

MOVE INC  
Form 10-K  
February 22, 2013

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

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

For the fiscal year ended December 31, 2012

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

For the transition period from to

Commission file number: 000-26659

**Move, Inc.**

*(Exact Name of Registrant as Specified in its Charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**95-4438337**

*(I.R.S. Employer  
Identification No.)*

**10 Almaden Blvd, Suite 800  
San Jose, California**

*(Address of principal executive  
offices)*

**95113**

*(Zip Code)*

**Registrant's telephone number, including area code:  
(408) 558-7100**

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

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

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

None

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

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

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

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

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

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

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

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

Aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2012*	\$ 246,805,435
Number of shares of common stock outstanding as of February 14, 2013	39,598,574

\*

Based on the closing price of the common stock of \$9.09 per share on that date, as reported on The NASDAQ Stock Market and, for purposes of this computation only, the assumption that all of the registrant's directors, executive officers and beneficial owners of 10% or more of the registrant's common stock are affiliates.

### DOCUMENTS INCORPORATED BY REFERENCE

In accordance with General Instruction G(3) to Form 10-K, certain information in the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission relating to the registrant's 2013 Annual Meeting of Stockholders is incorporated by reference into Part III.

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**MOVE, INC.**  
**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2012**

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

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**PART I**

**Item 1. Business**

**OVERVIEW**

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

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

We provide consumers with a powerful combination of breadth, depth and accuracy of information about homes for sale, new construction, homes for rent, multi-family rental properties, senior living communities, home financing, home improvement and moving resources. Through REALTOR.com®, consumers have access to over 94 million properties across the United States ("U.S.") as well as properties for sale from another 32 countries worldwide. Our for-sale listing content, comprising over 4 million properties as of December 31, 2012, and accessible in 11 different languages, represents the most comprehensive, accurate and up-to-date collection of its kind, online or offline. Through REALTOR.com® and our mobile applications, we display approximately 98% of all for-sale properties listed in the U.S. We source this content directly from our relationships with more than 800 Multiple Listing Services ("MLS") across the country, which represents nearly all MLSs, with approximately 90% of the listings updated every 15 minutes and the remaining listings updated daily.

REALTOR.com®'s substantial content advantage has earned us trust with both consumers and real estate professionals. We attract a highly engaged consumer audience and have developed an exceptionally large number of relationships with real estate professionals across the country. More than 22 million users, viewing an average of over 390 million pages and spending an average of over 325 million minutes on the REALTOR.com® web site each month over the last twelve-month period, interact with over 400,000 real estate professionals on REALTOR.com® and our mobile applications. We delivered approximately 60% more connections between our consumers and real estate professionals during the year ended December 31, 2012, as compared to the prior year. This illustrates the success of our continued commitment to not only deliver valuable information to consumers, but more importantly, to connect them with real estate professionals who can provide the local expertise consumers want when making home-related decisions.

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

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

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

We believe our competitive advantages include the following:

An unusually large and engaged consumer audience in the online real estate marketplace across multiple consumer platforms, including web, mobile and social;

Real-estate listing content that is deep, broad, accurate and current;

Leadership with respect to the volume and depth of industry relationships with brokers, agents, MLSs and other real estate professionals;

National scope with local expertise;

An exceptionally high number of connections facilitated between consumers and real estate professionals;

The largest syndication platform in the U.S. which provides listings to over 125 publishers;

A software and services product suite that helps the real estate industry optimize their marketing spend from the point of connection to close; and

A substantial revenue base.

We were incorporated in the State of Delaware in 1993 under the name InfoTouch Corporation. In February 1999, we changed our corporate name to Homestore.com, Inc. In May 2002, we changed our name to Homestore, Inc. In June 2006, we changed our name to Move, Inc. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further description of our history. Our corporate headquarters are located in San Jose, California. Our phone number is (408) 558-7100.

