NUTI WILLIAM
Form 4
May 09, 2013

FORM 4

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

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
NUTI WILLIAM

(Last) (First) (Middle)

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

(Street)

NEW YORK, NY 10007

(City) (State) (Zip)

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

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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

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

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

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

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SEC 1474 (9-02)

displays a currently valid OMB control number.

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Buy)	$ 21.27	05/07/2013		M			298,446	(2)	03/01/2017	Common Stock	298,44
Employee Stock Option (Right to Buy)	$ 22.16	05/07/2013		M			7,400	(3)	03/01/2018	Common Stock	7,400

Reporting Owners

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

Signatures

Mary H. Fragola as Attorney-in-Fact for William R. Nuti	05/09/2013
**Signature of Reporting Person	Date

Explanation of Responses:

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

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

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

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

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

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

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

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

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

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

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

We rely on intellectual property and proprietary rights.

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

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

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

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

In November 2005, we sold to Elevation Partners, L.P. and Elevation Employee Side Fund, LLC (together, Elevation) an aggregate of 100,000 shares of our Series B Convertible Participating Preferred Stock (the Series B Preferred Stock) for an aggregate purchase price of $100 million. For so long as the holders of Series B Preferred Stock hold at least one-sixth of these 100,000 shares of Series B Preferred Stock, we are generally not permitted, without obtaining the consent of holders representing at least a majority of the then outstanding shares of Series B Preferred Stock, to create or issue any equity securities that rank senior or on a parity with the Series B Preferred Stock with respect to dividend rights or rights upon our liquidation. In addition, our stockholders agreement with Elevation limits the amount of debt we can incur. If we need to raise additional capital through public or private

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Real Estate Industry Risks

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

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

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

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

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

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

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

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

Internet Industry Risks

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

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

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

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

We depend on continued improvements to our computer network.

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

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

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

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

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

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

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

None.

Item 2. ***Properties.***

We maintain the following principal facilities:

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

Enterprise (R)	Milwaukee, WI	13,016	2007
Moving.com (M)	Marlborough, MA	5,580	2009
Sales offices (M)	Manhattan, NY	6,000	2012

(C Corporate) (R Real Estate Services) (M Move-Related Services)

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

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Item 3. ***Legal Proceedings.***

From time to time, we are party to various litigation and administrative proceedings relating to claims arising from our operations in the ordinary course of business. *See* the disclosure regarding litigation included in Note 20, Settlements of Disputes and Litigation Settlement of Securities Class Action Lawsuit and Potential Obligations, and Note 21, Commitments and Contingencies Legal Proceedings, to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K, which are incorporated herein by reference. As of the date of this Form 10-K and except as set forth herein, we are not a party to any other litigation or administrative proceedings that management believes will have a material adverse effect on our business, results of operations, financial condition or cash flows.

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

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

PART II

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

Market Information

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

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

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

Dividends

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

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

Recent Sales of Unregistered Securities

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

Securities Authorized for Issuance under Equity Compensation Plans

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

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

Equity Compensation Plan Information

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

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

Non-Shareholder Approved Plans

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

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

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

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

Item 6. *Selected Financial Data*

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

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

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

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

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

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

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

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

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

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

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

Overview

Our History

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

Our Business

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

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

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Business Trends and Conditions

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

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

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

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

Evolution of Our Product and Service Offerings and Pricing Structures.

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

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

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

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

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

Acquisitions and Dispositions

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

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

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

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

Revenue	$ 9,137
Total expenses	9,816

Loss from discontinued operations	$	(679)

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

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

Critical Accounting Policies, Estimates and Assumptions

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

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

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

Revenue Recognition We derive our revenue primarily from two sources:

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

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

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

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition , and Emerging Issues Task Force Issue (EITF) 00-21, Revenue Arrangements with Multiple Deliverables . Revenue is recognized only when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

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

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

on a one-year term basis; and

on a monthly subscription basis.

Our hosting arrangements require customers to pay a fixed fee and receive service over a period of time, generally one year.

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

the execution of a license agreement;

product delivery;

fees are fixed or determinable;

collectibility is reasonably assured; and

all other significant obligations have been fulfilled.

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

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

impression based;

fixed fee subscriptions; and

variable, performance based agreements.

The impressions based agreements range from spot purchases to 12 month contracts. The impression based revenue is recognized based upon actual impressions delivered and viewed by a user in a period. The fixed fee subscription revenue is recognized ratably over the period in which the services are provided. We measure performance related to advertising obligations on a monthly basis prior to the recording of revenue. Offline advertising revenue is recognized when the publications in which the advertising is displayed are shipped.

