ASSISTED LIVING CONCEPTS INC
Form 8-K
October 09, 2001
Table of Contents

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

October 3, 2001

Date of report (Date of earliest event reported)
ASSISTED LIVING CONCEPTS, INC.
(exact name of registrant as specified in its charter)

NEVADA	1-13498	93-1148702
(State or other jurisdiction of incorporation or organization)	Commission File Number	(I.R.S. Employer Identification Number)

11835 NE Glenn Widing Drive, Bldg E, Portland, OR 97220-9057

(Address of Principal Executive Offices) (Zip Code)
(503) 252-6233

(Registrant s telephone number, including area code)
Not Applicable

(Former name or former address, if changed since last report.)

TABLE OF CONTENTS

ITEM 5. OTHER EVENTS

Assisted Living Concepts, Inc. (the Company) announced on October 9, 2001 that it had received a notice from the American Stock Exchange (AMEX) on October 3, 2001 indicating that AMEX intends to file an application with the Securities and Exchange Commission to strike the Company s common stock and its two series of convertible subordinated debentures from listing and registration on AMEX. AMEX indicated that the Company has fallen below the AMEX listing guidelines as a result of the net losses sustained by the Company in its five most recent fiscal years and the continued low trading price of the Company s common stock. A trading halt of the Company s securities was instituted by AMEX on October 1, 2001 in connection with the Company s announcement on that day that it had filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Company does not intend to appeal the delisting of its securities.

A copy of the Company s press release dated October 9, 2001 is attached as an exhibit to this Report and is incorporated by reference herein.

1

Table of Contents

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) and (b) None.

(c) The following document is furnished as an Exhibit to this Current Report on Form 8-K pursuant to Item 601 of Regulation S-K: 99.1 Press Release of Assisted Living Concepts, Inc., dated October 9, 2001.

2

Table of Contents

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 hereunto duly authorized.

ASSISTED LIVING CONCEPTS, INC.

By: /s/ Sandra Campbell

Name: Sandra Campbell
Title: Secretary

Date: October 9, 2001

3

Table of Contents

EXHIBIT INDEX

EXHIBIT NO.	DOCUMENT DESCRIPTION
99.1	Press Release of Assisted Living Concepts, Inc., dated October 9, 2001.

performance for 2008 based on current market conditions and the Company s expected performance within the market. At the same time, the committee also established financial performance targets for 2009, which will provide the potential for executives to earn the remaining 50% of the restricted stock units previously granted after the 2009 fiscal year end. The 2008 and 2009 financial goals require a high level of financial performance in both years which the Committee believes are challenging but achievable. The modification will cause a new measurement date for the awards and will cause the previous awards to be revalued and the revised expense to be recognized over the longer service period.

The Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004) Share Based Payment (SFAS 123R) using the modified-prospective transition method. Under that transition method, compensation cost recognized includes: (a) compensation cost for all share-based payments granted prior to January 1, 2006, but not yet vested, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123; and (b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Compensation costs are recognized using a straight-line amortization method over the vesting period. Results for prior periods have not been restated.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the ranges of assumptions in the following table. Our computation of expected volatility is based on a combination of historical and market-based implied volatility. Due to the unusual volatility of the Company s stock price around the time of the restatement of its financial statements in 2002 and several historical acquisitions that changed the Company s risk profile, historical data was more heavily weighted toward the most recent three years of stock activity. The expected term of options granted was derived by averaging the vesting term with the contractual term. The risk-free interest rates are based on U.S. Treasury zero-coupon bonds for the periods in which the options were granted.

	Three Months Ended March 31,	
	2007	**2006**
Risk-free interest rates	4.52-4.82%	4.35-4.51%
Expected term (in years)	6.06	6.06
Dividend yield	0%	0%
Expected volatility	75%	80%

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

	Three Months Ended March 31,	
	2007	**2006**
Cost of revenue	$ 44	$ 129
Sales and marketing	554	557
Product and web site development	275	499
General and administrative	4,694	2,326
Total	$ 5,567	$ 3,511

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

8

7. Net Income (Loss) Per Share

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

	Three Months Ended March 31, 2007	2006
Numerator:		
Net income (loss)	$ 1,395	$ (1,159)
Convertible preferred stock dividends and related accretion	(1,232)	(1,174)
Net income (loss) applicable to common stockholders	$ 163	$ (2,333)
Denominator:		
Basic weighted average shares outstanding	154,339	148,951
Add: dilutive effect of options, warrants and restricted stock	13,051	
Diluted weighted average shares outstanding	167,390	148,951
Net income (loss) per common share:		
Basic net income (loss) per share applicable to common stockholders	$ 0.00	$ (0.02)
Diluted net income (loss) per share applicable to common stockholders	$ 0.00	$ (0.02)

Because their effects would be anti-dilutive for the periods presented, the above computation of diluted income (loss) per share excludes preferred stock, stock options and warrants of 26,051,722 and 55,266,066 for the three months ended March 31, 2007 and 2006, respectively.