**PRODUCTS AND SERVICES**

Our products and services are broadly defined into two audience-driven groups Consumer Advertising and Software and Services.

**Consumer Advertising**

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



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*REALTOR.com®*

REALTOR.com® is the official web site of the National Association of Realtors (the "NAR"), the largest trade association in the U.S. that represents residential and commercial real estate professionals, including brokers, agents, property managers, appraisers, counselors and others engaged in all aspects of the real estate industry. The NAR had approximately one million members as of December 31, 2012. Under our agreement with the NAR, we operate REALTOR.com®, and, as such, we present basic MLS property listings to consumers on our web site and our mobile applications at no charge to real estate professionals, in addition to presenting other property information.

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

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

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

Non-Listing Advertisements Display Advertising, Featured Agent™, Featured Competitive Market Analysis ("Featured CMA™"), Search Assist and PreQualplus

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

*Rentals, Senior Housing and Moving.com*

We separately operate several other web sites providing multi-family rental, senior housing and moving-related content and services to our consumer audience. Through our Rentals and Senior Housing businesses, we aggregate and display rental listings nationwide. We offer a variety of listing-related advertisements that allow rental property owners and managers to promote their listings and connect with consumers through our web sites. Pricing models include monthly subscriptions and CPC. Through our Moving.com™ business, we provide consumers with quotes from moving companies and truck rental companies. The majority of revenue from Moving.com™ is derived from cost-per-lead pricing models.

Our Consumer Advertising products represented approximately 81% of our overall revenues for fiscal years ended December 31, 2012, 2011 and 2010.

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**Software and Services**

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

*SaaS CRM Products*

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

Top Producer® and TigerLead® are our SaaS products providing productivity and lead management tools tailored to real estate agents on a subscription basis. These products complement REALTOR.com® and our mission of connecting consumers and real estate professionals to facilitate transactions by empowering real estate professionals' ability to connect with, cultivate and ultimately convert their relationships with homebuyers and sellers into transactions. Our Top Producer® product offerings include a web- and mobile-based CRM solution, our Market Snapshot® product and a series of template web site products. The TigerLead® SaaS CRM product provides real estate agents and brokers with a sophisticated internet data exchange ("IDX") web site platform to capture and manage leads that are delivered with unique insights such as how many times a user has returned to the site to search particular listings and price ranges.

*TigerLead® Search Engine Marketing*

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

*ListHub™ Listing syndication and reporting*

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

Our Software and Services products represented approximately 19% of our overall revenues for fiscal years ended December 31, 2012, 2011 and 2010.

**COMPETITION**

REALTOR.com® competes in a highly fragmented and highly complex local real estate marketplace. We believe the winner in this market will effectively balance the needs and wants of both consumers and real estate professionals, which we believe REALTOR.com® is uniquely positioned to do. Further, as consumers increasingly rely on the Internet and mobile devices for real estate information, we believe that advertising dollars in this marketplace will continue to move online and that we will benefit from this trend. We compete to attract a sizable and engaged consumer audience interested in the real estate content and information provided through our web site and mobile applications, and we compete to attract real estate professionals and non-real estate related advertisers interested in connecting with those consumers. There are a variety of national and local companies, including both online and offline offerings, that compete for a consumer audience and for advertising spend within the real estate value chain.



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Our primary competition within REALTOR.com® falls into two general categories: (1) online real estate media companies; and (2) offline advertising offerings including newspaper classifieds, direct mail and other traditional offline media. While we do not provide significant offline advertising offerings, we view the companies in this space as competitors for available advertising spend by real estate professionals and non-real estate-related advertisers. Competitors in the online space include Classified Ventures, LLC (operator of HomeGain.com), Dominion Enterprises (operator of Homes.com), Google Inc., Market Leader Inc. (formerly House Values Inc.), Redfin, Homefinder.com LLC, ZipRealty Inc., Trulia Inc., Zillow, Inc. (operator of the Yahoo!-Zillow Real Estate Network) and others. Competitors in the offline space include major local newspapers such as the Tribune Company and the Gannett Company, as well as a multitude of local print, direct mail, radio and other traditional offline media.

