AIR PRODUCTS & CHEMICALS INC /DE/
Form DEF 14A
December 14, 2005

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SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-12

AIR PRODUCTS AND CHEMICALS, INC.

(Name of Registrant as Specified In Its Charter)

AIR PRODUCTS AND CHEMICALS, INC.

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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(AIR PRODUCTS LETTERHEAD)

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501

December 14, 2005

Dear Shareholder:

On behalf of your Board of Directors, I am pleased to invite you to attend the 2006 Annual Meeting of Shareholders of Air Products and Chemicals, Inc.

The attached Notice of Annual Meeting and Proxy Statement describe the business to be conducted at the meeting, including the election of four directors and approval of amendments to the Company s long-term incentive compensation plan.

Your vote is important. You may vote by telephone or Internet as described in the proxy voting instructions or, if you received these proxy materials by mail, you may fill in, sign, date, and mail the proxy card.

We look forward to seeing you at the meeting.

Cordially,

-s- John P. Jones III
John P. Jones III
Chairman of the Board, President, and
Chief Executive Officer

Notice of Annual Meeting of Shareholders
Air Products and Chemicals, Inc.

TIME	2:00 p.m., Thursday, January 26, 2006
PLACE	Tompkins College Center Theater at Cedar Crest College in Allentown, Pennsylvania. Free parking will be available. Directions appear on the back of this Proxy Statement.
ITEMS OF BUSINESS	1. Elect four directors for a three-year term.
	2. Ratify the appointment of independent registered public accountants for the fiscal year ending September 30, 2006.
	3. Approve amendments to the Long-Term Incentive Plan.
	4. Approve Annual Incentive Plan terms to allow continued tax deductibility.
	5. Attend to such other business as may properly come before the meeting or any postponement or adjournment of the meeting.
RECORD DATE	Shareholders of record at the close of business on November 30, 2005 are entitled to receive this notice and to vote at the meeting.
WAYS TO SUBMIT YOUR VOTE	You have the alternatives of voting your shares by using a toll-free telephone number or the Internet as described in the proxy voting instructions, or you may fill in, sign, date, and mail a proxy card. We encourage you to complete and file your proxy electronically or by telephone if those options are available to you.
IMPORTANT	Whether you plan to attend the meeting or not, please submit your proxy as soon as possible in order to avoid additional soliciting expense to the Company. The proxy is revocable and will not affect your right to vote in person if you attend the meeting.

7201 Hamilton Boulevard
Allentown, Pennsylvania 18195-1501

By order of the Board of Directors,
/s/ W. Douglas Brown

W. Douglas Brown
Vice President, General Counsel

and Secretary

December 14, 2005

PROXY STATEMENT

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(Air Products Logo)

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501

PROXY STATEMENT

We have sent you this Notice of Annual Meeting and Proxy Statement because the Board of Directors of Air Products and Chemicals, Inc. (the Company or Air Products) is soliciting your proxy to vote at the Company s Annual Meeting of Shareholders on January 26, 2006 (the Annual Meeting). This Proxy Statement contains information about the items being voted on at the Annual Meeting and information about the Company.

The Board refers to the Company s Board of Directors. The words Company stock , shares , and stock refer to the Company s common stock, par value $1.00 per share. The fair market value of a share of stock, unless otherwise indicated, is the average of the high and low sales price of the stock on the New York Stock Exchange for the relevant date. The words Executive Officer or Executive Officers refer to those financial and policy making officers of the Company who are designated by the Board as Executive Officers for U.S. securities law compliance purposes. The Company s fiscal year is the twelve month period commencing on October 1 and ending on September 30, and is designated according to the year in which it ends.

QUESTIONS AND ANSWERS ON THE ANNUAL MEETING AND DESCRIPTION OF PROPOSALS YOU MAY VOTE ON

What may I vote on?

The election of four nominees to serve on our Board of Directors.

The appointment of independent registered public accountants to audit the Company s financial statements for our fiscal year 2006.

The approval of amendments to the Long-Term Incentive Plan.

The approval of Annual Incentive Plan terms to allow continued tax deductibility of compensation provided under the Plan.

How does the Board of Directors recommend I vote on the proposals?

The Board recommends votes

FOR each of the nominees for the Board of Directors.

FOR ratifying the appointment of the independent registered public accountants.

FOR the proposed amendments to the Long-Term Incentive Plan.

FOR the proposed Annual Incentive Plan terms to allow continued tax deductibility.

How many shares can vote at the 2006 Annual Meeting?

As of the Record Date , November 30, 2005, 222,262,681 shares of Company stock were issued and outstanding, which are the only shares entitled to vote at the Annual Meeting. Every owner of Company stock is entitled to one vote for each share owned.

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What is a quorum ?

A quorum is necessary to hold a valid meeting of shareholders. A quorum exists if a majority of the outstanding shares of Company stock are present in person at the Annual Meeting or represented there by proxy. If you vote including by Internet, telephone, or proxy card your shares voted will be counted towards the quorum for the Annual Meeting.

What vote is necessary to pass the items of business at the Annual Meeting?

If a quorum is present at the Annual Meeting, the four director candidates receiving the highest number of votes will be elected. If you vote and are part of the quorum, your shares will be voted for election of all four of the director nominees unless you give instructions to withhold votes. Withhold votes and broker nonvotes will not influence voting results. Abstentions are not recognized as to election of directors.

The appointment of independent auditors will be ratified if a majority of the shares present or represented at the meeting and entitled to vote are voted in favor. Abstentions will have the effect of a vote against ratification.

The proposed amendments to the Long-Term Incentive Plan and the proposed Annual Incentive Plan terms to allow continued tax deductibility will be approved if a majority of the shares present or represented at the meeting and entitled to vote are voted in favor. Abstentions will have the effect of a vote against.

Under New York Stock Exchange rules, brokers that do not receive instructions from their customers may vote in their discretion on proposals 1, 2, and 4. As to proposal 3, if you do not give your broker or nominee specific instructions as to shares you hold in street name, your shares will not be voted on that proposal. This is referred to as a broker nonvote . Broker nonvotes will not be treated as entitled to vote and will have no effect on the results of the vote.

Who counts the votes?

Representatives of our Transfer Agent, American Stock Transfer and Trust Company, will tabulate the votes and act as the independent inspectors of election.

What shares are included on my proxy card?

If you received a proxy card, the shares on your proxy card or cards are all of the shares registered in your name with our Transfer Agent on the Record Date, including shares in the Investors Choice Dividend Reinvestment and Direct Stock Purchase and Sale Plan administered for Air Products shareholders by our Transfer Agent. If you have shares registered in the name of a bank, broker, or other registered owner or nominee, they will not appear on your proxy card.

How do I vote the shares on my proxy card?

You may vote by signing and dating the proxy card(s) and returning the card(s) in the prepaid envelope.

Also, you can vote by using a toll-free telephone number or the Internet. Instructions about these ways to vote appear on the proxy card. If you vote by telephone or Internet, please have your proxy card and control number available. The sequence of numbers

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appearing on your card is your control number, and your control number is necessary to verify your vote.
Votes submitted by mail, telephone, or Internet will be voted in the manner you indicate by the individuals named on the proxy. If you do not specify how you want your shares voted, they will be voted according to the Board s recommendations for the four proposals.

How do I vote shares held by a broker or bank?

If a broker, bank or other nominee holds shares of Company stock for your benefit, and the shares are not in your name on the Transfer Agent s records, then you are considered a beneficial owner of those shares. Shares held this way are sometimes referred to as being held in street name . In that case, your broker, bank or other nominee will send you instructions on how to vote. If you have not heard from the broker, bank or other nominee who holds your stock, please contact them as soon as possible.

What if I received these proxy materials electronically?

If you received these proxy materials on-line, the e-mail message transmitting the link to these materials contains instructions on how to vote your shares and your control number.

May I change my vote?

You may revoke your proxy at any time before the Annual Meeting by submitting a later dated proxy card or telephone or Internet vote, by notifying us that you have revoked your proxy, or by attending the Annual Meeting and giving notice of revocation in person.

How is Company stock in the Company s Retirement Savings Plan (RSP) voted?

If you are an employee or former employee who owns shares of Company stock under the RSP, you will be furnished a separate voting direction form by the RSP Trustee, State Street Bank and Trust Company. The Trustee will vote shares of Company stock represented by units of interest allocated to your RSP account on the Record Date. The vote cast will follow the directions you give when you sign, complete, and return your voting direction form to the Trustee, or give your instructions by telephone or Internet. The Trustee will cast your vote in a manner which will protect your voting privacy. If you do not give voting instructions or your instructions are unclear, the Trustee will vote the shares in the same proportions and manner as overall RSP participants instruct the Trustee to vote their RSP shares. The Trustee will also vote fractional shares this way.

How will voting on any other business be conducted?

We do not know of any business or proposals to be considered at the Annual Meeting other than the items described in this Proxy Statement. If any other business is proposed and the chairman of the Annual Meeting permits it to be presented at the Annual Meeting, the signed proxies received from you and other shareholders give the persons voting the proxies the authority to vote on the matter according to their judgment.

When are shareholder proposals for the 2007 annual meeting due?

To be considered for inclusion in next year s proxy statement, proposals must be delivered in writing to W. Douglas Brown, Secretary, Air Products and Chemicals, Inc., 7201 Hamilton Boulevard, Allentown, PA 18195-1501 no later than August 17, 2006. To be presented at the meeting, proposals must be delivered in writing to Mr. Brown by

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October 29, 2006, and must comply with the requirements of our bylaws (described in the next paragraph) to be presented at the 2007 annual meeting. The proxy for next year s annual meeting will give authority to those persons named as proxies in the proxy card to vote in their discretion on any shareholder proposal that we do not know about before October 30, 2006, if it is permitted to be presented.

Our bylaws require adequate written notice of a proposal to be presented by delivering it in writing to Mr. Brown in person or by mail at the address stated above, on or after September 29, 2006, but no later than October 29, 2006. To be considered adequate, the notice must contain specified information about the matter to be presented at the meeting and the shareholder proposing the matter. A proposal received after October 29, 2006, will be considered untimely and will not be entitled to be presented at the meeting.

What are the costs of this proxy solicitation?

We hired Morrow & Co. to help distribute materials and solicit votes for the Annual Meeting. We will pay them a fee of $7,500, plus out-of-pocket costs and expenses. We also reimburse banks, brokers and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding Annual Meeting materials to you because they hold title to Company stock for you. In addition to using the mail, our directors, officers, employees and agents may solicit proxies by personal interview, telephone, telegram, or otherwise, although they will not be paid any additional compensation. The Company will bear all expenses of solicitation.

May I inspect the shareholder list?

For a period of 10 days prior to the Annual Meeting, a list of shareholders registered on the books of our Transfer Agent as of the Record Date will be available for examination by registered shareholders during normal business hours at the Company s principal offices, provided the examination is for a purpose germane to the meeting.

How can I get materials for the Annual Meeting?

Public Shareholders. This Proxy Statement and the accompanying proxy card are first being mailed to shareholders on or about December 14, 2005. Each registered and beneficial owner of Company stock on the Record Date, including Company employees, should have received a copy (or, if they have consented, notice of on-line availability) of the Company s Annual Report to Shareholders including consolidated financial statements (the Annual Report) either with this Proxy Statement or prior to its receipt. When you receive this package, if you have not yet received the Annual Report please contact us and a copy will be sent at no expense to you.

In addition, a copy of Air Products annual report on Form 10-K for the fiscal year ended September 30, 2005 is available to each shareholder without charge upon written request to Investor Relations, Air Products and Chemicals, Inc., 7201 Hamilton Boulevard, Allentown, PA 18195-1501.