Allowance for Doubtful Accounts

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

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

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

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

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

Stock Based Compensation

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

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

Legal Contingencies

We are currently involved in certain legal proceedings, as discussed in Note 21, Commitments and Contingencies Legal Proceedings to our Consolidated Financial Statements in Item 8 of this Form 10-K. For those matters where we have reached agreed-upon settlements, we have estimated the amount of those settlements and accrued the amount of the settlement in our financial statements. Because of the uncertainties related to both the amount and range of loss on the remaining pending litigation, we are unable to make a reasonable estimate of the liability that could result from an unfavorable outcome. As additional information becomes available, we will assess the potential liability related to our pending litigation and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operations and financial position.

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Results of Operations

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

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

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

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

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

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

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

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

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

For the Years Ended December 31, 2006 and 2005

Revenue

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

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Cost of Revenue

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

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

Operating Expenses

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

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

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

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

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

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

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

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

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

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

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

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

Interest Income, Net

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

Other Income, Net

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

Income Taxes

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

Segment Information

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

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

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

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

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

Real Estate Services

Real Estate Services consists of products and services that promote and connect real estate professionals to consumers through our REALTOR.com®, New Homes and Rentals on Move.comtm and SeniorHousingNettm.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, Move.com replaced HomeBuilder.com® and RENTNET®.com and we began promoting those under the Move™ brand. Our revenue is derived from a variety of advertising and software services, including enhanced listings, company and property display advertising, customer relationship management applications and web site sales which we sell to those businesses interested in reaching our targeted audience or those professionals interested in being more effective in managing their contact with consumers.

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

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

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

Move-Related Services

Move-Related Services consists of advertising products and lead generation tools including display, text-link and rich advertising positions, directory products, price quote tools and content sponsorships on Move.com™, 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.

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

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

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

Unallocated

Unallocated expenses decreased $8.0 million, or 14%, to $48.6 million for the year ended December 31, 2006 from $56.6 million for the year ended December 31, 2005. The decrease was primarily due to a $15.6 million decrease in legal fees resulting from our obligation to advance legal fees to certain former officers in 2005, a decrease in personnel related costs of $1.3 million, a decrease of $1.2 million due to an insurance refund, and other cost decreases of $0.7 million. These decreases were partially offset by an increase of $8.0 million in expense for non-cash compensation primarily associated with the adoption of SFAS 123R in 2006, and the award of restricted stock units to certain executive officers and an increase of $2.8 million in depreciation expense.

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For the Years Ended December 31, 2005 and 2004

Revenue

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

Cost of Revenue

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

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

Operating Expenses

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

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

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

General and Administrative. General and administrative expenses, including non-cash stock-based charges, increased approximately $14.1 million, or 21%, to $82.5 million for the year ended December 31, 2005 from $68.4 million for the year ended December 31, 2004. As a result of our obligation to advance expenses (including attorneys fees) to, and in certain cases indemnify, our former officers and the resulting settlement agreements with certain of these former officers as discussed in Note 20 Settlements of Disputes and Litigation and Note 21 Commitments and Contingencies , to our audited Consolidated Financial Statements contained in Item 8 of this Form 10-K, we recorded $15.6 million in expenses during the year ended December 31, 2005 compared to $7.2 million during the year ended December 31, 2004, an increase of $8.4 million. There were also increases in personnel related costs of $4.5 million and consulting costs of $3.7 million resulting from various corporate projects including the implementation of a new enterprise resource planning system and the planning of the relocation of our data center. These increases were offset by a $1.6 million reduction in accounting fees as the cost of compliance with Section 404 of Sarbanes-Oxley and associated audit costs were reduced during our second year of compliance and other cost decreases of $0.9 million.

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

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

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

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

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

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

	Year Ended December 31,	
	2005	**2004**
Sales and marketing	$ 291	$ 301
General and administrative	824	518
	$ 1,115	$ 819

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

Interest Income, Net

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

Other Income, Net

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

Gain on Disposition of Discontinued Operations and Loss from Discontinued Operations

On October 6, 2004, we sold our Wyldfyre division for $8.5 million in cash and recorded a gain on disposition of discontinued operations of $5.7 million for the year ended December 31, 2004. On December 21, 2004, we sold our Computers for Tracts division for $2.5 million and recorded a gain on disposition of discontinued operations of $1.6 million for the year ended December 31, 2004. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, our Consolidated Financial Statements reflect these as discontinued operations. The results of operations for the Wyldfyre and Computer for Tracts divisions included operating losses of $0.7 million for the year ended December 31, 2004. During the year ended December 31, 2005, we recorded a gain on disposition of discontinued operations of $0.9 million as a result of the release of escrowed funds related to the sale of Wyldfyre.