The barriers to entry for web-based services and businesses are low. Although we believe we would have a distinct advantage for some time over merging or growing online businesses, given the breadth, depth and accuracy of our content, and given the resulting consumer audience we attract and real estate professional relationships we have built, we may not be able to maintain that advantage, and existing or future competitors could create other products and services that could be more attractive to consumers and real estate professionals than our products and services.

Our Software and Services products, including Top Producer®, TigerLead® and ListHub™, face competition from Market Leader Inc., CoreLogic's Residential Real Estate productivity tools, Real Estate Digital ("RED"), ALa Mode, Inc. and Fidelity National Information Solutions, Inc. which offers competing solutions to real estate professionals. Top Producer® also competes with horizontal customer relationship management offerings such as Microsoft Corporation's Outlook solution, Best Software Inc.'s ACT! solution, FrontRange Solution, Inc.'s Goldmine product, and Salesforce.com. Certain online media companies such as Classified Ventures, LLC (operator of HomeGain.com) and Market Leader, Inc. (formerly House Values Inc.) are providing drip marketing solutions that incorporate aspects of lead management, which over time could pose a competitive threat to Top Producer® or TigerLead®. ListHub™ also competes with Point2 Internet Systems Inc., which is also a listing syndicator.

Our Rentals products compete with Classified Ventures LLC (operator of Apartments.com and ApartmentHomeLiving.com), Dominion Enterprises (operator of ForRent.com), Network Communications Inc. (operator of ApartmentFinder.com), Primedia Inc. (operator of ApartmentGuide.com, Rentals.com and RentalHouses.com) and Viva Group, Inc. (an eBay company and operator of Rent.com). The Rentals products also compete with offline apartment guide publishers such as Classified Ventures, Inc., PRIMEDIA, Inc. and Network Communications, Inc.

Our Senior Housing product competes with other web sites that offer comparable products, such as A Place for Mom, Inc. and Dominion Enterprises (operator of SeniorOutlook.com).

Our Moving.com™ product competes with other web sites that offer comparable products, such as USAmovingcompanies.com, movingestimates.com, and 123movers.com.

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

**SEASONALITY**

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

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***GEOGRAPHIC REGIONS***

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

***INFRASTRUCTURE AND TECHNOLOGY***

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

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

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

***INTELLECTUAL PROPERTY***

We protect our research, development, technology and other property through a combination of trademarks, copyrights, trade secrets, patents, confidentiality agreements and other contractual means relating to access to or use of our proprietary or confidential information and assets.

In addition to our exclusive license rights from the NAR to use the REALTOR.com® mark and brand, our registered trademarks include "Move," "Top Producer" and other marks and logos used in our business. We also have unregistered marks and logos as well as domain names we use to differentiate our products and services, and will pursue additional trademarks, registrations and domain names as we believe to be cost-effective and appropriate.

We have eight patents issued in the U.S., which expire between 2016 and 2029. These cover inventions relating to real estate listing search, database creation and updating, managing and closing real estate transactions, lead distribution and management, and mortgage-related tools and methods. We also have ten patent applications pending in the U.S. and Canada which apply to other inventions related to our business and research. We will pursue these applications and additional patents as we believe to be cost-effective and appropriate.

In addition to intellectual property rights, we also make use of other methods to protect our proprietary or confidential information and assets. These include, for example, web site and mobile application terms of use, download and access agreements, appropriate agreements with customers as well as outside consultants, suppliers and advisors and confidentiality and invention agreements with our employees.

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

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

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

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

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

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

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

**EMPLOYEES**

As of December 31, 2012, we had 943 active full-time equivalent employees. We consider our relations with our employees to be good. No employee is represented by a collective bargaining agreement and we have never had a work stoppage. We believe that our future success will depend in part on our ability to attract, integrate, retain and motivate highly qualified personnel and upon the continued service of our senior management and key technical personnel.