Current Employees. If you are an employee of the Company or an affiliate, who is a participant in the RSP or who has outstanding stock options, with an internal Company e-mail address as of the Record Date, you should have received e-mail notice of electronic access to the Notice of Annual Meeting, the Proxy Statement, and the Annual Report on or about December 14, 2005. You may request a paper copy of this Notice of Annual Meeting and Proxy Statement and of the Annual Report by contacting us. If you do not have an internal e-mail address, copies of these materials will be mailed to your home.

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If you are a participant in the RSP, you will receive a voting direction form from the Trustee mailed to your home on or after December 14, 2005 for directing the vote of shares in your RSP account. We have also arranged for the Trustee to receive your voting instructions by telephone or Internet as described on the voting direction form.

If you have employee stock options awarded to you by the Company or an affiliate but do not otherwise own any Company stock on the Record Date, you are not eligible to vote and will not receive a proxy card for voting. You are being furnished this Proxy Statement and the Annual Report for your information and as required by law.

Can I receive annual reports and proxy statements on-line?

Yes. We urge you to save Air Products future postage and printing expenses by consenting to receive future annual reports and proxy statements on-line.

Most shareholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. You will be given the opportunity to consent to future Internet delivery if you vote electronically or, if you are a registered shareholder, you can register for electronic delivery by visiting *http:www.amstock.com* and clicking on Shareholder Account Access. If you are not a registered shareholder and are not given an opportunity to consent to Internet delivery when you vote, contact the registered owner of the shares to inquire about the availability of this option.

If you consent, your account will be so noted. When our proxy statement and other solicitation materials for the 2007 annual meeting of shareholders become available, you will be notified of how to access them on the Internet, and you will always be able to request paper copies by contacting us.

How can I reach the Company to request materials or information referred to in these Questions and Answers?

You may reach us by mail addressed to:

Corporate Secretary s Office
Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501,

by calling 610-481-8657, or by leaving a message on our website at: *www.airproducts.com/tmm/tellmemore.asp*.

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PROPOSALS YOU MAY VOTE ON

1. ELECTION OF DIRECTORS

The Board of Directors currently has 13 positions. With the retirement from the Board of Mr. James F. Hardymon and Mr. Lawrason D. Thomas under our director retirement policy and the re-election by shareholders of the four nominees standing for election, the Board will have 11 members after the Annual Meeting. Our Board is divided into three classes for purposes of election, with terms of office ending in successive years.

The Board has nominated four incumbent directors, whose terms are currently scheduled to expire at the Annual Meeting, for election to three-year terms expiring in January 2009: Mr. Mario L. Baeza, Mr. Edward E. Hagenlocker, Mr. Terrence Murray, and Mr. Charles H. Noski. Each nominee elected as a director will continue in office until his term expires, or until his earlier death, resignation, or retirement. Other directors are not up for election this year and will continue in office for the remainder of their terms.

The Board of Directors has no reason to believe that any of the nominees will not serve if elected. If a nominee is unavailable for election at the time of the Annual Meeting, the Company representatives named on the proxy card will vote for another nominee proposed by our Board or, as an alternative, the Board may reduce the number of positions on the Board.

The Board of Directors and management recommend a vote FOR the election of Mr. Baeza, Mr. Hagenlocker, Mr. Murray, and Mr. Noski.

2. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

At its meeting held in November 2005, the Audit Committee of the Board of Directors approved KPMG LLP of Philadelphia, Pennsylvania (KPMG) as independent registered public accountants for fiscal year 2006. The Board concurs with and wants shareholders to ratify this appointment even though ratification is not legally required. If shareholders do not ratify this appointment, the Audit Committee will reconsider it. Representatives of KPMG will be available at the Annual Meeting to respond to questions.

The Board of Directors and management recommend a vote FOR the ratification of the appointment of KPMG LLP as independent registered public accountants for fiscal year 2006.

3. APPROVAL OF AMENDMENTS TO THE LONG-TERM INCENTIVE PLAN

The Board believes that it is very important for shareholders that our executives, key employees, and nonemployee directors receive part of their compensation in the form of Company stock awards to foster their participation in ownership of the Company. The Long-Term Incentive Plan, last approved by shareholders at the 2003 Annual Meeting, has been used effectively as a key component of our incentive compensation program since 1980 to grant stock-based awards to Company directors, executives, and key employees. This year the Board of Directors has adopted several amendments to the Plan, subject to shareholder approval. If the proposed amendments are approved, material changes would be as follows:

- An additional 7,000,000 shares for awards under the Plan will be authorized (subject to a continuing limit on full value awards which is described below).

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Certain share counting conventions will be discontinued. These conventions allowed shares used under the Plan to be reused if they were withheld from award payments to satisfy withholding taxes or corresponded to shares tendered to pay the exercise price of stock options. In addition, the share counting convention for stock appreciation rights will be clarified to provide that, where rights are paid in stock, each right paid would be counted as a whole share used.

A minimum restriction or deferral period of three years will be established for grants of restricted stock or deferred stock units, with exceptions for special circumstances like recruiting or retention awards, retirement, death, or disability; however, the minimum period will continue to be one year if payment of the award is conditioned on satisfaction of performance criteria.

To ease administration, the Plan will provide that dividend equivalents payable on deferred stock units may be paid in shares of stock as well as in cash.

Certain changes will be made to ensure that payments under the Plan satisfy the requirements of Section 409A of the Internal Revenue Code.

The Plan, as amended, will be limited to a ten-year term ending on January 26, 2016.

The Plan, as amended, will continue to prohibit the following:

Granting stock options and stock appreciation rights under the Plan with an option price or base price less than the fair market value of a share of stock on the date of grant,

Repricing any stock option or stock appreciation right, or

Using more than 20% of the Company stock subject to Plan awards for full value awards such as deferred stock units or restricted stock. (This limitation applies to aggregate awards after fiscal year 2001. Full value awards have represented less than 10% of awards since then.)

If the amendments to the Long-Term Incentive Plan are not approved, the current Long-Term Incentive Plan will remain in effect, and the total number of shares reserved for issuance under the Plan will not be increased.

Material Features of the Plan

The following is a summary of the material features of the Plan as proposed to be amended. This summary is qualified in its entirety by reference to the full text of the amended and restated Plan, which was filed electronically with the Securities and Exchange Commission at the same time as this Proxy Statement.

Plan Purposes

The purposes of the Plan are: to provide long-term incentives and rewards to nonemployee directors and to those executives and key employees who are in a position to contribute to the long-term growth and success of the Company, have high potential for assuming greater levels of responsibility, or have demonstrated their critical importance to the operation of their organizational unit; to assist the Company and its subsidiaries in attracting and retaining experienced and capable directors, executives and key employees; and to associate the interests of Plan participants more closely with those of our shareholders.

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Shares Available Under the Plan

The Plan limits the number of shares of Company stock which may be delivered for Plan awards granted on or after January 26, 2006 to 7,000,000 shares of Company stock, plus the number of shares previously authorized under the Plan which are not yet subject to an outstanding award or are not paid out under outstanding awards. As of September 30, 2005, 4,294,887 previously authorized shares were still available. No more than 20% of the shares of Company stock subject to awards granted after fiscal year 2001 may be used for full value awards.

Shares subject to Plan awards which are not delivered because the award expires, is forfeited or terminates unexercised, or because payment under the award is made in a form other than in shares, may be used again for a subsequently granted award. However, if stock appreciation rights are paid in stock, each right paid will be treated as a whole share no longer available for use. On November 1, 2005, the closing price of a share of Company stock as reported in the New York Stock Exchange composite transactions was $57.47.

Total awards made under the Plan and other (discontinued) equity compensation plans for the past three fiscal years were as follows*:

	Stock Options	Restricted Stock	Deferred Stock Units	Total
2005	2,616,000	50,500	334,243	3,000,743
2004	2,764,277	49,500	368,955	3,182,732
2003	4,637,300	0	60,065	4,697,365

As of September 30, 2005, 221,898,233 shares of Company stock were outstanding, 25,186,596 shares were subject to outstanding equity awards under all equity compensation plans, and 4,294,887 shares were available for future awards under the Plan. Thus, as of September 30, 2005, our fully diluted overhang was 11.73% and our simple overhang was 13.298%. If the 7,000,000 shares for which shareholder approval is requested were available for grant as of September 30, 2005, our fully diluted overhang would have increased to 14.12% and our simple overhang to 16.44%. For fiscal years 2005, 2004, and 2003, our burn rate, i.e., shares used for equity compensation awards during the year divided by shares outstanding as of the beginning of the year, was 1.3%, 1.4%, and 2.1%, respectively.

Eligibility and Administration

Participation in the Plan is limited to executives and other key employees, including officers and directors who are employees (together, employee participants), and directors of the Company who are not employees of the Company or its subsidiaries (director participants). As of November 1, 2005, the number of employees who would have been eligible for selection to participate in the amended Plan was approximately 6,055, including seven Executive Officers, and the number of nonemployee directors was 12. For fiscal year 2005, approximately 1,600 employees were selected for awards under the Plan.

* Amounts do not include forfeitures. Performance-based awards are included in the year earned, rather than the year of grant. For information on the discontinued plans, see the Equity Compensation Table on page 39. These awards do not include deferred stock units credited under plans where participants elect to forego current cash compensation equal to the fair market value of the deferred stock units.

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The Management Development and Compensation Committee of the Board (the Compensation Committee) administers the Plan with regard to employee participants. The Board administers the Plan with regard to director participants. In the following description of the Plan, references to the Board or Compensation Committee should be understood to mean the Board with respect to director participants and the Compensation Committee with respect to employee participants, unless the context otherwise requires. The Board or Compensation Committee, as applicable, interprets the Plan, selects the employees or nonemployee directors to be granted awards under the Plan and, within the limits set by the Plan, determines the type, size, terms, and conditions of the awards to be granted and the timing of grant of such awards. The Compensation Committee has delegated to management some of its authority to administer the Plan with regard to employees who are not Executive Officers of the Company, including the authority to grant certain types of awards within limits and subject to terms established by the Committee.

The types of awards that the Board or the Compensation Committee has the authority to grant to eligible participants under the Plan consist of stock options, deferred stock units, restricted stock, and other stock awards. In addition, the Compensation Committee or its delegate may grant stock appreciation rights to employee participants. Each of these types of awards is described below. Recently, only stock options, restricted stock and deferred stock units have been used.

Stock Options

Stock options granted under the Plan provide the recipient the right to purchase stock at a specified price, referred to as the option price , when they are exercised ; i.e., when the recipient notifies the Company he or she wants to purchase the stock. Options may be granted in the form of nonstatutory stock options and incentive stock options. Incentive stock options are eligible for preferential federal income tax treatment to the participant and have not been used in recent years.

The Plan provides that the option price will not be less than the fair market value of a share of Company stock on the date the stock option is granted. The Board or the Committee may establish a higher option price. The option price of shares purchased on exercise of a stock option is payable in full at the time of exercise. The option price may be paid in cash or, in the case of employee participants, in shares of Company stock having a fair market value on the date of exercise equal to the option price, or in a combination of cash and such shares. Subject to certain administrative restrictions, payment of the purchase price may also be made by a broker facilitated exercise that involves selling the underlying shares and delivering a portion of the proceeds in settlement of the option price.

Unless otherwise determined by the Compensation Committee, employee stock options become exercisable in increments of one-third of the shares subject to the option on each of the first three anniversaries of the date of grant, expire on the tenth anniversary of the date of grant plus one day, and terminate if a participant s employment ends for any reason other than retirement, disability or death. Upon an employee s retirement, disability or death, stock options that are exercisable remain so, and options that are not exercisable but that have been outstanding for at least one year continue to become exercisable. Unless otherwise determined by the Board, director stock options become exercisable six months after grant and expire on the tenth anniversary of the grant date or, if earlier, two years after a director s service ends other than for retirement, disability, or death.