In the first quarter of 2006, the amounts reported as Dividends on convertible preferred stock in the Company s Form 10-Q omitted the related accretion of the discount that was derived from the issuance of the convertible preferred stock. The reported results for that quarter have been revised to reflect both the accretion and the dividends in arriving at Net income (loss) applicable to common stockholders. As a result of the revision, additional expense of $296,000 in the first quarter of 2006 is reflected in the line Convertible preferred stock dividends and related accretion. As a result of this change, basic and diluted loss per share attributable to common stockholders in the first quarter of 2006 decreased by $0.01 from $(0.01) to $(0.02).

8. Segment Information

Segment information is presented in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company s internal organization and disclosure of revenue and operating expenses based upon internal accounting methods. The Company s management evaluates performance and allocates resources based on two segments consisting of Real Estate Services for those products and services offered to industry professionals trying to reach new movers and manage their relationships with them and Move-Related Services for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move. This is consistent with the data that is made available to our management to assess performance and make decisions.

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

Table of Contents

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

	Three Months Ended							
	March 31, 2007				March 31, 2006			
	Real Estate Services	Move-Related Services	Unallocated	Total	Real Estate Services	Move-Related Services	Unallocated	Total
Revenue	$ 53,523	$ 17,507	$	$ 71,030	$ 49,249	$ 19,730	$	$ 68,979
Cost of revenue	8,259	5,876	563	14,698	7,666	7,752	988	16,406
Gross profit (loss)	45,264	11,631	(563)	56,332	41,583	11,978	(988)	52,573
Sales and marketing	18,121	8,769	1,004	27,894	16,325	8,512	504	25,341
Product and web site development	6,727	1,582	513	8,822	5,934	1,030	1,391	8,355
General and administrative	7,187	4,059	9,461	20,707	7,727	4,013	9,236	20,976
Amortization of intangible assets			498	498			747	747
Total operating expenses	32,035	14,410	11,476	57,921	29,986	13,555	11,878	55,419
Income (loss) from operations	$ 13,229	$ (2,779)	$ (12,039)	$ (1,589)	$ 11,597	$ (1,577)	$ (12,866)	$ (2,846)

9. Income Taxes

As a result of historical net operating losses, we have generally not recorded a provision for income taxes. However, during the year ended December 31, 2006, we recorded certain indefinite lived intangible assets as a result of the purchase of Moving.com which creates a permanent difference as the amortization can be recorded for tax purposes but not for book purposes. A tax provision of $40,000 was recorded in the three months ended March 31, 2007 as a result of this permanent difference which cannot be offset against net operating loss carryforwards due to its indefinite life and an additional $44,000 tax provision was recorded as a result of federal alternative minimum taxes incurred in the utilization of net operating losses against our taxable income for the period.

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

As of March 31, 2007, we do not have any accrued interest or penalties related to uncertain tax positions. The Company s policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. We do not have any interest or penalties related to uncertain tax positions in income tax expense for the three months ended March 31, 2007 and 2006. The tax years 1993-2006 remain open to examination by the major taxing jurisdictions to which we are subject.

10. Commitments and Contingencies

We are currently involved in certain legal proceedings, as discussed in Note 21, Commitments and Contingencies , to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006. As of the date of this Form 10-Q, and except as disclosed in Note 21 in our Annual Report on Form 10-K for the year ended December 31, 2006, 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.

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

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

December 31, 2006, and in other documents we file with the Securities and Exchange Commission, or SEC. This Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2006.

Our Business

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

Our primary consumer web sites are Move.com™ and REALTOR.com®, the official site of the National Association of REALTORS® (NAR), which provide new and existing homes, apartments, corporate housing, and self-storage listings and is a home information resource site with an emphasis on content related to mortgage financing, moving and storage, and home and garden activities. Our web sites also include SeniorHousingNet™ .com, a comprehensive resource for seniors and Moving.com™ which connects consumers with moving companies, van lines, truck rental providers and self storage facilities.