See "Risk Factors Risks Related to Our Business" for a more complete description of the risks related to our employees.

**AVAILABLE INFORMATION**

We file with the U.S. Securities and Exchange Commission ("SEC") annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as our proxy statements and other information. In most cases, those documents are available, without charge, on our web site at <http://investor.move.com> as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available, without charge, from Move, Inc., Investor Relations, 10 Almaden Blvd. Suite 800, San Jose, California 95113. You may also read and copy these documents at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549 under our SEC file number (000-26659), and you may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In most cases, these documents are available over the Internet from the SEC's web site at <http://www.sec.gov>.

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**Item 1A. Risk Factors**

*Our business, financial condition, operating results and cash flows may be impacted by a number of factors. A discussion of the risks associated with these factors is included below. You should consider carefully the following risk factors, which are the material risks currently known by us, and other information included or incorporated by reference in this Form 10-K. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected.*

**RISKS RELATED TO OUR BUSINESS**

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

Except for net income of \$5.6 million in 2012, \$7.3 million in 2011, \$20.9 million in 2006, and \$0.5 million in 2005, we have incurred net losses every year since 1993, including net losses of \$15.5 million and \$6.9 million for the years ended December 31, 2010 and 2009, respectively. We have an accumulated deficit of approximately \$2.0 billion. Current market conditions around residential real estate make it difficult to project if we will become consistently profitable in the future. Furthermore, we have been making significant changes to our organizational structure and our business models. While these changes are being implemented with the belief that they will strengthen our business and our market position in the long run, there can be no assurance that these changes will generate additional revenue or a more efficient cost structure, which will be needed to sustain profitability.

**Competition for our services may adversely impact our business.**

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

The barriers to entry for web-based services and businesses are low. In addition, parties with whom we have listing and marketing agreements could choose to develop their own Internet strategies or competing real estate sites. Furthermore, real estate brokers or other web site operators, due to evolving policies, rules, regulatory initiatives, conventions and strategies, might be able to aggregate listing data for display over the Internet in ways comparable to, or more effective than, the REALTOR.com® web site. Developments such as these could impact how consumers and customers value our content and product offerings on the REALTOR.com® web site. Also, developments in the real estate search services market might also encourage additional competitors to enter that market. Some of our existing and potential competitors have longer operating histories in the Internet market, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than we do. The rapid pace of technological change constantly creates new opportunities for existing and new competitors and it can quickly render our existing technologies less valuable.

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

**We might not be able to obtain more, or more current, listings from MLSs and real estate brokers than other web site operators, and we might not be able to successfully syndicate listings content beyond our own web sites.**

We believe that part of the success of REALTOR.com® depends on displaying a larger and more current database of existing homes for sale than other web sites. We obtain these listings through agreements with MLSs and real estate brokers; these agreements normally have fixed terms, typically 12 to 36 months. At the end of the term of each agreement, the MLS or broker could choose not to renew the agreement with us. There are no assurances the MLSs and brokers 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. Furthermore, due to available technology and evolving policies, rules, regulatory initiatives, conventions and strategies in the real estate industry (as mentioned above), web site operators might be able to aggregate, and keep current, listing data for display over the Internet in ways comparable to, or more effective than, the REALTOR.com® web site.

As we invest time, effort and resources toward developing syndication models for disseminating listing content beyond REALTOR.com® and our other web sites, MLSs, brokers and others could choose to withhold or withdraw listings or cooperation from those initiatives. This could cause us to fail to realize fee, advertising and other revenue from these efforts, or to sufficiently do so, could cause us to fail to realize a return, or an adequate return, on those investments and could prevent us from being able to develop and grow our syndication business.