All outstanding stock options will become exercisable in full upon a change in control of the Company (as defined in the Plan) or, if later than the change in control, six months after the date of grant. In addition, the Board or the Compensation Committee may require or the participant may elect to surrender a stock option in exchange for a cash payment of the difference between the option price and the greater of the price paid or to be paid per share of Company stock in connection with the change in control and the highest fair market value of a share of Company stock in the 60 days preceding the date of payment.

Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights to employee participants on a stand-alone basis or in tandem with a stock option or other Plan award. Unless otherwise determined by the Committee, stock appreciation rights will be exercisable to the same extent, at the same times and on the same conditions as described above for stock options.

In general, a participant who exercises stock appreciation rights will receive, for each right exercised, an amount equal to the difference or spread between: (a) the fair market value of a share of Company stock on the date of exercise; and (b) the fair market value of a share of Company stock on the date the stock appreciation rights were granted. The Committee may, in its discretion, determine to pay this amount in cash and/or in shares of Company stock based on their fair market value at the date of exercise. If stock appreciation rights are granted in tandem with a stock option, the exercise of stock appreciation rights cancels the related stock option on a share-for-share basis and *vice versa*.

Following a change in control of the Company, clause (a) of the formula above is revised so that the value of a share of Company stock on the date of exercise is the greater of the price paid or to be paid per share of Company stock in connection with the change in control or the highest fair market value of a share of Company stock in the 60 days preceding the date of exercise.

Deferred Stock Units and Restricted Stock

The recipient of deferred stock units has the right, subject to any restrictions and/or performance conditions imposed by the Board or Compensation Committee, to receive one share of Company stock for each deferred stock unit, or a cash payment equal to the fair market value of those shares, at some future date determined by the Board or Compensation Committee. Unless otherwise determined by the Board or Compensation Committee, when the deferred stock unit award is paid, the recipient is also entitled to receive payments (in cash or shares of Company stock) equal to the amount of dividends paid to shareholders with respect to a share of Company stock while the deferred stock unit was being earned.

The holder of restricted stock owns shares of Company stock subject to restrictions and/or performance conditions imposed by the Board or Compensation Committee for a specified time period determined by the Board or Compensation Committee. The participant generally may not transfer or pledge the restricted stock but may have certain rights of a shareholder, including the right to vote and to receive dividends and other distributions on the restricted stock. Upon the lapse of the restrictions, the shares will be issued to the participant.

The minimum restriction or deferral period for deferred stock unit and restricted stock awards is generally three years from the date of grant except for special circumstances such as recruiting or retention awards or the participant s retirement, disability, or death. However, if the award is subject to performance conditions, the minimum restriction or deferral period is one year.

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If a change in control occurs, all restrictions on restricted stock lapse and deferred stock units and associated dividend equivalents are immediately payable in full in cash. In that event, the deferred stock units will be valued at the greater of the price paid or to be paid per share of Company stock in connection with the change in control, or the highest fair market value of a share of Company stock during the 60 days preceding the change in control.

Other Stock Awards

The Board or Compensation Committee also is authorized to grant other types of awards that are denominated or payable in or otherwise related to shares of Company stock. Other stock awards may be in such form as approved by the Board or Committee, including unrestricted shares of Company stock.

Provisions Designed to Allow Continued Deductibility of Certain Compensation

Stock options and stock appreciation rights granted to eligible employees are, and deferred stock units, restricted stock, and other stock awards granted to eligible employees may be, intended to provide compensation which will qualify as performance-based compensation exempt from the limit on deductibility of executive compensation imposed by Section 162(m) of the Internal Revenue Code.

In order for compensation attributable to Plan awards to be exempt from the limitations of Section 162(m), the Plan includes the following limits on the amounts of awards that may be granted to any one person in any one fiscal year:

- a 1,000,000 share limit on the number of shares that may be the subject of grants of stock options (and tandem stock appreciation rights);
- a 1,000,000 share limit on the number of shares that may be the subject of grants of stand-alone stock appreciation rights;
- a 100,000 limit on the number of deferred stock units;
- a 100,000 share limit on the number of shares of restricted stock; and
- a 100,000 share limit with respect to which other stock awards may be granted (i.e., the value of such awards cannot exceed the value of 100,000 shares).

These limits are subject to adjustment to reflect stock splits and similar events.

In addition, as noted above, the class of employees eligible for awards under the Plan will be limited to executives and other key employees of the Company and its subsidiaries. The minimum price at which shares may be acquired by exercising options granted under the Plan, and on the basis of which stock appreciation rights may be valued, will be the fair market value of a share of Company stock on the date the award is granted.

Finally, the performance objectives for any performance-based deferred stock units, restricted stock or other stock awards will be limited to objective tests based on one or more of the following business criteria, any of which may be measured either in absolute terms or as compared to another company or companies: return on shareholder s equity; growth in net income; growth in revenues; cash flow return on average total capital; profit before interest and taxes; total return to shareholders; operating return on net or gross investment, or various other denominators based upon investment or assets; growth in earnings per share; or growth in cash flow. These criteria may be used individually or in a formula combining two or more criteria such as a sum of two or more criteria or the greatest of two or more criteria.

New Plan Benefits

As previously indicated, the Board or Compensation Committee or a delegate will determine in its discretion the amount and timing of awards under the Plan and the recipients or classes of recipients of such awards. It is thus not possible to state the amount of awards that will be made in the future if the proposed amendments to the Plan are approved. Set forth below is a table that shows equity awards made under the Plan for fiscal year 2005. The same awards would have been made if the proposed amendments were in effect.

Name and Position	Stock Options	Restricted Stock	Deferred Stock Units*
John P. Jones III	275,000	21,000	1,980
Mark L. Bye	74,000	6,500	594
John E. McGlade	74,000	6,500	594
W. Douglas Brown	65,000	4,500	374
Paul E. Huck	55,000	4,500	374
Current Executive Officers (including those named above)	648,000	50,500	4,576
Nonemployee Directors	18,000	0	24,374
All Other Employees	1,950,000	0	305,293

* Performance-based deferred stock units are reflected as earned.

Plan Amendment and Adjustments

The Board may amend the Plan at any time and in any respect it deems to be in the best interests of the Company. However, no amendment may adversely affect an outstanding award without the consent of the holder of the award, and no amendment may be made without shareholder approval if required by law or by the rules of the New York Stock Exchange or any other stock exchange on which Company stock is then listed. The rules of the New York Stock Exchange require shareholder approval of any material revision to the Plan, including an amendment that materially increases the shares available under the Plan (other than an adjustment to reflect stock splits and similar events), expands the types of awards available under the Plan, materially expands the classes of persons eligible to participate in the Plan, extends the term of the Plan or changes the method of determining the option price of stock options.

If there is a change in the outstanding shares of Company stock by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, or exchange of shares, a rights offering to purchase Company stock at a price substantially below fair market value, or other similar corporate change, including without limitation in connection with a change in control, the Board or Compensation Committee may make one or more of the following equitable adjustments to preserve, without increasing or decreasing, the value of Plan awards and authorizations: adjustments in (i) the maximum number or kind of shares issuable or awards which may be granted under the Plan, (ii) the amount payable upon exercise of stock appreciation rights, (iii) the number or kind of shares or purchase price per share subject to outstanding stock options, (iv) the number or value, or kind of shares which may be issued in payment of outstanding stock appreciation rights, (v) the value and attributes of deferred stock units, (vi) the number or kind of shares of restricted stock, (vii) the maximum number, kind or value of any Plan awards which may be awarded or paid in general or to any one employee, (viii) the performance-based events or objectives applicable to any Plan awards, and/or (ix) any other aspect or aspects of the Plan or outstanding awards made thereunder as specified by the Board or Committee.

Federal Income Tax Consequences

The Company is advised by its tax counsel that, under current interpretations of existing federal tax law, the Company will be entitled to federal income tax deductions with respect to nonstatutory stock options, stock appreciation rights, deferred stock units, and restricted stock, at or following the time that taxable income is realized by an employee with respect to such awards. Generally, income will be realized upon the exercise of nonstatutory stock options and at the time cash or stock is delivered to an employee in respect of the other types of awards, except that, in the case of restricted stock, income will be realized at the time the stock is no longer subject to substantial risk of forfeiture. No deduction is allowed to the Company for the grant or exercise of an incentive stock option or for nonperformance-based compensation in excess of Section 162(m) limits that is paid to Executive Officers named in the proxy for the fiscal year the deduction would otherwise have been available. It is possible, however, for the Company to receive a deduction with respect to an incentive stock option if the participant disposes of the stock before satisfying the applicable holding period rules.

The Board of Directors and management recommend a vote FOR approval of the proposed amendments to the Long-Term Incentive Plan.

If You Hold Your Shares Through a Broker, Bank, or Other Nominee

If you hold your shares through a broker, bank, or other nominee and you do not instruct them on how to vote on this proposal, your broker does not have authority to vote your shares on this proposal. Your shares will only be voted in favor of this proposal if you have provided voting instructions to your broker or other nominee to vote your shares in favor of this proposal.

4. APPROVAL OF ANNUAL INCENTIVE PLAN TERMS

Under Section 162(m) of the Internal Revenue Code, compensation paid to certain Executive Officers may not be deductible unless it qualifies as performance based . A bonus award under the Annual Incentive Plan (the Bonus Plan) may be subject to these deduction limitations unless it qualifies as performance based . The form and amount of bonus awards is determined annually by the Compensation Committee taking into consideration the performance of the Company based on performance measures selected by the Committee and the contribution of the individual employee to the success of the Company during the fiscal year. The Committee intends that bonuses to be paid to Executive Officers who are subject to Section 162(m) qualify as performance-based compensation exempt from the limitations of Section 162(m). Therefore, as required by Section 162(m), you are asked to approve the following terms which will apply to such bonus awards:

The class of persons covered by the Bonus Plan will consist of the Executive Officers named in the Summary Compensation Table, including the chief executive officer, and all other executives and key employees.

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The performance criteria for bonus payments for fiscal year 2007 and later years will be limited to objective tests based on one or more of the following business criteria any of which may be measured either in absolute terms or as compared to another company or companies: return on shareholder s equity; growth in net income; growth in revenues; cash flow return on average total capital; profit before interest and taxes; total return to shareholders; operating return on net or gross investment, or various other denominators based upon investment or assets; growth in earnings per share; or growth in cash flow. These criteria may be used individually or in a formula combining two or more criteria such as a sum of two or more criteria or the greatest of two or more criteria.

The maximum bonus that may be paid to any one person for any one fiscal year will be $4,000,000.

The Board of Directors and management recommend a vote FOR the approval of the above Annual Incentive Plan terms in order to permit the continued exclusion of compensation payable under the Annual Incentive Plan from the deduction limitations imposed by Section 162(m) of the Internal Revenue Code.

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THE BOARD OF DIRECTORS

Information follows about the age and business experience, as of December 1, 2005, of the nominees up for election and the directors continuing in office. Each nominee has consented to being nominated for director and has agreed to serve if elected. All of the nominees are currently directors and were elected to the Board by shareholders at prior meetings, except for Mr. Noski who was elected to the Board by the directors effective in May 2005, but who previously served on the Board in October 2000 January 2003.

Directors Standing for Election this Year for Term Expiring at the Annual Meeting in 2009

MARIO L. BAEZA, age 54. Founder and controlling shareholder of Baeza & Co. as well as Chairman of TCW/Latin America Partners, L.L.C. Director of the Company since 1999.

