REAL patents, seeking compensatory damages, punitive damages, treble damages, costs, expenses, reasonable attorneys fees and pre- and post-judgment interest. The Company has denied REAL s allegations. The Company intends to vigorously prosecute the California Action and defend against REAL s allegations. At this time, however, the Company is unable to express an opinion on the outcome of this case.

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

This Form 10-Q and the following Management s Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact that we make in this Form 10-Q are forward-looking. In particular, the statements herein regarding industry prospects and our future consolidated results of operations or financial position are forward-looking statements. Forward-looking statements reflect our current expectations and are inherently uncertain. Our actual results may differ significantly from our expectations. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Form 10-Q, as well as those discussed in our Annual Report on Form 10-K for the year ended December 31, 2006, and in other documents we file with the Securities and Exchange Commission, or SEC. This Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 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.

Our primary consumer web sites are Move.com and REALTOR.com®, the official site of the National Association of REALTORS® ( NAR ), which provide new and existing home, apartment, and corporate housing listings, and are home information resource sites with an emphasis on content related to mortgage financing, moving and storage, and home and garden activities. Our web sites also include 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.

**Basis of Presentation**

Our unaudited Condensed Consolidated Financial Statements reflect the historical results of Move, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**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 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 appeared 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 appeared to stabilize as we entered 2007, housing starts and sales of existing homes slowed considerably in 2006 and have continued to slow in 2007. The tightened mortgage market in mid-2007 has also negatively impacted the sale of new and resale homes.

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 believed 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 2006 and in the first half of 2007. 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 continued into 2007, the decline in sales of homes has reduced the overall advertising spend. 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 has caused our growth rate to decline.

*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 scaleable

business models.

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations is based upon our unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, uncollectible receivables, 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. There were no significant changes to our critical accounting policies during the nine months ended September 30, 2007, as compared to those policies disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

In June 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 ( FIN 48 ), which became effective for us beginning January 1, 2007. FIN 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The impact of our reassessment of our tax positions in accordance with FIN 48 did not have a material impact on our results of operations, financial condition or liquidity. For additional information regarding the adoption of FIN 48, see Note 10 of Notes to Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

**Recent Accounting Developments**

In February 2007, the FASB issued Statement of Financial Accounting Standards ( 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 conditions, our results of operations or our liquidity.

**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 contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006, and in Note 12, Commitments and Contingencies to our Unaudited Condensed Consolidated Financial Statements contained in Item 1 of Part I of this Form 10-Q. Because of the uncertainties related to both the amount and range of loss in connection with legal proceedings, on the remaining pending litigation, we are unable to make a reasonable estimate of the liability that could result from unfavorable outcomes. As additional information becomes available, we will assess the potential liability related to our pending litigation and determine whether reasonable estimates of the liability can be made. Unfavorable outcomes or significant estimates of our potential liability could materially impact our results of operations and financial position.

**Results of Operations**

***Three Months Ended September 30, 2007 and 2006***

*Revenue*

Revenue remained relatively stable at $75.6 million for the three months ended September 30, 2007 compared to $75.7 million for the three months ended September 30, 2006. An increase of $2.5 million in the Real Estate Services segment was offset by a decrease of $2.6 million in the Consumer Media segment. These changes are explained in the segment information below.

*Cost of Revenue*

Cost of revenue decreased approximately $1.0 million, or 6%, to $16.0 million for the three months ended September 30, 2007 from $17.0 million for the three months ended September 30, 2006. The decrease was primarily due to a reduction in

material and shipping costs of $1.3 million primarily due to lower book distribution costs in our Welcome Wagon® business and the elimination of magazines in our New Homes business and other cost reductions of $0.2 million. This decrease was partially offset by an increase of $0.5 million in hosting and imaging costs.

Gross profit percentage increased to 79% for the three months ended September 30, 2007 compared to 78% for the three months ended September 30, 2006. The increase is primarily due to an increase in margins in our Welcome Wagon® business resulting from the elimination of selected books in markets with low or negative profit margins.

*Operating Expenses*

*Sales and marketing.* Sales and marketing expenses decreased approximately $0.5 million, or 2%, to $28.4 million for the three months ended September 30, 2007, from $28.9 million for the three months ended September 30, 2006. The decrease was primarily due to a decrease in online marketing costs.