**Poor execution could harm our business, reputation, profitability and growth.**

We might fail to, or fail to properly or adequately, identify, plan, integrate, manage, leverage and otherwise execute on new systems developments, new product launches, new web site features, our partnering ventures (such as in the mortgage and new construction areas), newly-acquired businesses and assets, the building and nurturing of our brands, brand awareness and our general reputation, new resource allocations and other current and new operational initiatives in a savvy, timely, efficient and cost-effective manner. For example, we might fail to achieve effective coordination of various functions and teams within the Company so that projects and initiatives are executed effectively and timely, or we might experience unsatisfactory working relations, early or undesirable agreement terminations, poor performance or business disputes with companies with whom we establish strategic or other business ventures or alliances so that our revenue, strategies and reputation are adversely affected or so that operations, efficiencies and business opportunities are impaired, disrupted, lost or never realized. Failures such as these could harm our competitive position, increase our costs, cause us losses, cause us to fail to realize a return, or a sufficient return, on our investment outlays, cause operational disruptions and difficulties, damage or limit profitability and growth prospects, limit our ability to make needed investments in our business, harm our reputation, limit our ability to attract consumers and customers and limit our ability to sustain and increase revenue.

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

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

**Our quarterly financial results are subject to significant fluctuations.**

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

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

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

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

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

the costs from litigation, including the cost of settlements and any damages awarded against us.

**The mortgage, real estate, financial and credit markets have been in, and continue to experience, severe disruption, which have had, and may continue to have, an adverse effect on our business, financial condition and results of operations.**

The continuing sluggishness of and challenges occurring in both the U.S. and global economies have resulted in a severe tightening in the credit markets, a low level of strength and liquidity in many financial markets, and volatility in credit and equity markets. Such economic difficulties and weakness could adversely impact our business in a number of ways.

In addition, changes in governmental participation in the mortgage market could adversely impact the residential real estate industry, which could negatively impact our business.

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

Until market conditions improve significantly, our customers' ability and willingness to advertise, or to continue to advertise, on our web sites could be adversely impacted.

**We are, and might continue to be, involved in litigation and other disputes.**

Our business and operations might subject us to claims, litigation and other proceedings brought by private parties and governmental authorities. We are currently involved in several matters, which are described in Note 22, "Commitments and Contingencies - Legal Proceedings," to our Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" in this Form 10-K.

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Litigation might also result from other companies owning or obtaining patents or other intellectual property rights that could prevent, limit or interfere with our ability to provide our products and services. In recent years, there has been significant litigation in the U.S. involving patents and other intellectual property rights, including in the Internet industry, and companies in the Internet market are increasingly making claims alleging infringement of their intellectual property rights. We have been in the past, and are currently, involved in intellectual property-related litigation, and we might be involved in these and other disputes in the future, whether to protect our own intellectual property or as a result of our alleged infringement of the intellectual property rights of others. Lawsuits or claims such as these, including those we are currently defending, might result in significant monetary damages against us that could have an adverse effect on our results of operations and our financial position. Moreover, even those disputes that are ultimately resolved in our favor are time-consuming and expensive to resolve and they divert management's time and attention. In addition to subjecting us to monetary damages, the threat, adjudication or settlement of any intellectual property dispute could force us to do one or more of the following:

stop making, selling, incorporating or using goods, services or technology that are (or allegedly are) impacted by the relevant intellectual property rights threatening or asserted against us;

pay significant sums to obtain a license to the relevant intellectual property rights; and

redesign goods, services or technology that are (or allegedly are) impacted by the intellectual property rights threatening or asserted against us.