Baeza & Co. was formed in 1995 to create the first Hispanic-owned merchant banking firm focusing on the Pan-Hispanic region. In 1996, Baeza & Co. entered into a partnership with Trust Company of the West for the purpose of forming TCW/Latin America Partners L.L.C. (TCW/LAP). Mr. Baeza served as Chairman and CEO of TCW/LAP from its inception in 1996. In 2003, Mr. Baeza relinquished day-to-day operating control of TCW/LAP in order to form The Baeza Group, a Hispanic-owned alternative investment firm. Prior to forming TCW/Latin America Partners in 1996, Mr. Baeza served as President of Wasserstein Perella International Limited and Chairman and CEO of Grupo Wasserstein Perella, the Latin America Division of the firm; and until 1994, was a partner at the law firm of Debevoise & Plimpton where, among other practices, he founded and headed the firm s Latin America Group.
Mr. Baeza is a director of Ariel Mutual Fund Group, AusAm Biotechnologies Inc., Urban America LLC, and Tommy Hilfiger.

	40,804
	35,770
Product and web site development	
	9,583
	9,477
	19,429
	18,191

General and administrative	11,985	10,162	23,523	21,050
Amortization of intangible assets	1,063	397	2,062	794
Total operating expenses	43,592	38,394	85,818	

75,805

Operating income (loss)

89

1,287

(587

)

1,972

Interest (expense) income, net

(13

)

(27

)

1

Earnings of unconsolidated joint venture

463

221

1,065

420

Other expense, net

(8

)

(17

)

(35

)

(69

)

Income from operations before income taxes

531

1,491

416

2,324

Income tax expense

65

47

50

72

Net income

466

1,444

366

2,252

Convertible preferred stock dividend and related accretion

(24
)

(942
)

Net income applicable to common stockholders

$
466

$
1,420

$
366

$
1,310

Basic net income per share applicable to common stockholders		
$		0.01
$		0.04
$		0.01
$		0.03

Diluted net income per share applicable to common stockholders		
$		0.01
$		0.04
$		0.01
$		0.03

Shares used to calculate basic and diluted income per share applicable to common stockholders:

Basic	
	39,480
	38,697
	39,293
	38,592
Diluted	

41,428
39,689
40,950
39,518

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

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MOVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net income	$ 466	$ 1,444	$ 366	$ 2,252
Other comprehensive income:				
Foreign currency translation loss	(37)	(32)	(62)	(32)
Total other comprehensive income	(37)	(32)	(62)	(32)
Total comprehensive income	$ 429	$ 1,412	$ 304	$ 2,220

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

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MOVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net income	$ 366	$ 2,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,918	4,913
Amortization of intangible assets	2,062	794
Provision for doubtful accounts	271	433
Stock-based compensation and charges	5,499	3,860
Earnings of unconsolidated joint venture	(1,065)	(420)
Return on investment in unconsolidated joint venture	602	255
Other noncash items	19	(22)
Changes in operating assets and liabilities:		
Accounts receivable	(1,474)	(1,177)
Other assets	(1,284)	(656)
Accounts payable and accrued expenses	1,192	(584)
Deferred revenue	(835)	(942)
Net cash provided by operating activities	10,271	8,706
Cash flows from investing activities:		
Purchases of property and equipment	(6,394)	(4,162)
Acquisitions, net of cash acquired	(2,250)	
Return of investment in unconsolidated joint venture	582	724
Net cash used in investing activities	(8,062)	(3,438)
Cash flows from financing activities:		
Principal payments on loan payable	(19)	(54)
Redemption of convertible preferred stock		(49,044)
Payment of dividend on convertible preferred stock		(882)
Proceeds from exercise of stock options	4,343	2,931
Tax payments related to net share settlements of equity awards	(647)	(481)
Repurchase of common stock	(1,010)	(69)
Net cash provided by (used in) financing activities	2,667	(47,599)
Change in cash and cash equivalents	4,876	(42,331)
Cash and cash equivalents, beginning of period	27,122	87,579
Cash and cash equivalents, end of period	$ 31,998	$ 45,248

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

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MOVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Move, Inc. and its subsidiaries (the Company or Move) operate an online network of web sites for real estate search, finance, moving and home enthusiasts and provide a comprehensive resource for consumers seeking online information and connections needed regarding real estate. The Company s flagship consumer web sites are realtor.com®, Move.com and Moving.comTM. The Company also supplies lead management software and marketing services for real estate agents and brokers through its Top Producer® and TigerLead® businesses. Through its ListHubTM business, the Company is also an online real estate listing syndicator and provider of advanced performance reporting solutions for the purpose of helping to drive an effective online advertising program for brokers, real estate franchises, and individual agents.

2. Principles of Consolidation and Basis of Presentation

The accompanying financial statements are consolidated and include the financial statements of Move and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has evaluated all subsequent events through the date the financial statements were issued.

Investments in private entities where the Company holds a 50% or less ownership interest and does not exercise control are accounted for using the equity method of accounting. The investment balance is included in Investment in unconsolidated joint venture within the unaudited Condensed Consolidated Balance Sheets and the Company s share of the investees results of operations is included in Earnings of unconsolidated joint venture within the unaudited Condensed Consolidated Statements of Operations. (See Note 6, Investment in Unconsolidated Joint Venture .)

The Company s unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including those for interim financial information, and with the instructions for Form 10-Q and Article 10 of Regulation S-X issued by the United States Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements are unaudited and, in the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012 (the Annual Report), which was filed with the SEC on February 22, 2013. The results of operations for the three and six months ended June 30, 2013, are not necessarily indicative of the operating results expected for the full year ending December 31, 2013.

3. New Accounting Standards

A variety of proposed or otherwise potential accounting standards are currently under evaluation by the various standard setting organizations and regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would have a material impact to the Company s consolidated financial statements.

4. Acquisitions

On May 1, 2013, the Company acquired certain assets of ABC Holdings, LLC, which, prior to such date, operated Doorsteps.com (Doorsteps). Doorsteps provides homebuyers with content, tools and advice along every step of the home buying process and helps professionals connect, engage and collaborate with homebuyers during every step of the transaction. The purchase price was $2.3 million in cash, $0.3 million of which was paid into escrow for a two-year period.

The assets acquired constituted a business at the date of acquisition and, therefore, was accounted for as a business combination with the total purchase price being allocated to the assets acquired based on their respective fair values. The $2.3 million purchase price was preliminarily allocated $1.0 million to domain name, $0.6 million to purchased technology, $0.2 million to web site content with the remaining $0.5 million allocated to goodwill. The identifiable intangible assets are being amortized over estimated useful lives ranging from 1 to 5 years. The financial results of the acquisition are included in the Company s unaudited Condensed Consolidated Financial Statements from the date of acquisition. Pro forma information for this acquisition has not been presented because the effects were not material to the Company s historical consolidated financial statements.

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5. Segment Information and Revenues by Product Category

Segment reporting requires the use of the management approach in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company s Chief Operating Decision Maker (CODM) for making operating decisions and assessing performance. The Company is aligned functionally with the management team focused and incentivized around the total company performance. The CODM is provided with reports that show the Company s results on a consolidated basis with additional expenditure information by functional area, but there is no additional financial information provided at any further segment level. Based on this, the Company has determined that only one reportable operating segment exists.

Within that single reportable operating segment, the Company categorizes its products and services into two audience-driven groups Consumer Advertising and Software and Services. The Company s Consumer Advertising products are focused on providing real estate consumers with the information, tools and professional expertise they need to make informed home buying, selling, financing and renting decisions through its operation of realtor.com® and other consumer-facing web sites. The Company s Software and Services products are committed to delivering valuable connections to real estate professionals by providing them with advertising systems, productivity and lead management tools, and reporting with the goal of helping to make them more successful.

The following table summarizes the Company s revenues by product category within its single reportable operating segment (in thousands):

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenue				
Consumer advertising	$ 44,570	$ 41,103	$ 86,718	$ 80,548
Software and services	12,920	8,206	25,010	16,502
Total revenue	$ 57,490	$ 49,309	$ 111,728	$ 97,050

6. Investment in Unconsolidated Joint Venture

As of June 30, 2013 and December 31, 2012, the Company s interest in its unconsolidated joint venture, Builders Digital Experience, LLC (BDX), amounted to $4.8 million and $4.9 million, respectively, which was recorded in Investment in unconsolidated joint venture within the unaudited Condensed Consolidated Balance Sheets.

The Company s proportionate share of earnings resulting from its investment in unconsolidated joint venture was $0.5 million and $0.2 million for the three months ended June 30, 2013 and 2012, and $1.1 million and $0.4 million for the six months ended June 30, 2013 and 2012, respectively, and was included in Earnings of unconsolidated joint venture within the unaudited Condensed Consolidated Statements of Operations. The Company records its proportionate share of earnings one month in arrears.

Summarized income statement information for BDX follows (in thousands):

	Three Months Ended May 31, 2013	Three Months Ended May 31, 2012	Six Months Ended May 31, 2013	Six Months Ended May 31, 2012
Revenue	$ 4,972	$ 4,654	$ 9,585	$ 8,975
Costs and expenses:				
Cost of revenue	878	801	1,578	1,575
Operating expenses	3,127	3,384	5,782	6,495
	4,005	4,185	7,360	8,070
Income before income taxes	967	469	2,225	905
Income tax expense	40	26	95	63
Net income	$ 927	$ 443	$ 2,130	$ 842

The Company received cash distributions of $1.2 million and $1.0 million from BDX during the six months ended June 30, 2013 and 2012, respectively.

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7. Fair Value Measurements

As of June 30, 2013 and December 31, 2012, all of the Company s cash balances were held in unrestricted demand deposit accounts. The Company had no cash equivalents at either of those dates. Accordingly, no adjustments to fair value were necessary.

Certain assets and liabilities are measured at fair value on a nonrecurring basis. That is, such assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g. when there is evidence of impairment). At June 30, 2013 and December 31, 2012, the Company had no significant nonfinancial assets or liabilities that had been adjusted to fair value subsequent to initial recognition.

8. Revolving Line of Credit

The Company is party to a revolving line of credit agreement with a major financial institution, providing for borrowings of up to $20.0 million, available until August 31, 2013. At June 30, 2013 and December 31, 2012, the Company had no borrowings outstanding under the revolving line of credit. The revolving line of credit requires interest payments based on the BBA LIBOR Rate plus 2.5%. There is an unused commitment fee of 0.2% on any unused portion of the line of credit, payable quarterly. Additionally, there is a 0.5% annual fee payable if the Company s average aggregate monthly deposit and investment balances with the financial institution fall below $35.0 million. The revolving line of credit agreement provides, among financial and other covenants, that the Company must: maintain tangible net worth of $50.0 million; maintain minimum unrestricted, unencumbered marketable securities, cash and cash equivalents of the lesser of $20.0 million or 125% of the outstanding principal balance of the line of credit; and maintain adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of $17.0 million on a twelve-month rolling basis. The Company was in compliance with these covenants as of June 30, 2013. The revolving line of credit is collateralized by the Company s cash deposits, accounts receivable, investments, property and equipment and general intangibles it now or subsequently owns. In addition, the Company has pledged the capital stock of its current and future subsidiaries as further collateral for the revolving line of credit.

9. Goodwill and Intangible Assets

Goodwill totaled $39.0 million and $38.6 million at June 30, 2013 and December 31, 2012, respectively, with no accumulated impairment losses. The Company also had both indefinite- and definite-lived intangible assets at those dates. Indefinite-lived intangible assets consist of trade name, trademarks and domain names used to market products for the foreseeable future and do not have any known useful life limitations due to legal, contractual, regulatory, economic or other factors. Definite-lived intangible assets consist of certain trade names, trademarks, brand and domain names, content syndication agreements, purchased technology, customer contracts and related customer relationships, noncontractual customer relationships, and other miscellaneous agreements. The definitive-lived intangible assets are amortized over the expected period of benefit. There are no expected residual values related to these intangible assets.