*Product and web site development.* Product and web site development expenses remained relatively stable, increasing approximately $0.3 million, or 3%, to $8.7 million for the three months ended September 30, 2007, from $8.4 million for the three months ended September 30, 2006.

*General and administrative.* General and administrative expenses increased approximately $3.4 million, or 16%, to $24.4 million for the three months ended September 30, 2007, from $21.0 million for the three months ended September 30, 2006. The increase was primarily due to a $2.2 million increase in personnel related costs, $1.2 million of which represented one-time severance costs for a key executive, a $1.7 million increase in non-cash stock-based compensation due to additional stock option and restricted stock unit grants, a $0.7 million charge taken in the three months ended September 30, 2007 for lease termination costs, a $0.7 million in increase in consulting costs related to internal business system support, and other cost increases of $0.4 million. These increases were partially offset by a $1.0 million decrease in bad debt expense and a $1.3 million reduction in consulting expenses resulting from the completion of the relocation of our data center in fiscal 2006.

*Amortization of intangible assets.* Amortization of intangible assets was $0.5 million for the three months ended September 30, 2007 and 2006, respectively.

*Litigation settlement.* We recorded a litigation settlement charge of $3.9 million for the three months ended September 30, 2007. There was no litigation settlement charge in the three months ended September 30, 2006. The settlement is discussed in Note 11, Settlement of Disputes and Litigation to our Condensed Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

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

| | Three Months Ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| Cost of revenue | $ 56 | $ 18 |
| Sales and marketing | 199 | 354 |
| Product and web site development | 396 | 249 |
| General and administrative | 5,429 | 3,695 |
| | $ 6,080 | $ 4,316 |

Stock-based compensation and charges increased for the three months ended September 30, 2007 compared to the three months ended September 30, 2006 primarily due to additional stock option, restricted stock and restricted stock unit grants.

*Interest Income, Net*

Interest income, net, increased $0.7 million to $2.6 million for the three months ended September 30, 2007 compared to $1.9 million for the three months ended September 30, 2006, primarily due to increases in short-term investment balances and higher interest yields on those balances.

*Other Income, Net*

Other income, net, increased $0.6 million to $0.7 million for the three months ended September 30, 2007 compared to $0.1 million for the three months ended September 30, 2006, primarily due to $0.6 million in income recognized from the revaluation of an embedded derivative liability resulting from the sale of convertible preferred stock in December 2005.

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*Income Taxes*

As a result of historical net operating losses, we have generally not recorded a provision for income taxes. A $169,000 tax provision was recorded for the three months ended September 30, 2007 due to federal alternative minimum taxes incurred as the result of the utilization of net operating losses against our taxable income for the period.

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 has been established for the difference between tax amortization of certain indefinite lived intangible assets 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 the Company s internal organization and disclosure of revenue and operating expenses based upon internal accounting methods. The Company s management evaluates performance and allocates resources based on two segments consisting of Real Estate Services for those products and services offered to industry professionals trying to reach new movers and manage their relationships with them and Consumer Media for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move. This is consistent with the data that is made available to our management to assess performance and make decisions. In June 2007, we changed the name of our former Move-Related Services segment to Consumer Media.

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; and stock-based 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):

| | **Three Months Ended** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **September 30, 2007** | | | | **September 30, 2006** | | | |
| | **Real Estate Services** | **Consumer Media** | **Unallocated** | **Total** | **Real Estate Services** | **Consumer Media** | **Unallocated** | **Total** |
| Revenue | $ 55,936 | $ 19,634 | $ | $ 75,570 | $ 53,395 | $ 22,277 | $ | $ 75,672 |
| Cost of revenue | 8,897 | 6,532 | 586 | 16,015 | 8,352 | 7,631 | 984 | 16,967 |
| Gross profit (loss) | 47,039 | 13,102 | (586) | 59,555 | 45,043 | 14,646 | (984) | 58,705 |
| Sales and marketing | 18,116 | 8,626 | 1,645 | 28,387 | 17,469 | 9,793 | 1,666 | 28,928 |
| Product and web site development | 6,857 | 1,434 | 434 | 8,725 | 6,279 | 1,207 | 952 | 8,438 |
| General and administrative | 7,995 | 3,893 | 12,546 | 24,434 | 7,230 | 4,555 | 9,165 | 20,950 |
| Amortization of intangible assets | | | 511 | 511 | | | 497 | 497 |
| | | | 3,900 | 3,900 | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Litigation settlement | | | | | | | | |
| Restructuring charges | | | | | | | (278) | (278) |
| Total operating expenses | 32,968 | 13,953 | 19,036 | 65,957 | 30,978 | 15,555 | 12,002 | 58,535 |
| Income (loss) from operations | $ 14,071 | $ (851) | $ (19,622) | $ (6,402) | $ 14,065 | $ (909) | $ (12,986) | $ 170 |