Income Taxes

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

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Segment Information

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

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

Real Estate Services

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

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

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

Move-Related Services

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

Move-Related Services expenses increased $7.8 million, or 12%, to $72.6 million for the year ended December 31, 2005 from $64.7 million for the year ended December 31, 2004. The increase was primarily due to increased cost of sales of $4.6 million associated with the new products described above, increased product development costs of $1.8 million as investments are being made to create new online consumer products, increased personnel related costs in sales and marketing of $2.7 million, offset by a $1.3 million reduction in online distribution costs.

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

Unallocated

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

Liquidity and Capital Resources

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

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

Net cash used in investing activities of $26.7 million for the year ended December 31, 2006 was primarily attributable to purchases of short-term investments of $30.3 million, increased capital expenditures of $12.9 million due to the build out of our new data center, the acquisition of Moving.com of $9.6 million and the purchase of intangible assets of $0.3 million, partially offset by maturities of short-term investments of $26.3 million. The actual cash used in investing activities was $22.8 million, as the $30.3 million and $26.3 million of investment activity reflects the gross purchases and sales of investments which is a classification requirement. These investments are available to us as cash in less than 60 days at any point in time and there is minimal principal risk.

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

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

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

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

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

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

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

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

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

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

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Off-Balance Sheet Arrangements

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

Recent Accounting Developments

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

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

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

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

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

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Move, Inc.

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

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

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

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

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

Los Angeles, California
March 1, 2007

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MOVE, INC.

CONSOLIDATED BALANCE SHEETS

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

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

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

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MOVE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

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

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MOVE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Convertible Preferred Stock		Common Stock		Additional	Treasury	Deferred Stock-	Accumulated Other		Tota
	Shares	Amount	Shares	Amount	Paid-in Capital	Stock	based Charges	Comprehensive Income (loss)	Accumulated Deficit	Stockho Equi
						(In thousands)				
ce at mber 31, 2003		$	120,871	$ 122	$ 1,992,591	$ (14,470)	$ (258)	$ 267	$ (1,977,924)	$
prehensive income :										
oss									(7,886)	(7,
alized loss on etable securities								2		
gn currency ation								140		
prehensive loss								142	(7,886)	(7,
nce of common under employee purchase plan and ise of stock options			3,146	4	3,862					3,
nce of restricted			148		667		(367)			
ement of treasury				(1)	(14,469)	14,470				
-based charges							219			
s issued in ment of litigation			22,703	22	60,402					60,
ce at mber 31, 2004		$	146,868	$ 147	$ 2,043,053	$	$ (406)	$ 409	$ (1,985,810)	$ 57,
prehensive income :										
ncome									545	
alized gain on etable securities								(2)		
gn currency ation								(64)		
prehensive income								(66)	545	

nce of common under exercise of options	1,962	2	3,617					3,
nce of restricted	106		219		(219)			
-based charges	115		249		274			
ertible preferred dividend and tion of discount							(408)	(
s issued in ment of contractual ations	150		318					
ce at mber 31, 2005	$ 149,201	$ 149	$ 2,047,456	$	$ (351)	$ 343	$ (1,985,673)	$ 61,
prehensive income :								
ncome							22,105	22,
alized gain on etable securities						14,820		14,
zed gain on etable securities						(14,809)		(14,
gn currency ation						(28)		
prehensive income						(17)	22,105	22,
nce of common under exercise of options	4,852	5	6,884					6,
nce of restricted	110							
pt of shares from w				(291)				(
ement of treasury s	(47)		(291)	291				
-based ensation and es			15,701					15,
ertible preferred dividend and tion of discount							(4,859)	(4,
ssification of red compensation			(351)		351			
ce at mber 31, 2006	$ 154,116	$ 154	$ 2,069,399	$	$	$ 326	$ (1,968,427)	$ 101,

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MOVE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Advertising Revenue The Company sells online and offline advertising. Online advertising revenue includes three revenue streams: (i) impression based, (ii) fixed fee subscriptions and (iii) variable, performance based agreements. The impressions based agreements range from spot purchases to 12 month contracts. The impression based revenue is recognized based upon actual impressions delivered and viewed by a user in a period. The fixed fee subscription revenue is recognized ratably over the period in which the services are provided. The Company measures performance related to advertising obligations on a monthly basis prior to the recording of revenue. Offline advertising revenue is recognized when the publications in which the advertising is displayed are shipped.

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

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

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

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

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

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

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

MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

In June 2006, FASB ratified Emerging Issues Task Force (EITF) Issue 06-03, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation) (EITF 06-03). Under EITF 06-03, a company must disclose its accounting policy regarding the gross or net presentation of certain taxes. If taxes included in gross revenues are significant, a company must disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of this EITF are those that are imposed on and concurrent with a specific revenue-producing transaction. Taxes assessed on an entity s activities over a period of time, such as gross receipts taxes, are not within the scope of the EITF. EITF 06-03 is effective for the first annual or interim reporting period beginning after December 15, 2006. The Company will continue to report taxes collected from customers on a net presentation basis after adoption of EITF 06-03.

