

Answers CORP
Form 10-Q
November 09, 2009

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2009

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

For the transition period from ___ to ____

Commission File Number: 001-32255

ANSWERS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

98-0202855
(I.R.S. Employer Identification No.)

237 West 35th Street, Suite 1101, New York, New York
(Address of principal executive offices)

10001
(Zip Code)

(646) 502-4777
(Registrant's telephone number)

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated Filer Accelerated filer Non-accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of the registrant's shares of common stock outstanding was 7,936,763 as of November 6, 2009.

ANSWERS CORPORATION

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INTRODUCTORY NOTE

This Report on Form 10-Q for Answers Corporation (“Answers” or the “Company”) may contain forward-looking statements. You can identify these statements by forward-looking words such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate” and “continue” or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties, which are discussed in Item 1A, “Risk Factors” and in other sections of this Form 10-Q and in our other filings with the Securities and Exchange Commission. These risks and uncertainties could cause actual results or events to differ materially from the forward-looking statements that we make.

Although, there may be events in the future that we are not able to accurately predict or control, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. Accordingly, to the extent that this Form 10-Q contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that Answers' actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

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PART I - FINANCIAL INFORMATION

Answers Corporation and Subsidiary

Consolidated Balance Sheets (unaudited, in thousands except share and per share data)

	September 30 2009 \$	December 31 2008 \$
Assets		
Current assets:		
Cash and cash equivalents	21,344	11,739
Accounts receivable	2,257	1,680
Prepaid expenses and other current assets	789	818
Deferred tax asset	17	-
Total current assets	24,407	14,237
Long-term deposits (restricted)	271	257
Deposits in respect of employee severance obligations	1,665	1,337
Property and equipment, net of \$2,606 and \$2,083 accumulated depreciation as of September 30, 2009 and December 31, 2008, respectively	1,838	1,234
Other assets:		
Intangible assets, net of \$898 and \$769 accumulated amortization as of September 30, 2009 and December 31, 2008, respectively	816	994
Goodwill	437	437
Prepaid expenses, long-term, and other assets	227	220
Deferred tax assets long term	24	-
Total other assets	1,504	1,651
Total assets	29,685	18,716
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	436	537
Accrued expenses	717	751
Accrued compensation	1,024	628
Warrant to purchase units of Series B preferred stock and warrants	-	8,698
Capital lease obligation – current portion	81	78
Deferred revenues	-	16
Total current liabilities	2,258	10,708
Long-term liabilities:		
Liability in respect of employee severance obligations	1,770	1,534
Capital lease obligation, net of current portion	44	106

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Deferred tax liability	34	26
Series A and Series B Warrants	8,748	-
Total long-term liabilities	10,596	1,666
Commitments and contingencies		
Series A and B convertible preferred stock: \$0.01 par value; stated value and liquidation preference of \$100 per share; 6% cumulative annual dividend; 130,000 and 60,000 shares authorized, issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	1,796	624
Stockholders' equity:		
Preferred stock: \$0.01 par value; 870,000 and 940,000 shares authorized as of September 30, 2009 and December 31, 2008, respectively, none issued	-	-
Common stock; \$0.001 par value; 100,000,000 shares authorized; 7,936,763 and 7,870,538 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	8	8
Additional paid-in capital	88,867	77,091
Accumulated other comprehensive income (loss)	75	(28)
Accumulated deficit	(73,915)	(71,353)
Total stockholders' equity	15,035	5,718
Total liabilities and stockholders' equity	29,685	18,716

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

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Answers Corporation and Subsidiary

Consolidated Statements of Operations (unaudited, in thousands except share and per share data)

	Three months ended September		Nine months ended September	
	30		30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenues:				
Advertising revenue	4,970	3,539	14,684	9,536
Answers service licensing	17	24	53	61
	4,987	3,563	14,737	9,597
Costs and expenses:				
Cost of revenue	1,264	945	3,489	3,754
Research and development	921	866	2,611	2,670
Community development, sales and marketing	621	563	1,679	2,258
General and administrative				