*Real Estate Services*

Real Estate Services consists of products and services that promote and connect real estate professionals to consumers through our REALTOR.com®, New Homes and Rentals on Move.com and SeniorHousingNet.com web sites, in addition to our customer relationship management applications for REALTORS® offered through our Top Producer® 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, the Move.com replaced the HomeBuilder.com® and Rentnet.com web sites 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 $2.5 million, or 5%, to $55.9 million for the three months ended September 30, 2007, compared to $53.4 million for the three months ended September 30, 2006. 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. Additionally, there was an increase in our Top Producer® product offerings as we launched the Top Website product as well as continued growth in our subscriber base for our online software. These increases were partially offset by decreased revenue from our Rentals business. Real Estate Services revenue represented approximately 74% of total revenue for the three months ended September 30, 2007, compared to 71% of total revenue for the three months ended September 30, 2006.

Real Estate Services expenses increased $2.5 million, or 6%, to $41.8 million for the three months ended September 30, 2007, compared to $39.3 million for the three months ended September 30, 2006. The increase was primarily due to a $1.3 million increase in consulting costs resulting from increased product development efforts, increased non-cash stock-based compensation costs of $1.0 million and other cost increases of $0.2 million.

Real Estate Services generated operating income of $14.1 million for the three months ended September 30, 2007, and the three months ended September 30, 2006 due to factors outlined above. We will continue to pursue revenue growth through new product offerings and new market opportunities.

*Consumer Media*

Consumer Media, formerly Move-Related Services, consists of advertising products and lead generation tools including display, test-link and rich advertising positions, directory products, price quote tools and content sponsorships on Move.com, 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® new-mover direct mail advertising products and the sale of new home plans and related magazines through our Homeplans business.

Consumer Media revenue decreased $2.6 million, or 12%, to $19.7 million for the three months ended September 30, 2007, compared to $22.3 million for the three months ended September 30, 2006. The decrease was primarily generated by a decline in our online advertising revenue, a decrease in the Welcome Wagon® business primarily due to lower book distribution due to the general decline in the number of movers as well as the elimination of selected books in markets with low or negative profit margins, and a decline in our Homeplans business revenues. Consumer Media revenue represented 26% of total revenue for the three months ended September 30, 2007 compared to 29% of total revenue for the three months ended September 30, 2006.

Consumer Media expenses decreased $2.7 million, or 12%, to $20.5 million for the three months ended September 30, 2007, compared to $23.2 million for the three months ended September 30, 2006. The decrease was primarily due a $1.2 million decrease in sales and marketing costs as a direct result of reduced revenues, a $1.0 million decrease in bad debt expense, and a $0.9 million decrease in material and shipping costs related to lower distribution in our Welcome Wagon® business. There decreases were offset by various operating cost increases of $0.4 million.

Consumer Media generated an operating loss of $0.9 million for the three months ended September 30, 2007, and the three months ended September 30, 2006 primarily due to factors outlined above.

*Unallocated*

Unallocated expenses increased $6.6 million, or 51%, to $19.6 million for the three months ended September 30, 2007, compared to $13.0 million for the three months ended September 30, 2006. The increase was primarily due to a $3.9 million increase in litigation settlements, increases in personnel related costs of $2.1 million, $1.5 million of which represented one-time severance costs for key executives and a $0.7 million charge taken in the three months ended September 30, 2007 for lease termination costs, increased legal fees of $0.4 million and other costs increases of $0.8 million. These increases were partially offset by a decrease of $1.3 million in consulting costs primarily resulting from the completion of the relocation of our data center in fiscal 2006.