Intangible assets by category were as follows (in thousands):

	June 30, 2013		December 31, 2012	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Trade names, trademarks, brand names, and domain names	$ 1,530	$ 556	$ 530	$ 521
Content syndication agreements	3,800	2,111	3,800	1,731
Purchased technology	9,200	2,708	8,600	1,983
Customer relationships	8,630	1,425	8,630	835
Other	3,583	2,411	3,403	2,079
Total definite-lived intangible assets	26,743	9,211	24,963	7,149
Trade names, trademarks, and domain names	6,630		6,630	
Total indefinite-lived intangible assets	6,630		6,630	
Total intangible assets	$ 33,373	$ 9,211	$ 31,593	$ 7,149

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Amortization expense for the Company s intangible assets was $1.1 million and $0.4 million for the three months ended June 30, 2013 and 2012, and $2.1 million and $0.8 million for the six months ended June 30, 2013 and 2012, respectively. Amortization expense for the next five years is estimated to be as follows (in thousands):

Years Ended December 31,		**Expense**
2013 (remaining 6 months)	$	2,222
2014		4,145
2015		3,349
2016		2,301
2017		2,233

10. Stock-Based Compensation and Charges

The following chart summarizes the stock-based compensation and charges associated with stock option, restricted stock and restricted stock unit grants to employees and nonemployees, that have been included in the following financial statement captions for each of the periods presented (in thousands):

	Three Months Ended June 30,				**Six Months Ended June 30,**			
		2013		**2012**		**2013**		**2012**
Cost of revenue	$	85	$	68	$	187	$	122
Sales and marketing		587		904		1,098		1,193
Product and web site development		747		526		1,327		885
General and administrative		1,457		899		2,887		1,660
Total stock-based compensation and charges	$	2,876	$	2,397	$	5,499	$	3,860

Stock Option Awards

The fair value of stock option awards was estimated on the date of grant using a Black-Scholes option valuation model that used the ranges of assumptions in the following table. The risk-free interest rates are based upon U.S. Treasury zero-coupon bonds for the periods during which the options were granted. The expected term of stock options granted represents the weighted-average period that the stock options are expected to remain outstanding. The Company has not declared and does not expect to declare dividends on its common stock; accordingly, the dividend yield for valuation purposes is assumed to be zero. The Company bases its computation of expected volatility upon a combination of historical and market-based implied volatility.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
Risk-free interest rates	0.69%-1.41%	0.67%-0.82%	0.69%-1.41%	0.67%-1.04%
Expected term (in years)	5.85	5.85	5.85	5.85

Dividend yield	0%	0%	0%	0%
Expected volatility	75%	75%	75%	75%

The total cost recognized related to stock option awards was $1.3 million and $1.6 million for the three months ended June 30, 2013 and 2012, respectively. For the six months ended June 30, 2013 and 2012, the total cost recognized related to stock option awards was $2.3 million and $2.7 million, respectively.

Restricted Stock Awards

The Company grants restricted stock awards to the nonemployee members of its Board of Directors as remuneration for serving on its Board (except for any director who is entitled to a seat on the Board of Directors on a contractual basis or has waived remuneration as a director). These shares, subject to certain terms and restrictions, generally cliff vest on the third anniversary of their issuance. The Company granted 45,959 and 52,265 shares of restricted stock to the nonemployee members of its Board of Directors during the six months ended June 30, 2013 and 2012, respectively. These shares, subject to certain terms and restrictions will vest over three years from the date of grant. The aggregate grant date fair value associated with the issuance of these shares was $0.5 million for the six months ended June 30, 2013 and 2012. The total cost recognized for restricted stock awards granted to members of its Board of Directors was $0.1 million for the three months ended June 30, 2013 and 2012, and $0.2 million and $0.1 million for the six months ended June 30, 2013 and 2012, respectively.

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The Company also grants restricted stock awards to certain executives and key employees. Generally, these shares, subject to certain terms and restrictions, vest in equal annual installments over the four-year period following the grant date. The Company made no restricted stock award grants to the executives and key employees during the six months ended June 30, 2013. During the six months ended June 30, 2012, the Company granted 100,000 shares of restricted stock with an aggregate grant date fair value of $0.7 million that is being amortized over the vesting period. The total cost recognized associated with restricted stock awards to employees was $0.2 million and $0.4 million for the three months ended June 30, 2013 and 2012, and $0.4 million and $0.6 million for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, there were 425,042 shares of nonvested restricted stock outstanding that were granted pursuant to restricted stock awards with an aggregate grant date fair value of $3.4 million.

Time-Vested Restricted Stock Units

The Company also grants time-vested restricted stock units. Generally, these restricted stock units, subject to certain terms and restrictions, vest in equal annual installments over the four-year period following the grant date, resulting in the issuance, on a one-for-one basis, of shares of our common stock after the vesting date. During the six months ended June 30, 2013, the Company granted 894,946 restricted stock units with a grant date fair value of $9.2 million, which is being amortized over the four-year vesting period. During the six months ended June 30, 2012, the Company granted 751,595 restricted stock units with a grant date fair value of $6.2 million which is being amortized over the vesting period. The total cost recognized for time-vested restricted stock units was $1.3 million and $0.3 million for the three months ended June 30, 2013 and 2012, respectively, and $2.5 million and $0.4 million for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, there were 1,797,785 nonvested restricted stock units outstanding with an aggregate grant date fair value of $16.6 million.

11. Redemption of Series B Convertible Participating Preferred Stock

In March 2012, the Company elected to redeem all of the outstanding shares of the Company s Series B Convertible Participating Preferred Stock (Series B Preferred Stock), approximately 49,044 shares, for a total redemption price of $49.5 million, including approximately $0.5 million in associated cash dividends accrued through the date immediately prior to the redemption. In March 2012, the Company and Elevation Partners, L.P. and Elevation Side Fund, LLC (together, Elevation) agreed on certain timing and procedural matters to facilitate the redemption. As a result of the agreed-upon redemption, the Company recognized the remaining unamortized issuance costs associated with the Series B Preferred Stock of $0.4 million, which is included in Convertible preferred stock dividend and related accretion within the unaudited Condensed Consolidated Statements of Operations for the six months ended June 30, 2012. The redemption was effective, and the redemption price was paid to Elevation on April 6, 2012.

12. Common Stock Repurchases

In March 2013, the Company s Board of Directors authorized a stock repurchase program (the Program). The Program authorizes, in one or more transactions taking place during a two-year period commencing May 2, 2013, the repurchase of the Company s outstanding common stock utilizing surplus cash in an amount of up to $20 million. Under the Program, the Company is authorized to repurchase shares of common stock in the open market or in privately negotiated transactions. The timing and amount of any repurchase transaction under the Program is dependent upon market conditions, corporate considerations, and regulatory requirements. Shares repurchased under the Program will be retired to constitute authorized but unissued shares of the Company s common stock. As of June 30, 2013, the Company has repurchased 84,054 shares of its outstanding common stock in the open market for approximately $1.0 million since the inception of the Program.

13. Net Income Per Share

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

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Numerator:				
Net income	$ 466	$ 1,444	$ 366	$ 2,252
Convertible preferred stock dividend and related accretion		(24)		(942)
Net income applicable to common stockholders	$ 466	$ 1,420	$ 366	$ 1,310
Denominator:				
Basic weighted-average shares outstanding	39,480	38,697	39,293	38,592
Add: dilutive effect of options and restricted stock	1,948	992	1,657	926
Fully diluted weighted-average shares outstanding	41,428	39,689	40,950	39,518
Basic net income per share applicable to common stockholders	$ 0.01	$ 0.04	$ 0.01	$ 0.03
Diluted net income per share applicable to common stockholders	$ 0.01	$ 0.04	$ 0.01	$ 0.03

Because their effect would be anti-dilutive, the denominator in the above computation of diluted income per share excludes out-of-the-money stock options of 1,296,096 and 1,366,971 for the three and six months ended June 30, 2013. For the three and six months ended June 30, 2012, the denominator in the above computation of diluted income per share excludes out-of-the-money stock options of 3,061,100 and 3,743,475, as their effect would be antidilutive.

14. Related-Party Transactions

The Company makes payments to the National Association of Realtors (NAR) required under its operating agreement with the NAR and under certain other advertising agreements. Total amounts paid under these agreements were $0.5 million and $0.4 million for the three months ended June 30, 2013 and 2012, respectively, and $1.0 million and $0.9 million for the six months ended June 30, 2013 and 2012, respectively. As of June 30, 2013 and December 31, 2012, the Company had balances due to the NAR of $0.5 million and $0.4 million which are included in Accounts payable and Accrued expenses, respectively, within the unaudited Condensed Consolidated Balance Sheets.

15. Income Taxes

As a result of historical net operating losses, the Company currently provides a full valuation allowance against its net deferred tax assets. For the three and six months ended June 30, 2013 and 2012, income tax expense was computed at the estimated annual effective rate based on the total estimated annual tax provision and included state income taxes and a deferred tax provision related to amortization of certain indefinite-lived intangible assets.

During the three and six months ended June 30, 2013 and 2012, income tax expense differed from the income tax expense expected at the statutory rate primarily due to the release of a valuation allowance previously recorded against the deferred tax benefits generated from prior year net operating losses, certain nondeductible items, state income taxes, and a deferred tax provision related to amortization of certain indefinite-lived intangible assets. Based on management s assessment, the Company has placed a valuation reserve against its remaining deferred tax assets due to the likelihood that the Company may not generate sufficient taxable income during the carryforward period to utilize the NOLs. Management regularly reviews the Company s net deferred tax valuation allowance to determine if available evidence continues to support the Company s position that it is more-likely-than-not (likelihood of more than 50%) that a portion of or the entire deferred tax asset will not be realized in the future. As of June 30, 2013, due to the Company s recent history of losses, management could not conclude that it is more-likely-than-not that the deferred tax assets will be realized. As a result, the Company will continue to maintain a full valuation allowance against its remaining deferred tax assets. The Company will continue to assess its position in future periods to determine if it is appropriate to reduce a portion of its valuation allowance in the future.

As of June 30, 2013, the Company does not have any accrued interest or penalties related to uncertain tax positions. The Company s policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. The Company does not have any interest or penalties related to uncertain tax positions in income tax expense for the three and six months ended June 30, 2013 and 2012. The tax years 1993 2012 remain open to examination by the major taxing jurisdictions to which the Company is subject.

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16. Commitments and Contingencies

Legal Proceedings

The Company is currently involved in certain legal proceedings, as discussed within the section Legal Proceedings in Note 22, Commitments and Contingencies within our Consolidated Financial Statements contained in Item 8 in the Annual Report, and below in this Note 16. From time to time, the Company is party to various other litigation and administrative proceedings relating to claims arising from its operations in the ordinary course of business. However, as of the date of this Form 10-Q, and except as disclosed below, there have been no material developments in the legal proceedings disclosed in the Annual Report, and the Company is not a party to any other litigation or administrative proceedings that management believes will have a material adverse effect on the Company s business, results of operations, financial condition or cash flows.

On February 28, 2007, in a patent infringement action against a real estate agent, Diane Sarkisian, pending in the U.S. District Court for the Eastern District of Pennsylvania (the Sarkisian case), Real Estate Alliance, Limited (REAL), moved to certify two classes of defendants: subscribers and members of the multiple listing service of which Sarkisian was a member, and customers of the Company who had purchased enhanced listings from the Company. The U.S. District Court in the Sarkisian case denied REAL s motion to certify the classes on September 24, 2007. On March 25, 2008, the U.S. District Court in the Sarkisian case stayed that case, and denied without prejudice all pending motions, pending the U.S. District Court of California s determination in the Move California Action (see below) of whether the Company s web sites infringe the REAL patents.

