Bankrate, Inc.
Form 10-Q
August 08, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 JUNE 30, 2014

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 1-35206

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	65-0423422 (I.R.S. Employer Identification No.)
11760 U.S. Highway One, Suite 200	
North Palm Beach, Florida (Address of principal executive offices)	33408 (Zip Code)

Registrant’s telephone number, including area code: (561) 630-2400

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	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 outstanding shares of the issuer’s common stock as of July 31, 2014 was as follows: 104,434,271 shares of Common Stock, $.01 par value.

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Bankrate, Inc. and Subsidiaries

Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2014

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains “forward-looking statements” which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, revenues, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon certain assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on, and speak only as of, the date of this report.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as cautionary statements, are discussed in detail in Part I, Item 1A. “Risk Factors” in our annual report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2014. All forward-looking information in this quarterly report and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include without limitation:

- the willingness of our advertisers to advertise on our websites or mobile applications;
- increased competition and its effect on our website traffic, advertising rates, margins, and market share;
- our dependence on internet search engines to attract a significant portion of the visitors to our websites;
- the number of consumers seeking information about the financial products we have on our websites or mobile applications;
- interest rate volatility;
- technological changes;
- our ability to manage traffic on our websites or mobile applications, and service interruptions;
- our ability to maintain and develop our brands and content;
- the fluctuations of our results of operations from period to period;
- our indebtedness and the effect such indebtedness may have on our business;
- our need and our ability to incur additional debt or equity financing;
- our ability to integrate the operations and realize the expected benefits of businesses that we have acquired and may acquire in the future;
- the effect of unexpected liabilities we assume from our acquisitions;
- changes in application approval rates by our credit card issuer customers;
- our ability to successfully execute on our strategy, including without limitation our insurance quality initiative and our mobile strategy, and the effectiveness of our strategy;
- our ability to attract and retain executive officers and personnel;
- the impact of and defense of resolution of lawsuits to which we are a party;
- the failure to obtain preliminary or final Court approval of the proposed settlement of the securities litigation described in Note 9 of our Condensed Consolidated Financial Statements included in this document (or a delay in obtaining that approval), risks related to decisions by stockholders to opt out of or object to the proposed settlement, and resolution of insurance claims related to the litigation;
- our ability to protect our intellectual property;
- the effects of facing liability for content on our websites or mobile applications;

- our ability to establish and maintain distribution arrangements;

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- our ability to maintain good working relationships with our customers and third-party providers and to continue to attract new customers;
- the effect of our expansion of operations in the United Kingdom and China and possible expansion to other international markets, in which we may have limited experience;
- the willingness of consumers to accept the Internet and our online network as a medium for obtaining financial product information;
- the strength of the U.S. economy in general and the financial services industry in particular;
- changes in monetary and fiscal policies of the U.S. Government;
- changes in consumer spending and saving habits;
- review of our business and operations by regulatory authorities;
- changes in the legal and regulatory environment;
- changes in accounting principles, policies, practices or guidelines; and
- ability to manage the risks involved in the foregoing.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this quarterly report may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Bankrate, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	(Unaudited) June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 175,779	$ 230,071
Short term investments	500	-
Accounts receivable, net of allowance for doubtful accounts of $546 and $451 at June 30, 2014 and December 31, 2013	77,154	61,962
Deferred income taxes	17,155	7,155
Prepaid expenses and other current assets	31,368	9,736
Total current assets	301,956	308,924
Furniture, fixtures and equipment, net of accumulated depreciation of $24,003 and $19,690 at June 30, 2014 and December 31, 2013	13,609	12,930
Intangible assets, net of accumulated amortization of $207,317 and $181,721 at June 30, 2014 and December 31, 2013	353,977	350,206
Goodwill	638,010	611,975
Other assets	12,456	12,776
Total assets	$ 1,320,008	$ 1,296,811
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable	8,247	7,149
Accrued expenses	27,367	40,546
Deferred revenue and customer deposits	4,705	3,792
Accrued interest	6,891	7,379
Other current liabilities	30,787	24,595
Total current liabilities	77,997	83,461
Deferred income taxes	63,199	51,699
Long term debt, net of unamortized discount	297,305	297,021
Other liabilities	15,581	25,668
Total liabilities	$ 454,082	$ 457,849

Commitments and contingencies (Note 9)

Stockholders' equity		
Common stock, par value $.01 per share - 300,000,000 shares authorized at June 30, 2014 and December 31, 2013; 104,910,543 shares and 101,749,513 shares issued at June 30, 2014 and December 31, 2013; 104,434,271 shares and 101,698,985 shares outstanding at June 30, 2014 and December 31, 2013	1,044	1,017
Additional paid-in capital	895,285	864,152
Accumulated deficit	(22,680)	(25,266)
Less: Treasury stock, at cost - 476,272 shares and 50,528 shares at June 30, 2014 and December 31, 2013	(7,516)	(591)
Accumulated other comprehensive loss	(207)	(350)
Total stockholders' equity	865,926	838,962
Total liabilities and stockholders' equity	$ 1,320,008	$ 1,296,811

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

Bankrate, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands, except share and per share data)