***Nine Months Ended September 30, 2007 and 2006***

*Revenue*

Revenue increased approximately $1.7 million, or 1%, to $220.2 million for the nine months ended September 30, 2007 from $218.5 million for the nine months ended September 30, 2006. The increase in revenue was due to increases of $9.5

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million in the Real Estate Services segment partially offset by a $7.8 million decline in the Consumer Media Services segment. These changes by segment are explained in the segment information below.

*Cost of Revenue*

Cost of revenue decreased approximately $3.8 million, or 8%, to $46.0 million for the nine months ended September 30, 2007, from $49.8 million for the nine months ended September 30, 2006. The decrease was primarily due to a reduction in material and shipping costs of $3.7 million primarily due to lower book distribution costs in our Welcome Wagon® business and the elimination of magazines in our New Homes business and decreases in personnel related costs of $0.9 million, partially offset by increases of $0.8 million in hosting and imaging costs.

Gross profit percentage increased to 79% for the nine months ended September 30, 2007 compared to 77% for the nine months ended September 30, 2006. The increase is primarily due to an increase in margins in our Welcome Wagon® business resulting from the elimination of selected books in markets with low or negative profit margins.

*Operating Expenses*

*Sales and marketing.* Sales and marketing expenses increased approximately $1.3 million, or 2%, to $83.9 million for the nine months ended September 30, 2007 from $82.6 million for the nine months ended September 30, 2006. The increase was primarily due to an increase in portal fees of $1.6 million, increased consulting costs of $0.6 million and other increases of $0.2 million, partially offset by decreases in online marketing costs of $1.1 million.

*Product and web site development.* Product and web site development expenses increased approximately $1.3 million, or 5%, to $26.9 million for the nine months ended September 30, 2007 from $25.6 million for the nine months ended September 30, 2006 primarily due to an increase of $2.3 million in consulting costs to improve our product offerings in our REALTOR.com®, Top Producer®, and Welcome Wagon® businesses and other increases of $0.6 million, partially offset by a $1.6 million decrease in personnel related costs.

*General and administrative.* General and administrative expenses increased approximately $8.9 million, or 15%, to $70.2 million for the nine months ended September 30, 2007 from $61.3 million for the nine months ended September 30, 2006. The increase was primarily due to an increase of $9.3 million in non-cash stock-based compensation during the nine months ended September 30, 2007. Additionally, there was an increase in insurance costs as a result of a one-time refund of $1.2 million received in the nine months ending September 30, 2006 and increases in personnel related costs of $2.4 million, $1.2 million of which represented one-time severance costs for a key executive. These increases were partially offset by a decrease of $3.1 million resulting from the completion of the relocation of our data center in fiscal 2006 and other consulting cost reductions of $0.9 million.

*Amortization of intangible assets.* Amortization of intangible assets decreased approximately $0.3 million to $1.5 million for the nine months ended September 30, 2007 from $1.8 million for the nine months ended September 30, 2006. The decrease in amortization was primarily due to certain intangible assets becoming fully amortized in 2006.

*Litigation settlement.* We recorded a litigation settlement charge of $3.9 million for the nine months ended September 30, 2007. There was no litigation settlement charge in the nine months ended September 30, 2006. The settlement is discussed in Note 11, Settlement of Disputes and Litigation to our Condensed Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| Cost of revenue | $ 133 | $ 176 |
| Sales and marketing | 1,169 | 1,282 |
| Product and web site development | 963 | 1,088 |
| General and administrative | 17,338 | 7,656 |

| | | |
|---|---|---|
| | $ 19,603 | $ 10,202 |

Stock-based compensation and charges increased for the nine months ended September 30, 2007, compared to the nine months ended September 30, 2006 primarily due to additional amortization expense relating to restricted stock units originally granted in June 2006, one-time charges for stock options and restricted stock issued to a new executive officer that were

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immediately vested, as well as additional stock option and restricted stock unit grants.

*Interest Income, Net*

Interest income, net, increased $2.1 million to $7.4 million for the nine months ended September 30, 2007, compared to $5.3 million for the nine months ended September 30, 2006, primarily due to increases in short-term investment balances and higher interest yields on those balances.

*Other Income, Net*

Other income, net, increased $0.5 million for the nine months ended September 30, 2007, compared to the nine months ended September 30, 2006, primarily due to $0.6 million in income recognized due to the revaluation of an embedded derivative liability resulting from the sale of convertible preferred stock in December 2005.