Basis of Presentation

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

Business Trends and Conditions

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

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

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

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

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

Table of Contents

these core competencies and we plan to continue to invest in this area in the future.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, uncollectible receivables, intangible and other long-lived assets and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There were no significant changes to our critical accounting policies during the three months ended March 31, 2007, as compared to those policies disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48), which became effective for us beginning January 1, 2007. FIN 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The impact of our reassessment of our tax positions in accordance with FIN 48 did not have a material impact on our results of operations, financial condition or liquidity. For additional information regarding the adoption of FIN 48, see Note 9 of Notes to Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Recent Accounting Developments

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

Legal Contingencies

We are currently involved in certain legal proceedings, as discussed in Note 21, Commitments and Contingencies , to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006. Because of the uncertainties related to both the amount and range of loss in connection with legal proceedings, on the remaining pending litigation, we are unable to make a reasonable estimate of the liability that could result from an unfavorable outcome. As additional information becomes available, we will assess the potential liability related to our pending litigation and determine whether reasonable estimates of the liability can be made. Unfavorable outcomes or significant estimates of our potential liability could materially impact our results of operations and financial position.

Results of Operations

Three Months Ended March 31, 2007 and 2006

Revenue

Revenue increased approximately $2.0 million, or 3%, to $71.0 million for the three months ended March 31, 2007 from $69.0 million for the three months ended March 31, 2006. The increase in revenue was due to increases of $4.2 million in the Real Estate Services segment partially offset by a decline of $2.2 million in the Move-Related Services segment. These changes by segment are explained in the segment information below.

Cost of Revenue

Cost of revenue decreased approximately $1.7 million, or 10%, to $14.7 million for the three months ended March 31, 2007 from $16.4 million for the three months ended March 31, 2006. The decrease was primarily due to decreases in material and shipping costs of $1.6 million, and other decreases of $0.1 million.

Gross margin percentage increased to 79% for the three months ended March 31, 2007 compared to 76% for the three months ended March 31, 2006. The increase is primarily due to an increase in margin in the Move-Related Services segment resulting from lower material and shipping costs.

Operating Expenses

Sales and marketing. Sales and marketing expenses increased approximately $2.6 million, or 10%, to $27.9 million for the three months ended March 31, 2007 from $25.3 million for the three months ended March 31, 2006. The increase was primarily due to an increase in online distribution costs of $1.1 million, increases in consulting and personnel related costs of $1.3 million and other cost increases of $0.2 million.

Product and web site development. Product and web site development expenses increased approximately $0.4 million, or 5%, to $8.8 million for the three months ended March 31, 2007 from $8.4 million for the three months ended March 31, 2006, primarily due to an increase in consulting costs to continue improvements on the Move™ web site and our product offerings in our REALTOR.com®, Top Producer®, and Welcome Wagon® businesses.

General and administrative. General and administrative expenses decreased approximately $0.3 million, or 1%, to $20.7 million for the three months ended March 31, 2007 from $21.0 million for the three months ended March 31, 2006. The decrease was primarily due to a $1.8 million decrease in consulting costs, a $0.7 million decrease in legal fees and other cost decreases of $0.2 million, partially offset by an increase of $2.4 million in stock based compensation related to the amortization of restricted stock units issued to certain executive officers.

Amortization of intangible assets. Amortization of intangible assets was $498,000 for the three months ended March 31, 2007 compared to $747,000 for the three months ended March 31, 2006. The decrease in amortization was primarily due to certain intangible assets becoming fully amortized.

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 March 31,	
	2007	**2006**
Cost of revenue	$ 44	$ 129
Sales and marketing	554	557
Product and web site development	275	499
General and administrative	4,694	2,326
	$ 5,567	$ 3,511

Stock-based compensation and charges increased for the three months ended March 31, 2007 compared to the three months ended March 31, 2006 primarily due to the issuance of restricted stock units to certain executive officers.

Interest Income, Net

Interest income, net, increased $0.7 million to $2.3 million for the three months ended March 31, 2007 compared to $1.6 million for the three months ended March 31, 2006, primarily due to increases in short-term investment balances and higher interest yields on those balances.

Other Income, Net

Other income, net, increased to $755,000 for the three months ended March 31, 2007 compared to $72,000 for the three months ended March 31, 2006, primarily due to an increase of $473,000 resulting from the revaluation of an embedded derivative liability resulting from the sale of convertible preferred stock in December 2005. The remaining increase in other income was due to the sale of certain assets in the three months ended March 31, 2007.