On April 3, 2007, in response to REAL s attempt to certify our customers as a class of defendants in the Sarkisian case, the Company filed a complaint in the U.S. District Court for the Central District of California (the District Court) against REAL and its licensing agent (the Move California Action) seeking a declaratory judgment that the Company does not infringe U.S. Patent Nos. 4,870,576 and 5,032,989 (the REAL patents), that the REAL patents are invalid and/or unenforceable, and alleging several business torts and unfair competition. On August 8, 2007, REAL denied the Company s allegations, and asserted counterclaims against the Company for infringement of the REAL patents seeking compensatory damages, punitive damages, treble damages, costs, expenses, reasonable attorneys fees and pre- and post-judgment interest. On March 11, 2008, REAL filed a separate suit in the District Court (the REAL California Action) alleging infringement of the REAL patents against the NAR and the National Association of Home Builders (the NAHB) as individual defendants, as well as various brokers including RE/Max International (RE/Max), agents, Multiple Listing Services (MLSs), new home builders, rental property owners, and technology companies. The Company is not named as a defendant in the REAL California Action; however, the Company is defending the NAR, the NAHB and RE/Max. On July 29, 2008, the Move California Action was transferred to the same judge in the REAL California Action and in September 2008, the District Court coordinated both cases and issued an order dividing the issues into two phases. Phase 1 addresses issues of patent validity and enforceability, whether Move web sites infringe, possible damages, and liability of Move, the NAR and the NAHB. Phase 2 will address REAL s infringement claims related to the web sites owned or operated by the remaining defendants and whether those defendants infringe the REAL patents by using the Move web sites. The District Court has stayed Phase 2 pending resolution of the issues in Phase 1.

On November 25, 2009, the court entered its claim construction order in the Move California Action. On January 27, 2010, upon joint request of the parties, the District Court entered judgment of non-infringement. In July 2010, REAL appealed the District Court s claim construction with the Federal Circuit Court of Appeals (the Circuit Court). On March 22, 2011, the Circuit Court concluded that the District Court erred in certain of its claim construction and vacated and remanded the case for further proceedings.

On October 18, 2011, the parties filed a Joint Brief on Summary Judgment Motions, each side putting forth its arguments requesting the District Court to enter summary judgment in its favor. On January 26, 2012, the District Court entered an order granting the Company s motion for summary judgment of non-infringement of the patent. On March 27, 2012, REAL appealed the District Court s summary judgment order. On March 4, 2013, the Circuit Court issued its opinion affirming the District Court s ruling of no direct infringement of the patent by the Company, but remanded the case to the District Court for a determination of induced infringement under the standard set forth in *Akamai*. The Company filed a motion for rehearing to the Circuit Court on May 3, 2013. On June 12, 2013, the Circuit Court denied the Company s motion and remanded the case to the District Court. The Company intends to vigorously defend all claims. At this time, however, the Company is unable to express an opinion on the outcome of these cases.

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Contingencies

From time to time, the Company is subject to a variety of threats or claims, other than formal litigation or legal proceedings, which arise in the ordinary course of business and relate to commercial, intellectual property, employment and other matters. However, as of the date of this Form 10-Q, and except as disclosed herein, or in the Annual Report, the Company does not believe such threats or claims will have a material adverse effect upon its business, results of operations, financial condition or cash flows, although the Company can offer no assurance as to the ultimate outcome of any such matters.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the following Management s Discussion and Analysis of Financial Condition and Results of Operations may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact that the Company makes in this Form 10-Q are forward looking. Generally, you can identify these statements by use of forward-looking words such as estimates, expects, anticipates, projects, plans, intends, believes, might, will, should, or the negative of these terms and other comparable terminology, although not all forward-looking statements are so identified. In particular, the statements herein regarding industry prospects and our future consolidated results of operations or financial position are forward-looking statements. Forward-looking statements reflect our current expectations, which are inherently uncertain. Actual results may differ significantly from our expectations. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Form 10-Q, as well as those discussed in the Annual Report, and in other documents we file with the SEC. This Form 10-Q should be read in conjunction with the Annual Report, including the factors described under the caption Part 1, Item 1A, Risk Factors within the Annual Report.

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

The following Management s Discussion and Analysis of Financial Condition and Results of Operations is intended to assist the reader in understanding the Company s business and is provided as a supplement to, and should be read in conjunction with, the Company s unaudited Condensed Consolidated Financial Statements and accompanying notes. The Company s results of operations discussed below are presented in conformity with GAAP.

Our Business

Move, Inc. and its subsidiaries (Move, we, our or us) operate an online network of web sites for real estate search, finance, moving and home enthusiasts and provide a comprehensive resource for consumers seeking the online information and connections they need regarding real estate. Our consumer web sites are realtor.com®, Move.com and Moving.comTM. We also provide lead management software and marketing services for real estate agents and brokers through our Top Producer® and TigerLead® businesses. Through our ListHubTM business, we are also an online real estate listing syndicator and provider of advanced performance reporting solutions for the purpose of helping to drive an effective online advertising program for brokers, real estate franchises, and individual agents.

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

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

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We provide consumers with a powerful combination of breadth, depth and accuracy of information about homes for sale, new construction, homes for rent, multi-family rental properties, senior living communities, home financing, home improvement and moving resources. Through realtor.com®, consumers have access to over 100 million properties across the U.S. as well as properties for sale from another 36 countries worldwide. Our for-sale listing content, comprising over 4 million properties as of June 30, 2013, and accessible in 11 different languages, represents the most comprehensive, accurate and up-to-date collection of its kind, online or offline. Through realtor.com® and our mobile applications, we display approximately 98% of all for-sale properties listed in the U.S. We source this content directly from our relationships with more than 800 MLSs across the country, which represents nearly all MLSs, with approximately 90% of the listings updated every 15 minutes and the remaining listings updated daily.

Realtor.com® s substantial content advantage has earned us trust with both consumers and real estate professionals. We attract a highly engaged consumer audience and have developed an exceptionally large number of relationships with real estate professionals across the country. More than 24 million users, viewing an average of over 390 million pages and spending an average of 322 million minutes on the realtor.com® web site each month over the last twelve-month period, interact with nearly 400,000 real estate professionals on realtor.com® and our mobile applications. We delivered approximately 50% more connections between our consumers and real estate professionals during the twelve months ended June 30, 2013, as compared to the prior year. This illustrates the success of our continued commitment to not only deliver valuable information to consumers, but more importantly, to connect them with real estate professionals who can provide the local expertise consumers want when making home-related decisions.

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

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

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

Products and Services

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

Consumer Advertising

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

Through our realtor.com® web site, mobile applications and business operations, we offer a number of services to real estate franchises, brokers and agents, as well as non-real estate related advertisers, in an effort to connect those advertisers with our consumer audience. We categorize the products and services available through realtor.com® as listing advertisements and non-listing advertisements. Listing advertisements are typically sold on a subscription basis. Pricing models for non-listing advertisements include cost-per-thousand (CPM), cost-per-click (CPC), cost-per-unique user and subscription-based sponsorships of specific content areas or specific targeted geographies.

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

Our Consumer Advertising products represented 78% of our overall revenues for the three and six months ended June 30, 2013, and 83% of our overall revenues for the three and six months ended June 30, 2012.

Software and Services

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

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

Additionally, through our TigerLead® business, we are able to provide expertise in real estate search engine marketing through sophisticated key word buying and a platform and model that grades each lead source and lead in order to deliver high quality intelligent leads to the agent or broker.

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

Our Software and Services products represented 22% of our overall revenues for the three and six months ended June 30, 2013, and 17% of our overall revenues for the three and six months ended June 30, 2012.

Market and Economic Conditions

In recent years, our business has been, and we expect may continue to be, influenced by a number of macroeconomic, industry-wide and product-specific trends and conditions. For a number of years prior to 2006, the U.S. residential real estate market experienced a period of hyper-sales rates and home price appreciation, fueled by the availability of low interest rates and flexible mortgage options for many consumers. During the latter half of 2006 and through 2008, lending standards were tightened, equity markets declined substantially, liquidity in general was impacted, unemployment rates rose and consumer spending declined. The combination of these factors materially impacted the U.S. housing market in the form of fewer home sales, lower home prices and accelerating delinquencies and foreclosures, all of which created a cycle that further exacerbated the housing market downturn.

The effects of this downturn on the housing market have persisted for several years but key market indicators suggest that large parts of the housing market may have bottomed out and have entered a recovery mode. During the second quarter of 2013, the U.S. saw a 13% reduction in the median age of inventory, as well as a year-over-year reduction in inventory of approximately 10%. National median list prices increased 4% year-over-year for the second quarter of 2013 compared to the second quarter of 2012.

Mortgage rates have recently begun to rise from the levels seen in 2012 and earlier in 2013. Mortgage rates are still historically low despite these increases. Banks continue to have tighter credit standards for mortgage loans, which have made home purchases more difficult in recent years. However, there is some speculation that rising mortgage rates may cause banks to expand their financing of home purchases in response to reduced refinancing activity that can result as interest rates rise. Unemployment rates have declined since the beginning of 2013, but were relatively flat during the second quarter of 2013. Job and wage growth is still tepid and may be impacted by recent and impending changes in fiscal policy. So, while there are some indicators of an improving housing market, we believe that market conditions could continue to impact spending by real estate professionals in the near term.

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Acquisitions

On May 1, 2013, we acquired certain assets of ABC Holdings, LLC, which, prior to such date, operated Doorsteps. Doorsteps provides homebuyers with content, tools and advice along every step of the home buying process and helps professionals connect, engage and collaborate with homebuyers during every step of the transaction. The purchase price was $2.3 million in cash, $0.3 million of which was paid into escrow for a two-year period.

The assets acquired constituted a business at the date of acquisition and, therefore, was accounted for as a business combination with the total purchase price being allocated to the assets acquired based on their respective fair values. The $2.3 million purchase price was preliminarily allocated $1.0 million to domain name, $0.6 million to purchased technology, $0.2 million to web site content with the remaining $0.5 million allocated to goodwill. The identifiable intangible assets are being amortized over estimated useful lives ranging from 1 to 5 years. The financial results of the acquisition are included in our unaudited Condensed Consolidated Financial Statements from the date of acquisition. Pro forma information for this acquisition has not been presented because the effects were not material to our historical consolidated financial statements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these unaudited Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, uncollectible receivables, valuation of investments, intangible and other long-lived assets, stock-based compensation and contingencies. Our estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There were no significant changes to our critical accounting policies during the six months ended June 30, 2013, as compared to those policies disclosed in the Annual Report.

Legal Contingencies

We are currently involved in certain legal proceedings, as discussed within the section Legal Proceedings in Note 22, Commitments and Contingencies, within our Consolidated Financial Statements contained in Item 8 in the Annual Report, and in Note 16, Commitments and Contingencies, to our unaudited Condensed Consolidated Financial Statements contained within Part I, Item 1 of this Quarterly Report on Form 10-Q. Because of the uncertainties related to both the amount and range of potential liability in connection with legal proceedings, we are unable to make a reasonable estimate of the liability that could result from unfavorable outcomes in our remaining pending litigation. As additional information becomes available, we will assess the potential liability related to our pending litigation and determine whether reasonable estimates of the liability can be made. Unfavorable outcomes, or significant estimates of our potential liability, could materially impact our results of operations and financial position.