*Income Taxes*

As a result of historical net operating losses, we have generally not recorded a provision for income taxes. A $422,000 tax provision was recorded in the nine months ended September 30, 2007 primarily due to federal alternative minimum taxes incurred as the result of the utilization of net operating losses against our taxable income for the period.

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 has been established for the difference between tax amortization of certain indefinite lived intangible assets for financial statement purposes and for tax purposes.

*Segment Information*

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

| | Nine Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2007 | | | | September 30, 2006 | | | |
| | Real Estate Services | Consumer Media | Unallocated | Total | Real Estate Services | Consumer Media | Unallocated | Total |
| Revenue | $ 164,209 | $ 56,017 | $ | $ 220,226 | $ 154,743 | $ 63,799 | $ | $ 218,542 |
| Cost of revenue | 25,636 | 18,591 | 1,785 | 46,012 | 24,481 | 22,455 | 2,884 | 49,820 |
| Gross profit (loss) | 138,573 | 37,426 | (1,785) | 174,214 | 130,262 | 41,344 | (2,884) | 168,722 |
| Sales and marketing | 53,343 | 26,240 | 4,324 | 83,907 | 51,869 | 27,663 | 3,049 | 82,581 |
| Product and web site development | 20,737 | 4,903 | 1,231 | 26,871 | 18,721 | 3,506 | 3,359 | 25,586 |
| General and administrative | 23,388 | 12,297 | 34,553 | 70,238 | 22,631 | 12,338 | 26,335 | 61,304 |
| Amortization of intangible assets | | | 1,514 | 1,514 | | | 1,833 | 1,833 |
| Litigation settlement | | | 3,900 | 3,900 | | | | |
| Restructuring charges | | | | | | | (278) | (278) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total operating expenses | 97,468 | 43,440 | 45,522 | 186,430 | 93,221 | 43,507 | 34,298 | 171,026 |
| Income (loss) from operations | $ 41,105 | $ (6,014) | $ (47,307) | $ (12,216) | $ 37,041 | $ (2,163) | $ (37,182) | $ (2,304) |

*Real Estate Services*

Real Estate Services revenue increased $9.5 million, or 6%, to $164.2 million for the nine months ended September 30, 2007, compared to $154.7 million for the nine months ended September 30, 2006. 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 CMA revenue and increased Featured Home revenue, offset by decreases in website and virtual tour product revenue. Additionally, there was an increase in our Top Producer® product offerings as we launched the Top Website product as well as continued growth in our subscriber base for our online software. These increases were partially offset by decreases in our New Homes and Rentals businesses. Real Estate Services revenue represented approximately 75% of total revenue for the nine months ended September 30, 2007 compared to 71% for the nine months ended September 30, 2006.

Real Estate Services expenses increased $5.4 million, or 5%, to $123.1 million for the nine months ended September 30,

2007, compared to $117.7 million for the nine months ended September 30, 2006. The increase was due to a $3.6 million increase in consulting costs related primarily to increased product development efforts, increased non-cash stock-based compensation of $2.7 million and other cost increases of $0.2 million. These increases were partially offset by a $1.1 million decrease in personnel related costs primarily in product development.

Real Estate Services generated operating income of $41.1 million for the nine months ended September 30, 2007, compared to operating income of $37.0 million for the nine months ended September 30, 2006, primarily due to the increased revenue discussed above. We will continue to pursue revenue growth through new product offerings and new market opportunities.

*Consumer Media*

Consumer Media revenue decreased $7.8 million, or 12%, to $56.0 million for the nine months ended September 30, 2007, compared to $63.8 million for the nine months ended September 30, 2006. The decrease was primarily generated by a decline in our online advertising revenue, a decrease in the Welcome Wagon® business primarily due to lower book distribution due to the general decline in the number of movers as well as the elimination of selected books in markets with low or negative profit margins, and a decline in our Homeplans business revenues. Consumer Media revenue represented approximately 25% of total revenue for the nine months ended September 30, 2007 compared to 29% for the nine months ended September 30, 2006.