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

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

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

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

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

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

The REALTOR.com® trademark and web site address and the REALTOR® trademark are owned by the NAR. The NAR licenses these trademarks to our subsidiary RealSelect under a license agreement, and RealSelect operates the REALTOR.com® web site under an operating agreement (including amendments) with the NAR. Our operating agreement with the NAR contains a number of provisions that restrict how we operate our business. For example:

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

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

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

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

Although the REALTOR.com® operating agreement is a perpetual agreement, the NAR may terminate it for a variety of reasons. These include:

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

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

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

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

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

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



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

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

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

At December 31, 2012, we had gross net operating losses carry forwards ("NOLs") for federal and state income tax purposes of approximately \$906.9 million and \$282.6 million, respectively, and we could generate NOLs in future years. The federal NOLs will begin to expire in 2017. Approximately \$35.4 million of the state NOLs expired in 2012 and the state NOLs will continue to expire from 2013 to 2031. Gross net operating loss carry forwards for both federal and state tax purposes might be subject to an annual limitation under relevant tax laws. Currently, the NOLs have a full valuation allowance recorded against them. Approximately \$150.0 million of the \$906.9 million federal NOLs may belong to members of our group that cannot be consolidated for federal income tax purposes. Consequently, those NOLs would not be available to us to offset taxable income in the future. The NOLs indicated above are subject to a full valuation allowance.

Utilization of the NOLs may also be subject to an annual limitation due to ownership change limitations that might have occurred, or that could occur in the future, as determined by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state limitations. These ownership changes may limit the amount of NOLs that can be utilized annually to offset future federal taxable income. Section 382 of the Code contains rules that limit the ability of a company that undergoes an ownership change, which is generally any change in ownership of more than 50 percentage points of its stock over a three-year period, to utilize its NOLs and certain built-in losses recognized in years after the ownership change. These rules impact any ownership changes among stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company.

If we undergo an ownership change for purposes of Section 382 of the Code as a result of future transactions involving our common stock, including purchases or sales of stock by 5% stockholders, our ability to use our NOLs and to recognize certain built-in losses would be subject to the limitations under Section 382. Depending on the resulting limitation, a significant portion of our NOLs could expire before we would be able to recognize the benefit of using them. Our inability to utilize our NOLs could have a negative impact on our results of operations.

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

Delaware law, our certificate of incorporation and bylaws, our operating agreement with the NAR, and other agreements with business partners could have the effect of delaying or preventing a third party from acquiring us, even if a change in control would be beneficial to our stockholders. For example, our stockholders are unable to act by written consent or to fill any vacancy on the Board of Directors. Our stockholders cannot call special meetings of stockholders for any purpose, including removing any director or the entire Board of Directors without cause. In addition, the NAR could terminate the REALTOR.com® operating agreement if we are acquired and the NAR does not consent to the acquisition.

**REAL ESTATE INDUSTRY RISKS**

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

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

During recessionary periods, there tends to be a corresponding decline in demand for real estate, generally and regionally, that could adversely affect certain segments of our business. Such adverse effects often include a general decline in rents and home values (and thus sales prices), a decline in leasing activity, a decline in the level of investments in, and the value of, real estate, and an increase in defaults by tenants under their respective leases and homeowners on their respective mortgage loans. All of these adverse effects, in turn, adversely affect our customers' revenue from rents, property management fees, brokerage commissions and other fees; and these adverse effects on our customers' revenue can influence our customers to reduce, suspend or stop their purchases of advertising and other products and services from us.

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

We could also experience seasonality in our business as we offer new products and new pricing models. The real estate industry, in most areas of the U.S., generally experiences a decrease in activity during the winter months and traffic on our web sites generally declines during the fourth quarter, which can negatively affect revenue from our products that are directly tied to such traffic.

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

Real estate is a heavily regulated industry in the U.S., with applicable regulations including the Fair Housing Act, the Real Estate Settlement Procedures Act and federal and state advertising laws. In addition, federal and state laws and regulation in areas such as privacy, data protection and systems security are already in place and may expand. Furthermore, Congress and the states could enact legislation or regulatory policies in other relevant areas in the future. Any or all of these laws and regulations could require us to expend significant resources to comply. In addition, these laws and related regulations might limit or restrict our activities. As the real estate industry evolves in the Internet environment, legislators, regulators and industry participants might advocate additional legislative or regulatory initiatives. Should existing laws or regulations be amended or new laws or regulations be adopted, we might need to comply with additional legal requirements and incur resulting costs, or we might be precluded from certain activities. For instance, our rentals business required us to qualify and register as a real estate agent/broker in the State of California. To date, we have not spent significant resources on lobbying or related government issues. Any need to significantly increase our lobbying or related activities could substantially increase our operating costs.