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Results of Operations

Three Months Ended June 30, 2013 and 2012

The following tables present our results of operations for the three months ended June 30, 2013 and 2012, and as a percentage of total revenue:

	Three Months Ended June 30,	
	2013	2012
	(In thousands)	
Consolidated Statement of Operations Data:		
Revenue		
Consumer advertising	$ 44,570	$ 41,103
Software and services	12,920	8,206
Total revenue	57,490	49,309
Cost of revenue	13,809	9,628
Gross profit	43,681	39,681
Operating expenses:		
Sales and marketing	20,961	18,358
Product and web site development	9,583	9,477
General and administrative	11,985	10,162
Amortization of intangible assets	1,063	397
Total operating expenses	43,592	38,394
Operating income	89	1,287
Interest expense, net	(13)	
Earnings of unconsolidated joint venture	463	221
Other expense, net	(8)	(17)
Income before income taxes	531	1,491
Income tax expense	65	47
Net income	466	1,444
Convertible preferred stock dividend and related accretion		(24)
Net income applicable to common stockholders	$ 466	$ 1,420

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	Three Months Ended June 30, 2013	2012
As a Percentage of Revenue:		
Revenue		
Consumer advertising	78%	83%
Software and services	22%	17%
Total revenue	100%	100%
Cost of revenue	24%	20%
Gross profit	76%	80%
Operating expenses:		
Sales and marketing	36%	37%
Product and web site development	17%	19%
General and administrative	21%	21%
Amortization of intangible assets	2%	1%
Total operating expenses	76%	78%
Operating income	0%	2%
Interest expense, net	0%	0%
Earnings of unconsolidated joint venture	1%	1%
Other expense, net	0%	0%
Income before income taxes	1%	3%
Income tax expense	0%	0%
Net income	1%	3%
Convertible preferred stock dividend and related accretion	0%	0%
Net income applicable to common stockholders	1%	3%

Revenue

Revenue increased $8.2 million, or 17%, to $57.5 million for the three months ended June 30, 2013, compared to $49.3 million for the three months ended June 30, 2012.

Revenue attributable to our Consumer Advertising products increased $3.5 million, or 8%, to $44.6 million for the three months ended June 30, 2013, compared to $41.1 million for the three months ended June 30, 2012. The increase in revenue was primarily due to increases in listing advertisements in our realtor.com® business and our Co-BrokeTM product, along with increases from our Relocation.com acquisition, partially offset by revenue decreases from our featured products (i.e. Featured Homes, Featured Area Community and Buyer Assist).

Revenue for our Software and Services products increased $4.7 million, or 57%, to $12.9 million for the three months ended June 30, 2013, compared to $8.2 million for the three months ended June 30, 2012. The increase in revenue was primarily due to new SaaS product and marketing services revenue associated with our TigerLead® acquisition, as well as increased publishing revenue in our ListHubTM business, partially offset by a decline in revenues from our Top Producer® product suite.

Cost of Revenue

Cost of revenue increased $4.2 million, or 43%, to $13.8 million for the three months ended June 30, 2013, compared to $9.6 million for the three months ended June 30, 2012. The increase was primarily due to a $3.0 million increase in lead acquisition costs related to our newer TigerLead® and Relocation.com businesses. In addition, there was a $0.3 million increase in hosting and imaging expenses, a $0.3 million increase in personnel-related costs, a $0.2 million increase in software and hardware costs, a $0.2 million increase in depreciation expense and a $0.2 million increase in credit card processing fees.

Gross margin percentage was 76% for the three months ended June 30, 2013, compared to 80% for the three months ended June 30, 2012 primarily due to the lower margins associated with the newer TigerLead® and Relocation.com businesses.

Operating Expenses

Sales and marketing. Sales and marketing expenses increased $2.6 million, or 14%, to $21.0 million for the three months ended June 30, 2013, compared to $18.4 million for the three months ended June 30, 2012, primarily due to the increased investment in our marketing department and the rebranding of realtor.com®. This increase was mainly due to increases in brand and consumer marketing expense of $1.2 million, an increase in personnel-related costs of $1.1 million and other cost increases of $0.3 million. We expect to continue to incur higher marketing costs through the remainder of 2013 as compared to 2012.

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Product and web site development. Product and web site development expenses increased $0.1 million, or 1%, to $9.6 million for the three months ended June 30, 2013, compared to $9.5 million for the three months ended June 30, 2012. Consulting and personnel-related costs increased $0.9 million as we continue to invest in new product initiatives. This increase was partially offset by additional capitalized development costs of $0.8 million during the three months ended June 30, 2013 related to building new functionality in several product offerings, including our mobile platforms.

General and administrative. General and administrative expenses increased $1.8 million, or 18%, to $12.0 million for the three months ended June 30, 2013, compared to $10.2 million for the three months ended June 30, 2012. The increase was primarily due to increases in personnel-related costs of $1.3 million, including a $0.5 million increase in stock-based compensation primarily due to grants to senior management of newly acquired businesses, and other miscellaneous cost increases of $0.5 million.

Amortization of intangible assets. Amortization of intangible assets increased $0.7 million to $1.1 million for the three months ended June 30, 2013, compared to $0.4 million for the three months ended June 30, 2012. This increase was due to the amortization of intangible assets that were newly acquired in the third and fourth quarters of 2012 and during the second quarter of 2013.

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

	Three Months Ended June 30,			
		2013		2012
Cost of revenue	$	85	$	68
Sales and marketing		587		904
Product and web site development		747		526
General and administrative		1,457		899
Total stock-based compensation and charges	$	2,876	$	2,397

Stock-based compensation and charges increased $0.5 million for the three months ended June 30, 2013, compared to the three months ended June 30, 2012, primarily due to grants of time-based restricted stock units to senior members of newly acquired businesses pursuant to employment agreements, as well as additional grants of time-based restricted stock units to key employees.

Interest Expense, Net

Interest expense, net remained relatively constant for the three months ended June 30, 2013 and 2012.

Earnings of Unconsolidated Joint Venture

Earnings of unconsolidated joint venture, which represent our proportionate share of the earnings from our unconsolidated joint venture, increased $0.2 million to $0.5 million for the three months ended June 30, 2013, compared to $0.2 million for the three months ended June 30, 2012. The increase was primarily due to the elimination of amortization expense in the joint venture from an intangible asset that was fully amortized at the end of fiscal 2012.

Other Expense, Net

Other expense, net remained relatively constant for the three months ended June 30, 2013 and 2012.

Income Taxes

As a result of our historical net operating losses, we have generally not recorded a provision for income taxes. However, we recorded a deferred tax liability related to certain indefinite-lived intangible assets as the amortization is recognized for tax purposes but not for book purposes. For the three months ended June 30, 2013 and 2012, income tax expense was computed at the estimated annual effective tax rate based on the total estimated annual tax provision and included state income taxes and a deferred tax provision related to amortization of certain indefinite-lived intangible assets.

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Six Months Ended June 30, 2013 and 2012

The following tables present our results of operations for the six months ended June 30, 2013 and 2012, and as a percentage of total revenue:

	Six Months Ended June 30, 2013	2012
	(In thousands)	
Consolidated Statement of Operations Data:		
Revenue		
Consumer advertising	$ 86,718	$ 80,548
Software and services	25,010	16,502
Total revenue	111,728	97,050
Cost of revenue	26,497	19,273
Gross profit	85,231	77,777
Operating expenses:		
Sales and marketing	40,804	35,770
Product and web site development	19,429	18,191
General and administrative	23,523	21,050
Amortization of intangible assets	2,062	794
Total operating expenses	85,818	75,805
Operating (loss) income	(587)	1,972
Interest (expense) income, net	(27)	1
Earnings of unconsolidated joint venture	1,065	420
Other expense, net	(35)	(69)
Income before income taxes	416	2,324
Income tax expense	50	72
Net income	366	2,252
Convertible preferred stock dividend and related accretion		(942)
Net income applicable to common stockholders	$ 366	$ 1,310

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	Six Months Ended June 30, 2013	2012
As a Percentage of Revenue:		
Revenue		
Consumer advertising	78%	83%
Software and services	22%	17%
Total revenue	100%	100%
Cost of revenue	24%	20%
Gross profit	76%	80%
Operating expenses:		
Sales and marketing	37%	37%
Product and web site development	17%	18%
General and administrative	21%	22%
Amortization of intangible assets	2%	1%
Total operating expenses	77%	78%
Operating (loss) income	-1%	2%
Interest (expense) income, net	0%	0%
Earnings of unconsolidated joint venture	1%	0%
Other expense, net	0%	0%
Income before income taxes	0%	2%
Income tax expense	0%	0%
Net income	0%	2%
Convertible preferred stock dividend and related accretion	0%	-1%
Net income applicable to common stockholders	0%	1%

Revenue

Revenue increased $14.7 million, or 15%, to $111.7 million for the six months ended June 30, 2013, compared to $97.1 million for the six months ended June 30, 2012.

Revenue attributable to our Consumer Advertising products increased $6.2 million, or 8%, to $86.7 million for the six months ended June 30, 2013, compared to $80.5 million for the six months ended June 30, 2012. The increase in revenue was primarily due to increases in listing advertisements in our realtor.com® business and our Co-BrokeTM product, along with increases from our Relocation.com acquisition, partially offset by revenue decreases from our featured products (i.e. Featured Homes, Featured Area Community and Buyer Assist).

Revenue for our Software and Services products increased $8.5 million, or 52%, to $25.0 million for the six months ended June 30, 2013, compared to $16.5 million for the six months ended June 30, 2012. The increase in revenue was primarily due to new SaaS product and marketing services revenue associated with our TigerLead® acquisition, as well as increased publishing revenue in our ListHubTM business, partially offset by a decline in revenues from our Top Producer® product suite.

Cost of Revenue

Cost of revenue increased $7.2 million, or 38%, to $26.5 million for the six months ended June 30, 2013, compared to $19.3 million for the six months ended June 30, 2012. The increase was primarily due to a $5.5 million increase in lead acquisition costs related to our newer TigerLead® and Relocation.com businesses. In addition, there was a $0.4 million increase in personnel-related costs, a $0.4 million increase in hosting and imaging costs, a $0.3 million increase in credit card processing fees, a $0.3 million increase in depreciation expense, and $0.3 million in other cost increases.

Gross margin percentage was 76% for the six months ended June 30, 2013, compared to 80% for the six months ended June 30, 2012, primarily due to the lower margins associated with the newer TigerLead® and Relocation.com businesses.

Operating Expenses

Sales and marketing. Sales and marketing expenses increased $5.0 million, or 14%, to $40.8 million for the six months ended June 30, 2013, compared to $35.8 million for the six months ended June 30, 2012, primarily due to the increased investment in our marketing department and the rebranding of realtor.com® during the period. This increase included increases in personnel-related costs of $2.8 million, a $1.8 million increase in brand and consumer marketing expense, and other cost increases of $0.4 million. We expect to continue to incur higher marketing costs through the remainder of 2013 as compared to 2012.

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Product and web site development. Product and web site development expenses increased $1.2 million, or 7%, to $19.4 million for the six months ended June 30, 2013, compared to $18.2 million for the six months ended June 30, 2012. The increase was primarily due to increases in consulting and personnel-related costs of $2.6 million as we continue to invest in new product initiatives. This increase was partially offset by additional capitalized development costs of $1.3 million during the six months ended June 30, 2013 related to building new functionality in several product offerings, including our mobile platforms.

General and administrative. General and administrative expenses increased $2.5 million, or 12%, to $23.5 million for the six months ended June 30, 2013, compared to $21.1 million for the six months ended June 30, 2012. The increase was primarily due to increases in personnel-related costs of $2.5 million, including a $1.2 million increase in stock-based compensation primarily due to grants to senior management of newly acquired businesses, a $0.3 million increase in rent expense related to the relocation of our corporate office in San Jose, California, and other cost increases of $0.2 million. These increases were partially offset by a $0.3 million decrease in litigation-related charges that occurred in the six months ended June 30, 2012, and a $0.2 million decrease in bad debt expense primarily due to a significant media customer filing bankruptcy during the six months ended June 30, 2012.

Amortization of intangible assets. Amortization of intangible assets increased $1.3 million to $2.1 million for the six months ended June 30, 2013, compared to $0.8 million for the six months ended June 30, 2012. This increase was due to the amortization of intangible assets that were newly acquired in the third and fourth quarters of 2012 and in the second quarter of 2013.

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):

	Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
Cost of revenue	$	187	$	122
Sales and marketing		1,098		1,193
Product and web site development		1,327		885
General and administrative		2,887		1,660
Total stock-based compensation and charges	$	5,499	$	3,860

Stock-based compensation and charges increased $1.6 million for the six months ended June 30, 2013, compared to the six months ended June 30, 2012, primarily due to grants of time-based restricted stock units to senior management of newly acquired businesses pursuant to employment agreements, as well as additional grants of time-based restricted stock units to key employees.