Table of Contents

Income Taxes

As a result of historical net operating losses, we have generally not recorded a provision for income taxes. However, during the year ended December 31, 2006, we recorded certain indefinite lived intangible assets as a result of the purchase of Moving.com which creates a permanent difference as the amortization can be recorded for tax purposes but not for book purposes. A tax provision of $40,000 was recorded in the three months ended March 31, 2007 as a result of this permanent difference which cannot be offset against net operating loss carryforwards due to its indefinite life and an additional $44,000 tax provision was recorded as a result of federal alternative minimum taxes incurred in the utilization of net operating losses against our taxable income for the period.

As of December 31, 2006, we had $942.0 million of net operating loss carryforwards for federal and foreign income tax purposes, which begin to expire in 2008. We have provided a full valuation allowance on our deferred tax assets, consisting primarily of net operating loss carryforwards, due to the likelihood that we may not generate sufficient taxable income during the carry-forward period to utilize the net operating loss carryforwards. A deferred tax liability has been established for the difference between tax amortization for financial statement purposes and for tax purposes.

Segment Information

Segment information is presented in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon our internal organization and disclosure of revenue and operating expenses based upon internal accounting methods. Our management evaluates performance and allocates resources based on two segments consisting of Real Estate Services for those products and services offered to industry professionals trying to reach new movers and manage their relationships with them and Move-Related Services for those products and services offered to other advertisers who are trying to reach those consumers in the process of a move. This is consistent with the data that is made available to our management to assess performance and make decisions.

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

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

	Three Months Ended							
	March 31, 2007				**March 31, 2006**			
	Real Estate Services	**Move-Related Services**	**Unallocated**	**Total**	**Real Estate Services**	**Move-Related Services**	**Unallocated**	**Total**
Revenue	$ 53,523	$ 17,507	$	$ 71,030	$ 49,249	$ 19,730	$	$ 68,979
Cost of revenue	8,259	5,876	563	14,698	7,666	7,752	988	16,406
Gross profit (loss)	45,264	11,631	(563)	56,332	41,583	11,978	(988)	52,573
Sales and marketing	18,121	8,769	1,004	27,894	16,325	8,512	504	25,341
Product and web site development	6,727	1,582	513	8,822	5,934	1,030	1,391	8,355
General and administrative	7,187	4,059	9,461	20,707	7,727	4,013	9,236	20,976
Amortization of intangible assets			498	498			747	747

Total operating expenses	32,035	14,410	11,476	57,921	29,986	13,555	11,878	55,419
Income (loss) from operations	$ 13,229	$ (2,779)	$ (12,039)	$ (1,589)	$ 11,597	$ (1,577)	$ (12,866)	$ (2,846)

Real Estate Services

Real Estate Services consists of products and services that promote and connect real estate professionals to consumers through our REALTOR.com®, New Homes and Rentals on Move.com™ and SeniorHousingNet™ .com web sites, in addition to our customer relationship management applications for REALTORS® offered through our Top Producer® business. Our revenue is derived from a variety of advertising and software services, including enhanced listings, company and property display advertising, customer relationship management applications and web site sales which we sell to those businesses interested in reaching our targeted audience or those professionals interested in being more effective in managing their contact with consumers.

Real Estate Services revenue increased $4.2 million, or 9%, to $53.5 million for the three months ended March 31, 2007, compared to $49.3 million for the three months ended March 31, 2006. The revenue increase was primarily generated by an increase in our REALTOR.com® business driven by increased customer count and higher average spending per customer on our Enhanced Listing Product, increased Featured CMA revenue and increased Featured Home revenue. Additionally, there was an increase in our Top Producer® product offerings as our subscriber base for the on-line software continues to grow. These increases were partially offset by decreased revenue from our New Homes and Rentals businesses. Real Estate Services revenue represented approximately 75% of total revenue for the three months ended March 31, 2007 compared to 71% for the three months ended March 31, 2006.

Real Estate Services expenses increased $2.7 million, or 7%, to $40.3 million for the three months ended March 31, 2007, compared to $37.6 million for the three months ended March 31, 2006. The increase was primarily due to a $1.3 million increase in personnel related costs within sales and marketing due to the increased revenues, a $1.0 million increase in consulting costs primarily related to increased product development efforts and other operating cost increases of $0.4 million.