Consumer Media expenses decreased $4.0 million, or 6%, to $62.0 million for the nine months ended September 30, 2007, compared to $66.0 million for the nine months ended September 30, 2006. The decrease was primarily due to decreases in material and shipping costs of $2.9 million related to lower distribution in our Welcome Wagon® business, a decrease of $2.2 million in personnel related costs in sales and marketing as a direct result of reduced revenues and other cost decreases of $0.3 million, partially offset by a $1.4 million increase in product development.

Consumer Media generated an operating loss of $6.0 million for the nine months ended September 30, 2007 compared to an operating loss of $2.2 million for the nine months ended September 30, 2006 primarily due to factors outlined above.

*Unallocated*

Unallocated expenses increased $10.1 million, or 27%, to $47.3 million for the nine months ended September 30, 2007, compared to $37.2 million for the nine months ended September 30, 2006. The increase was primarily due to an increase of $5.5 million in expense for non-cash stock-based compensation during the nine months ended September 30, 2007 due to one-time charges for stock options and restricted stock issued to a new executive officer that were immediately vested, a full three quarters of amortization expense relating to restricted stock units originally granted in June 2006, as well as additional stock option and restricted stock unit grants. The remaining increase was due to an increase in litigation settlement costs of $3.9 million, an increase in other personnel related costs of $2.9 million, $1.5 million of which represented one-time severance costs for key executives, a $0.7 million charge taken in the nine months ended September 30, 2007 for lease termination costs, an increase in insurance costs as a result of a one-time refund of $1.2 million received in the nine months ending September 30, 2006, along with other cost increases of $1.0 million. These increases were partially offset by a decrease of $3.1 million in consulting costs resulting from the completion of the relocation of our data center in fiscal 2006 and other consulting cost reductions of $2.0 million.

*Liquidity and Capital Resources*

Net cash provided by operating activities of $20.6 million for the nine months ended September 30, 2007 was attributable to the net loss from operations of $4.2 million, plus non-cash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, gain on sales of property and equipment, stock-based compensation and charges, change in market value of embedded derivative liability and other non-cash items, aggregating to $29.0 million offset by changes in operating assets and liabilities of $4.2 million.

Net cash provided by operating activities of $13.1 million for the nine months ended September 30, 2006 was attributable to the net income from operations of $3.6 million, plus non-cash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, stock-based compensation and charges and other non-cash items, aggregating to $21.2 million offset by changes in operating assets and liabilities of $11.7 million. This

was negatively impacted in the nine months ended September 30, 2006 by the $9.5 million in payments for the settlement of litigation and former officers legal expenses.

Net cash used in investing activities of $17.5 million for the nine months ended September 30, 2007 was primarily attributable to net purchases of short-term investments of $22.1 million, capital expenditures of $16.0 million and purchases of intangible assets of $0.6 million, offset by proceeds from the sale of marketable equity securities of $15.7 million, proceeds from the surrender of a life insurance policy of $5.2 million and proceeds from sales of property and equipment of $0.3

million. Net cash used in investing activities of $17.1 million for the nine months ended September 30, 2006 was primarily attributable to the acquisition of Moving.com of $9.6 million and capital expenditures of $8.7 million, offset by $1.2 million in net maturities of short-term investments.

Net cash provided by financing activities of $2.4 million for the nine months ended September 30, 2007 was attributable to proceeds from the exercise of stock options of $2.8 million and reductions in restricted cash of $1.0 million offset by payments on capital lease obligations of $1.4 million. Net cash provided by financing activities of $3.9 million for the nine months ended September 30, 2006 was attributable to proceeds from the exercise of stock options of $5.2 million and reductions in restricted cash of $0.8 million offset by payments on capital lease obligations of $2.1 million.

We have generated positive operating cash flows in each of the last two years. We have no material financial commitments other than those under capital and operating lease agreements, distribution and marketing agreements, and our operating agreement with the NAR. 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.

On September 13, 2007, our board of directors authorized a stock repurchase program. The program authorizes, in one or more transactions taking place during the 12 month period following public disclosure of the program on September 17, 2007, the repurchase of our outstanding common stock utilizing surplus cash in the amount of up to $50 million. Under the program, we can purchase shares of common stock in the open market or in privately negotiated transactions. The timing and amount of repurchase transactions under this program will depend upon market conditions, corporate considerations and regulatory requirements. Shares repurchased under the program shall be retired to constitute authorized but unissued shares of our common stock.