Interest (Expense) Income, Net

Interest (expense) income, net remained relatively constant for the six months ended June 30, 2013 and 2012.

Earnings of Unconsolidated Joint Venture

Earnings of unconsolidated joint venture, which represent our proportionate share of the earnings from our unconsolidated joint venture, increased $0.6 million to $1.1 million for the six months ended June 30, 2013, compared to $0.4 million for the six months ended June 30, 2012. The increase was primarily due to the elimination of amortization expense in the joint venture from an intangible asset that was fully amortized at the end of fiscal 2012.

Other Expense, Net

Other expense, net remained relatively constant for the six months ended June 30, 2013 and 2012.

Income Taxes

As a result of our historical net operating losses, we have generally not recorded a provision for income taxes. However, we recorded a deferred tax liability related to certain indefinite-lived intangible assets as the amortization is recognized for tax purposes but not for book purposes. For the six months ended June 30, 2013 and 2012, income tax expense was computed at the estimated annual effective tax rate based on the total estimated annual tax provision and included state income taxes and a deferred tax provision related to amortization of certain indefinite-lived intangible assets.

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Liquidity and Capital Resources

Net cash provided by operating activities of $10.3 million for the six months ended June 30, 2013, was attributable to net income of $0.4 million, plus noncash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, stock-based compensation and charges, earnings of unconsolidated joint venture and other noncash items aggregating to $11.7 million and a $0.6 million cash distribution representing a return on our investment in an unconsolidated joint venture, partially offset by a $2.4 million change in operating assets and liabilities.

Net cash provided by operating activities of $8.7 million for the six months ended June 30, 2012, was attributable to net income of $2.3 million, plus noncash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, stock-based compensation and charges, earnings of unconsolidated joint venture and other noncash items aggregating to $9.6 million and a $0.2 million cash distribution representing a return on our investment in an unconsolidated joint venture, partially offset by a $3.4 million change in operating assets and liabilities.

Net cash used in investing activities of $8.1 million for the six months ended June 30, 2013, was primarily attributable to capital expenditures of $6.4 million, and acquisitions, net of cash acquired of $2.3 million, partially offset by a cash distribution representing a return on our investment in an unconsolidated joint venture of $0.6 million.

Net cash used in investing activities of $3.4 million for the six months ended June 30, 2012, was primarily attributable to capital expenditures of $4.1 million, partially offset by a cash distribution representing a return of our invested capital in an unconsolidated joint venture of $0.7 million.

Net cash provided by financing activities of $2.7 million for the six months ended June 30, 2013, was primarily attributable to proceeds from the exercise of stock options of $4.3 million, partially offset by repurchases of our common stock of $1.0 million, and tax withholdings related to net share settlements of equity awards of $0.6 million.

Net cash used in financing activities of $47.6 million for the six months ended June 30, 2012, was primarily attributable to the redemption of the balance of the Series B Preferred Stock for $49.0 million, payments of dividends on our Series B Preferred Stock of $0.9 million, tax withholdings related to net share settlements of restricted stock awards of $0.5 million and repurchases of common stock and principal payments on loan payable totaling $0.1 million, partially offset by proceeds from the exercise of stock options of $2.9 million.

We have generated positive operating cash flows in each of the last three fiscal years. Our material financial commitments consist of those under operating lease agreements, our operating agreement with the NAR and various web services and content agreements.

In March 2013, our Board of Directors authorized a stock repurchase program (the Program). The Program authorizes, in one or more transactions taking place during a two-year period commencing May 2, 2013, the repurchase of our outstanding common stock utilizing surplus cash in an amount of up to $20 million. Under the Program, we are authorized to repurchase shares of common stock in the open market or in privately negotiated transactions. The timing and amount of any repurchase transaction under the Program are dependent upon market conditions, corporate considerations, and regulatory requirements. Shares repurchased under the Program will be retired to constitute authorized but unissued shares of our common stock. As of June 30, 2013, we have repurchased 84,054 shares of our outstanding common stock in the open market for approximately $1.0 million since the inception of the Program.

We are party to a revolving line of credit agreement with a major financial institution, providing for borrowings of up to $20.0 million, available until August 31, 2013. At June 30, 2013 and December 31, 2012, we had no borrowings outstanding under the revolving line of credit. The revolving line of credit requires interest payments based on the BBA LIBOR Rate plus 2.5%. There is an unused commitment fee of 0.2% on any unused portion of the line of credit, payable quarterly. Additionally, there is a 0.5% annual fee payable if our average aggregate monthly deposit and investment balances with the financial institution fall below $35.0 million. Among financial and other covenants, the revolving line of credit agreement provides that we must: maintain tangible net worth of $50.0 million; maintain minimum unrestricted, unencumbered marketable securities, cash and cash equivalents of the lesser of $20.0 million or 125% of the outstanding principal balance of the line of credit; and maintain adjusted EBITDA of $17.0 million on a twelve-month rolling basis. We were in compliance with these covenants as of June 30, 2013. The revolving line of credit is collateralized by our cash deposits, accounts receivable, investments, property and equipment and general intangibles we now or subsequently own. In addition, we have pledged the capital stock of our current and future subsidiaries as further collateral for the revolving line of credit.

We believe that our existing cash and any cash generated from operations will be sufficient to fund our working capital requirements, capital expenditures and other obligations for the foreseeable future.

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Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Market and Interest Rate Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. We do not have any material foreign currency or other derivative financial instruments. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to increase the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk; we do this primarily by investing our cash only in government treasury bills.

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

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) is accumulated and communicated to our management including our Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

We are currently involved in certain legal proceedings, as discussed within the section Legal Proceedings in Note 22, Commitments and Contingencies, within our Consolidated Financial Statements contained in Item 8 in the Annual Report on Form 10-K for the year ended December 31, 2012 (the Annual Report) and in Note 16, Commitments and Contingencies, to the unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q. As of the date of this Form 10-Q, and except as disclosed in Note 22 to the Consolidated Financial Statements in the Annual Report and in Note 16, Commitments and Contingencies, to the unaudited Condensed Consolidated Financial Statements in this Form 10-Q, 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, and there have been no material developments in the litigation or administrative proceedings described in those notes.

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

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. A detailed discussion of our risk factors was included in Part I, Item 1A, Risk Factors of the Annual Report as filed with the United States Securities and Exchange Commission (SEC) on February 22, 2013, and has been made available at *www.sec.gov* and at *www.move.com*. These risk factors should be read carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Form 10-Q. Any of the risks described in the Annual Report could materially affect our business, financial condition or future results and the actual outcome of matters as to which forward-looking statements are made. The risk factors described in the Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that are currently deemed to be immaterial, could also materially adversely affect our business, financial condition and/or future results. There were no material changes to the risk factors during the six months ended June 30, 2013, compared to the risk factors set forth in the Annual Report.

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

In February 2011, our Board of Directors authorized a stock repurchase program. From the inception of the program in February 2011 through the stock repurchase program s expiration in February 2013, we repurchased 1,493,127 shares of our common stock in the open market for an aggregate purchase price of $9.7 million. We did not repurchase any shares of our common stock during the period January 1, 2013 through the program s expiration on February 10, 2013.

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In March 2013, our Board of Directors authorized a stock repurchase program (the Program). The Program authorizes, in one or more transactions taking place during a two-year period commencing May 2, 2013, the repurchase of our outstanding common stock utilizing surplus cash in an amount of up to $20 million. Under the Program, we are authorized to repurchase shares of common stock in the open market or in privately negotiated transactions. The timing and amount of any repurchase transaction under this Program are dependent upon market conditions, corporate considerations, and regulatory requirements. Shares repurchased under the Program will be retired to constitute authorized but unissued shares of our common stock. As of June 30, 2013, we repurchased 84,054 shares of our outstanding common stock in the open market for approximately $1.0 million since the inception of the Program.

The following table provides information regarding our purchases of our common stock during the three months ended June 30, 2013.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
4/1/13 4/30/13				$ 20,000
5/1/13 5/31/13				$ 20,000
6/1/13 6/30/13	84,054	$ 12.01	84,054	$ 18,990
Total	84,054	$ 12.01	84,054	

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

None.

Item 4. ***Mine Safety Disclosures***

None.

Item 5. ***Other Information***

None.

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Item 6. ***Exhibits***

Exhibit No.	Description
3.01.1	Restated Certificate of Incorporation of Move, Inc., dated June 23, 2005, as amended by the Certificate of Amendment dated June 22, 2006. (Incorporated by reference to Exhibit 3.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2006 filed August 7, 2006 (File No. 000-26659).)
3.01.2	Certificate of Amendment, dated November 14, 2011 and effective (based on filing with the State of Delaware) November 18, 2011, to the Restated Certificate of Incorporation of Move, Inc., as such Restated Certificate had previously been amended by a Certificate of Amendment dated June 22, 2006. (Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed November 21, 2011.)
3.01.3	Certificate of Elimination of Series B Convertible Participating Preferred Stock of Move, Inc., effective May 31, 2012 (nullifying and eliminating Certificate of Designation previously filed as Exhibit 3.01.2 of our Form 10-K for the year ended December 31, 2005 filed March 13, 2006). (Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed on June 5, 2012.)
3.02.1	Bylaws of Move, Inc. (Incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed on June 28, 2006 (File No. 000-26659).), as amended by the Amendment effective June 15, 2011. (Incorporated by reference to Exhibit 3.02.1 to our annual report on Form 10-K for the year ended December 31, 2011 filed February 17, 2012.)
3.02.2	Amendment, effective June 15, 2011, to the Bylaws of Move, Inc., relating to the permitted size range for the Board of Directors of Move, Inc. (Incorporated by reference to Exhibit 3.02.1 to our annual report on Form 10-K for the year ended December 31, 2011 filed February 17, 2012.)
3.03.1	RealSelect, Inc. s Certificate of Incorporation dated October 25, 1996. (Incorporated by reference to Exhibit 3.05.1 to our registration statement on Form S-1 (File No. 333-79689) filed May 28, 1999.)
3.03.2	RealSelect, Inc. s Certificate of Amendment to Certificate of Incorporation dated November 25, 1996. (Incorporated by reference to Exhibit 3.05.2 to our registration statement on Form S-1/A (File No. 333-79689) filed June 17, 1999.)
4.01	Form of Specimen Certificate for Common Stock, for use after November 18, 2011, the date of the 1-for-4 reverse stock split of the common stock of Move, Inc. (Incorporated by reference to Exhibit 4.01.1 to our annual report on Form 10-K for the year ended December 31, 2011 filed February 17, 2012.)
10.94	Amendment to the Move, Inc. 2011 Incentive Plan. (Incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K filed on June 17, 2013.)
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
101 .INS*	XBRL Instance Document. (Furnished herewith.)
101.SCH*	XBRL Taxonomy Extension Schema Document. (Furnished herewith.)
101.CAL*	XBRL Taxonomy Calculation Linkbase Document. (Furnished herewith.)
101.LAB*	XBRL Taxonomy Label Linkbase Document. (Furnished herewith.)
101.PRE*	XBRL Taxonomy Presentation Linkbase Document. (Furnished herewith.)
101.DEF*	XBRL Taxonomy Extension Definition Document. (Furnished herewith.)

*Furnished herewith and not deemed filed for purposes of Section 11 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934, as amended.

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SIGNATURES

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

MOVE, INC.

By:	/s/ STEVEN H. BERKOWITZ Steven H. Berkowitz *Chief Executive Officer*
By:	/s/ RACHEL C. GLASER Rachel C. Glaser *Chief Financial Officer*

Date: August 2, 2013

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*Furnished herewith and not deemed filed for purposes of Section 11 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934, as amended.