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MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

3. Acquisitions and Disposals

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

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

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

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

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

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

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

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

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

4. Restructuring Charges

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

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

In connection with this restructuring and integration plan, the Company recorded a charge of $35.8 million in the fourth quarter of 2001, which was included in restructuring charges on the Consolidated Statement of Operations. This charge consists of the following: (i) employee termination benefits of $6.4 million; (ii) facility closure charges of $20.8 million, comprised of $12.8 million in future lease obligations, exit costs and cancellation penalties, net of estimated sublease income of $11.9 million, and $8.0 million of non-cash fixed asset disposals related to vacating duplicate facilities and decreased equipment requirements due to lower headcount; (iii) non-cash write-offs of $2.9 million in other assets related to exited activities; and (iv) accrued future payments of $5.7 million for existing contractual obligations with no future benefits to the Company. During the year ended December 31, 2002, the Company revised its estimates relating to a lease obligation and recorded an additional $6.5 million charge. The Company also reduced its estimates for employee termination pay by $396,000 and its contractual obligations by $798,000 in 2002. The Company s original estimate with respect to sublease income related primarily to a lease commitment for office space in San Francisco that expired in November 2006. The Company originally estimated that it would sublease the facility by the second quarter of 2003 at a rate of approximately two-thirds of the existing commitment. However, declines in the demand for office space in the San Francisco market have led the Company to revise these estimates on three other occasions. In the fourth quarter of 2003, the Company recorded an additional charge of $1.3 million. During the year ended December 31, 2004, the Company recorded an additional charge of approximately $1.0 million because the Company was uncertain it would be able to sublease the remaining one-third of the San Francisco property. During the year ended December 31, 2005, the Company negotiated a reduction to its lease obligation for the San Francisco property. That revision along with fluctuations in

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

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

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

Restructuring accrual at December 31, 2006	$	$ 23	$	$ 29	$ 52

In the first quarter of 2002, the Company s Board of Directors approved an additional restructuring and integration plan, with the objective of eliminating duplicate resources and redundancies.

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

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

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

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

Restructuring accrual at December 31, 2006	$	$ 25	$	$ 25

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MOVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Short-term Investments

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

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

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

6. Property and Equipment

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

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

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

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MOVE, INC.

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7. Goodwill and Other Intangible Assets

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

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

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

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

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

Year Ended December 31,	Amount

2007	$ 1,990
2008	1,963
2009	1,687
2010	1,620
2011	1,617

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MOVE, INC.

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8. Other Current Assets

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

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

9. Accrued Expenses

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

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

10. Related-party Transactions

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

11. Segment Information

Segment information is presented in accordance with SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company s internal organization and disclosure of revenue and operating expenses based upon internal accounting methods. During the fourth quarter of 2005, the Company revised its business segments to align with the way it is approaching the market: Real Estate Services for those products and services offered to industry professionals trying to reach consumers and manage their relationships with them and Move-Related Services for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move. As a result of these changes, we evaluate performance and allocate resources based on these two segments. We have reclassified previously reported segment data to conform to the current period presentation. This is consistent with the data that is made available to our management to assess performance and make decisions.

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

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

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

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

	For the Year Ended December 31, 2006			
	Real Estate Services	Move-Related Services	Unallocated	Total
Revenue	$ 208,339	$ 82,045	$	$ 290,384
Cost of revenue	33,323	28,840	3,156	65,319
Gross profit (loss)	175,016	53,205	(3,156)	225,065
Sales and marketing	69,915	36,461	3,887	110,263
Product and web site development	25,083	4,595	4,229	33,907
General and administrative	30,113	15,881	35,274	81,268
Amortization of intangible assets			2,331	2,331
Restructuring charges			(278)	(278)
Total operating expenses	125,111	56,937	45,443	227,491
Income (loss) from operations	$ 49,905	$ (3,732)	$ (48,599)	$ (2,426)

	For the Year Ended December 31, 2005			
	Real Estate Services	Move-Related Services	Unallocated	Total
Revenue	$ 181,324	$ 71,298	$	$ 252,622
Cost of revenue	27,902	26,346	1,940	56,188
Gross profit (loss)	153,422	44,952	(1,940)	196,434
Sales and marketing	60,125	29,644	1,302	91,071
Product and web site development	15,922	3,755	2,382	22,059

General and administrative	22,750	12,832	46,963	82,545
Amortization of intangible assets			3,624	3,624
Litigation settlement			1,750	1,750
Restructuring charges			(1,331)	(1,331)
Total operating expenses	98,797	46,231	54,690	199,718