**Item 3.** ***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 carries 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.

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

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the Exchange Act ). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act 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 the period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

**Item 1.** ***Legal Proceedings***

We are currently involved in certain legal proceedings, as discussed in Note 21, Commitments and Contingencies-Legal Proceedings , to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006 ( Annual Report ) and in Note 12, Commitments and Contingencies, to the Unaudited Condensed Consolidated Financial Statements contained in Item 1 of Part I of this Form 10-Q. As of the date of this Form 10-Q and except as disclosed in Note 21 to the Consolidated Financial Statements in our Annual Report and in Note 12 to the Unaudited Condensed Consolidated Financial Statements in this Form 10-Q, the Company is not a party to any other litigation

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or administrative proceedings that management believes will have a material adverse effect on the Company s business, results of operations, financial condition or cash flows, and there have been no material developments in the litigation or administrative proceedings described in those notes.

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

You should consider carefully the risk factors below, and those presented in our Annual Report on Form 10-K for the year ended December 31, 2006, and other information included or incorporated by reference in this Form 10-Q. 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 stated risks actually occur, our business, financial condition and operating results could be materially adversely affected.

**Risks Related to our Business**

***The emergence of competitors 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 our Real Estate Services division operates is becoming increasingly competitive. A number of competitors have emerged, including RealEstate.com (a division of InterActive Corp), HouseValues.com, AgentConnect.com (a division of Next Phase Media, Inc.), HomeGain (a division of Classified Ventures, LLC), ApartmentGuide.com, Rent.com, ForRent.com, Apartments.com, NewHomeGuide.com, NewHomeSource.com and more recently Google, Zillow, Trulia and Propsmart as well as general interest consumer web sites that offer home, moving and finance content, including ServiceMagic, Inc. (a division of InterActive Corp) and Gigamoves (a division of eBay).

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 web sites. Many of our existing and potential competitors have longer operating histories in the Internet market, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than we do. The rapid pace of technological change constantly creates opportunities for existing and new competitors and it can quickly render our technologies less valuable. Developments in the real estate search services market may also encourage additional competitors to enter that market. See *We may not be able to continue to obtain more listings from Multiple Listing Services and real estate brokers than other web site operators* below.

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

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

We believe that the success of REALTOR.com® depends in large part on displaying a larger and more current listing 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. Internet Data Exchange ( IDX ) technology has made it possible for other real estate web site operators to display MLS or cooperating broker s listings on their web sites. NAR has adopted guidelines for MLSs that allow a broker to prevent MLSs from providing such broker s listing data to other brokers web sites. These guidelines do not apply to REALTOR.com®. In a civil antitrust lawsuit brought against NAR in 2005, the United States Department of Justice ( DOJ ) challenged this policy by alleging that it is in violation of federal antitrust laws. It is possible that the ultimate resolution of this antitrust case, or independent initiatives by large brokers or others, could make it easier for other web sites to aggregate listing data for display over the Internet in a manner comparable to REALTOR.com®. This could impact how consumers and customers value our content and product offerings on the REALTOR.com® web site.

In the first quarter of 2007, Realogy Corporation, the owner of the largest brokerage in the country, NRT Incorporated, and franchisor of Coldwell Banker®, Century 21®, ERA® and Sotheby s International® announced marketing agreements to have all of their real estate listings uploaded to Google and Trulia search engines. In addition, a small number of MLSs have also agreed to put their listings on Google and other prominent websites. We would expect this trend will continue and that more of our competitors will be able to obtain real estate listings that were previously only available to us. This trend could make our web sites less attractive and less unique than they have been in the past.

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

None.

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

None.

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

None.

**Item 5.** ***Other Information***

None.

**Item 6.** ***Exhibits***

*Exhibits*

| | |
|---|---|
| 10.1 | Third Amendment to Lease dated September 27, 2007 between Arden Realty Limited Partnership and Move, Inc. for 30700 Russell Ranch Road, Westlake Village, California |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | 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. |
| 32.2 | 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. |

## SIGNATURES

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

MOVE, INC.

By: /s/ W. MICHAEL LONG
W. Michael Long
*Chief Executive Officer*

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

Date: November 1, 2007

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
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