Real Estate Services generated operating income of $13.2 million for the three months ended March 31, 2007 compared to operating income of $11.6 million for the three months ended March 31, 2006, primarily due to the increased revenues discussed above. We will continue to seek increased revenue through new product offerings and new market opportunities.

Move-Related Services

Move-Related Services consists of advertising products and lead generation tools including display, text-link and rich advertising positions, directory products, price quote tools and content sponsorships on Move.com™ , Moving.com™ , and other related sites which we sell to those businesses interested in reaching our targeted audience. In addition, it includes our Welcome Wagon® new-mover direct mail advertising products and the sale of new home plans and related magazines through our Homeplans business.

Move-Related Services revenue decreased $2.2 million, or 11%, to $17.5 million for the three months ended March 31, 2007 compared to $19.7 million for the three months ended March 31, 2006. The decrease was partially generated by a decrease in the Welcome Wagon® business primarily due to lower book distribution and a decline in revenues from our Homeplans business. Move-Related Services revenue represented approximately 25% of total revenue for the three months ended March 31, 2007 compared to 29% of total revenue for the three months ended March 31, 2006.

Move-Related Services expenses decreased $1.0 million, or 5%, to $20.3 million for the three months ended March 31, 2007, compared to $21.3 million for the three months ended March 31, 2006. The decrease was primarily due to a $1.4 million decrease in material and shipping costs and other operating cost decreases of $0.2 million, partially offset by an increase of $0.6 million in product development costs.

Move-Related Services generated an operating loss of $2.8 million for the three months ended March 31, 2007 compared to an operating loss of $1.6 million for the three months ended March 31, 2006 primarily due to factors outlined above. We have announced plans for continued investments in our Welcome Wagon® business that could negatively impact our operating results in this segment for the remainder of 2007.

Unallocated

Unallocated expenses decreased $0.9 million, or 7%, to $12.0 million for the three months ended March 31, 2007 compared to $12.9 million for the three months ended March 31, 2006. The decrease was primarily due to a $2.2 million reduction in outside consulting primarily due to efforts to implement new integrated business systems as well as prior year efforts to move our data center which was finalized at the end of fiscal year 2006. This decrease was partially offset by a $1.2 million increase in stock based compensation related to the amortization of restricted stock units issued to certain executive officers and other operating cost increases of $0.1 million.

Liquidity and Capital Resources

Net cash provided by operating activities of $10.5 million for the three months ended March 31, 2007 was attributable to the net income from operations of $1.4 million, plus non-cash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, gains on sales of fixed assets, stock-based compensation and charges, change in market value of embedded derivative liability, and other non-cash items, aggregating to $8.2 million and by changes in operating assets and liabilities of $0.9 million.

Net cash used in operating activities of $0.4 million for the three months ended March 31, 2006 was attributable to the net loss from operations of $1.2 million, plus non-cash expenses including depreciation, amortization of intangible assets, provision for doubtful accounts, stock-based compensation and charges and other non-cash items, aggregating to $6.9 million,

Table of Contents

offset by changes in operating assets and liabilities of $6.1 million. This was negatively impacted in the three month period ended March 31, 2006 by the $9.3 million in payments for the settlement of litigation and former officers legal expenses.

Net cash provided by investing activities of $1.2 million for the three months ended March 31, 2007 was primarily attributable to proceeds from the sale of marketable equity securities of $15.7 million, proceeds from the surrender of a life insurance policy of $5.2 million and proceeds from sales of property and equipment of $0.3 million, partially offset by $15.9 million in net purchases of short-term investments and purchases of property and equipment of $4.1 million. Net cash provided by investing activities of $2.4 million for the three months ended March 31, 2006 was primarily attributable to $14.5 million in net maturities of short-term investments offset by the acquisition of Moving.com of $9.6 million and capital expenditures of $2.5 million.

Net cash provided by financing activities of $2.9 million for the three months ended March 31, 2007 was primarily attributable to proceeds from the exercise of stock options of $2.5 million and reductions in restricted cash of $0.9 million, partially offset by payments on capital lease obligations of $0.5 million. Net cash provided by financing activities of $2.9 million for the three months ended March 31, 2006 was primarily attributable to proceeds from the exercise of stock options of $2.4 million and reductions in restricted cash of $0.9 million, partially offset by payments on capital lease obligations of $0.4 million.