In addition, any changes in legislation or policy that limit or eliminate the mortgage interest deduction for homeowners could adversely affect our business.

**Marketing our subscription products and services to real estate professionals is an important part of our business; we must dedicate significant resources to this endeavor, and interruptions could be harmful.**

Real estate agents are generally independent contractors of brokerages rather than employees. As a result, it is often necessary for us to communicate with real estate agents on an individual basis when marketing our services, which results in relatively high fixed costs associated with our inside and field-based sales activities. In addition, since we offer services to both real estate brokerages and agents, we are often required to contact brokerages and agents separately when marketing our products and services. Furthermore, if for any reason our marketing to real estate professionals was interrupted, such as by interruptions of web site availability or disruptions to email, telephone or other marketing communication media, whether due to technological reasons, industry changes, third-party conduct or other reasons, this could have a material negative impact on our business.

**INTERNET INDUSTRY RISKS**

**Systems or security attacks or failures could harm our business.**

We might sustain temporary or permanent outages of our computers or software equipment, which could have an adverse effect on our business. We currently do not have fully redundant systems for our web sites and other services at an alternate site. Therefore, our systems are vulnerable to damage from break-ins, unauthorized access, vandalism, fire, water damage, earthquakes, power loss, telecommunications failures and similar events. Although we maintain insurance against fires, earthquakes and general business interruptions, the amount of coverage, while adequate to replace assets and compensate for losses incurred, might not be adequate to compensate for the disruption it causes our customers and consumers, which could affect our future revenues and traffic. We also might have instances of single points of failure in our networks, processes and systems, and this could result in our sustaining outages, or outages of excessive duration, as well as other disruptions in our web sites or to our business.

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Experienced computer programmers seeking to intrude or cause harm, or hackers, might attempt to penetrate our network security from time to time, or lapses on the part of our contractors or ourselves in using safeguards and proper processes relating to security could occur. If a hacker were to penetrate our network or systems security, they could destroy, damage or misappropriate credit card, financial, personal, confidential and proprietary content and information, cause interruptions in our services, dilute the value of our offerings to customers and damage our reputation, our customer relationships and the confidence we need customers and consumers to have in us and in our systems. We might be required to expend significant capital and resources to protect against, to respond to, or to alleviate, problems caused by hackers. We also might not have a timely remedy against a hacker who is able to penetrate our network security. In addition to purposeful security breaches, the inadvertent transmission of computer viruses or other harmful code or files could expose us to system damage, operational disruption, loss of data, regulatory action, litigation and other risks of loss or harm. In addition, insurance might not exist or be adequate to compensate for these circumstances, and they could continue for extended periods of time before being detected or remedied.

**We depend on continued performance of and improvements to our computer network.**

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

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

We provide third-party content on our web sites, particularly real estate listings. We could be exposed to liability with respect to this third-party content. Persons might assert, among other things, that by directly or indirectly carrying such content or providing a link to web sites operated by third parties, we should be liable for patent, copyright or trademark infringement, misappropriation, defamation, fair-housing law violations or other violations of laws, harms or wrongful actions resulting from or associated with such third-party content, links or web sites. They could also assert that such third-party content, links or web sites lack needed disclosures or contain false statements, misrepresentations, errors or omissions. Consumers or others could seek damages and other recourse for losses incurred if they rely upon or are injured by such third-party content or web sites, and regulators or others could seek fines and other recourse against us.

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

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

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

None.

**Item 2. *Properties***