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

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

Interest Rate Risk

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

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

Item 4. *Controls and Procedures*

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

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

Table of Contents

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are currently involved in certain legal proceedings, as discussed in Note 21, Commitments and Contingencies , to our Consolidated Financial Statements contained in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2006. As of the date of this Form 10-Q and except as disclosed in Note 21 in our Annual Report on Form 10-K for the year ended December 31, 2006, 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.

Item 1A. *Risk Factors*

You should consider carefully the risk factors below, and those presented in our Annual Report on Form 10-K for the year ended December 31, 2006, and other information included or incorporated by reference in this Form 10-Q. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem to be currently immaterial also may impair our business operations. If any of the stated risks actually occur, our business, financial condition and operating results could be materially adversely affected.

Risks Related to our Business

The emergence of competitors for our services may adversely impact our business

Our existing and potential competitors include web sites offering real estate related content and services as well as general purpose online services, and traditional media such as newspapers, magazines and television that may compete for advertising dollars. The real estate search services market in which our Real Estate Services division operates is becoming increasingly competitive. A number of competitors have emerged, including RealEstate.com (a division of InterActive Corp), HouseValues.com, AgentConnect.com (a division of Next Phase Media, Inc.), HomeGain (a division of Classified Ventures, LLC), ApartmentGuide.com, Rent.com, ForRent.com, Apartments.com, NewHomeGuide.com, NewHomeSource.com and more recently Google, Zillow, Trulia and Propsmart as well as general interest consumer web sites that offer home, moving and finance content, including ServiceMagic, Inc. (a division of InterActive Corp) and Gigamoves (a division of eBay).

The barriers to entry for web-based services and businesses are low. In addition, parties with whom we have listing and marketing agreements could choose to develop their own Internet strategies or competing real estate sites. Many of our existing and potential competitors have longer operating histories in the Internet market, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than we do. The rapid pace of technological change constantly creates new opportunities for existing and new competitors and it can quickly render our existing technologies less valuable. Developments in the real estate search services market may also encourage additional competitors to enter that market. See *We may not be able to continue to obtain more listings from Multiple Listing Services and real estate brokers than other web site operators* below.

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

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

We believe that the success of REALTOR.com® depends in large part on displaying a larger and more current listing of existing homes for sale than other web sites. We obtain these listings through agreements with MLSs that have fixed terms, typically 12 to 36 months. At the end of the term of each agreement, the MLS could choose not to renew their agreement with us. There are no assurances the MLSs will continue to renew their agreements to provide listing data to us. If they choose not to renew their relationship with us, then REALTOR.com® could become less attractive to consumers and thus, less attractive to our advertising customers.Internet Data Exchange (IDX) technology makes it possible for other real estate web site operators to display MLS or cooperating broker s listings on their web sites. NAR has adopted guidelines for MLSs that allow a broker to prevent MLSs from providing such broker s listing data to other brokers web sites. These guidelines do not apply to REALTOR.com®. In a civil antitrust lawsuit brought against NAR in 2005, the United States Department of Justice (DOJ) challenged this policy by alleging that it is in violation of federal antitrust laws. It is possible that the ultimate resolution of this antitrust case, or independent initiatives by large brokers or others, could make it easier for other web sites to aggregate listing data for display over the Internet in a manner comparable to REALTOR.com®. This could impact how consumers and customers value our content and product offerings on the REALTOR.com® web site.

Table of Contents

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

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

None.

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

None.

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

None.

Item 5. ***Other Information***

On February 22, 2007, the Compensation Committee of our Board of Directors adjusted the compensation of Allan D. Dalton, formerly President of the Company s Real Estate Division, in connection with his acceptance of a new position with us to lead a new business venture that will create new products and services for sale to consumers and real estate professionals. To incentivize Mr. Dalton to aggressively develop this new business venture and to acknowledge that for a period of time he will have to assist with certain REALTOR.com® activities, the Compensation Committee increased Mr. Dalton s base salary to $350,000, with a guaranteed bonus of $400,000 for 2007 paid in four quarterly installments of $100,000, in recognition of his continued support of REALTOR.com® activities. In addition, Mr. Dalton s cash incentive bonus for 2007 will be based on achieving certain business milestones, sales and profit goals in connection with the new venture.

Item 6. ***Exhibits***

Exhibits

10.1	Letter Agreement between Move, Inc. and Allan Dalton dated April 30, 2007
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURES

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

MOVE, INC.

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

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

Date: May 3, 2007

19

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
10.1	Letter Agreement between Move, Inc. and Allan Dalton dated April 30, 2007
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.