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue	$ 130,662	$ 105,546	$ 267,137	$ 213,994
Cost of revenue (excludes depreciation and amortization)	46,494	37,542	92,789	73,650
Gross margin	84,168	68,004	174,348	140,344
Operating expenses:				
Sales	3,674	3,751	7,334	7,528
Marketing	33,180	24,873	66,581	51,206
Product development and technology	5,907	4,840	11,645	9,491
General and administrative	14,169	11,246	29,426	22,622
Legal settlements	9,190	-	9,191	-
Acquisition, offering and related expenses	158	20	2,561	20
Changes in fair value of contingent acquisition consideration	744	2,949	2,150	4,098
Depreciation and amortization	15,195	14,844	29,656	29,355
	82,217	62,523	158,544	124,320
Income from operations	1,951	5,481	15,804	16,024
Interest and other expenses, net	5,159	6,539	10,351	13,074
(Loss) income before taxes	(3,208)	(1,058)	5,453	2,950
Income tax expense (benefit)	(962)	(166)	2,867	1,659
Net (loss) income	$ (2,246)	$ (892)	$ 2,586	$ 1,291
Basic and diluted net income per share:				
Basic	$ (0.02)	$ (0.01)	$ 0.03	$ 0.01
Diluted	(0.02)	(0.01)	0.03	0.01
Weighted average common shares outstanding:				
Basic	101,894,188	100,050,989	101,389,630	100,049,225
Diluted	101,894,188	100,050,989	103,415,647	100,922,480

Comprehensive income	$ (2,122)	$ (874)	$ 2,729	$ 1,013

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

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Bankrate, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six months ended June 30, 2014	June 30, 2013
Cash flows from operating activities		
Net income	$ 2,586	$ 1,291
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	29,656	29,355
Provision for doubtful accounts receivable	297	433
Amortization of deferred financing charges and original issue discount	1,080	1,357
Stock-based compensation	8,338	5,121
Changes in fair value of contingent acquisition consideration	2,150	4,098
Change in operating assets and liabilities, net of effect of business acquisitions		
Accounts receivable	(14,184)	(6,050)
Prepaid expenses and other assets	(21,764)	931
Accounts payable	(105)	(757)
Accrued expenses	(13,800)	3,165
Other liabilities	18,821	161
Deferred revenue	683	169
Net cash provided by operating activities	13,758	39,274
Cash flows from investing activities		
Purchases of furniture, fixtures and equipment and capitalized website development costs	(4,491)	(6,432)
Purchases of short-term investments	(500)	-
Cash used in business acquisitions, net	(53,679)	(4,500)
Restricted cash	(1)	-
Net cash used in investing activities	(58,671)	(10,932)
Cash flows from financing activities		
Cash paid for contingent acquisition consideration	(25,298)	-
Purchase of Company common stock	(6,929)	-
Proceeds from exercise of stock options, net of costs	22,826	103
Net cash (used in) provided by financing activities	(9,401)	103
Effect of exchange rate on cash and cash equivalents	22	(74)
Net (decrease) increase in cash	(54,292)	28,371
Cash - beginning of period	230,071	83,590
Cash - end of period	$ 175,779	$ 111,961

Supplemental disclosure of other cash flow activities		
Cash paid for interest	9,835	11,780
Cash paid for taxes, net of refunds	27,351	1,308
Supplemental disclosure of non-cash investing and financing activities		
Contingent acquisition consideration	-	8,800

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

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BANKRATE, INC., AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(Unaudited)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Bankrate, Inc. and its subsidiaries ("Bankrate," the "Company," "we," "us," or "our") own and operate an Internet-based consumer banking and personal finance network ("Online Network"). Our flagship website, Bankrate.com, is one of the Internet's leading aggregators of information on more than 300 financial products and fees, including mortgages, deposits, insurance, credit cards, and other personal finance categories. Additionally, we provide financial applications and information to a network of distribution partners and through national and state publications.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Bankrate, Inc., and subsidiaries NetQuote Holdings, Inc., NetQuote Inc, CreditCards.com, Inc., LinkOffers, Inc., CreditCards.com Limited (United Kingdom), Freedom Marketing Limited (United Kingdom), Caring, Inc. and Rate Holding Company (100% owner of Bankrate Information Consulting (Beijing) Co., Ltd.) after elimination of all intercompany accounts and transactions.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of our results have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014, for any other interim period or for any other future year.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 27, 2014.

Other than as noted below, there have been no significant changes in the Company's accounting policies from those disclosed in the Company's 2013 Annual Report on Form 10-K filed with the SEC on February 27, 2014.

New Accounting Policies

Investments in debt securities

Securities held-to-maturity and available-for-sale: Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each statement of financial position date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization is included in other income. Interest on securities classified as held-to-maturity is included in other income.

Realized gains and losses, and declines in value judged to be other-than-temporary related to equity securities, are included in other income. With respect to debt securities, when the fair value of a debt security classified as held to maturity or available for sale is less than its amortized cost, management assesses whether or not: (i) it has the intent to sell the security or (ii) it is more likely than not that the Company will be required to sell the security before its anticipated recovery. If either of these conditions is met, the Company must recognize an other-than-temporary impairment through earnings for the difference between the debt security’s amortized cost basis and its fair value.

BANKRATE, INC., AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(Unaudited)

For debt securities that do not meet the above criteria and the Company does not expect to recover a security's amortized cost basis, the security is considered other-than-temporarily impaired. The amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income. For debt securities that have recognized an other-than-temporary impairment through earnings, if through subsequent evaluation there is a significant increase in the cash flow expected, the difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income.

As of June 30, 2014, the Company had held-to-maturity debt securities of $500,000 at amortized cost and fair value, and there were no unrealized holding gains or losses recognized during the three and six months ended June 30, 2014. The security matures within one year and is classified within short term investments in the Condensed Consolidated Balance Sheet.

Reclassification

Certain reclassifications have been made to the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2013 to conform to the presentation for the three and six months ended June 30, 2014.

New Accounting Pronouncements

Recently Adopted Pronouncements

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This amendment requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The amendment is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of ASU 2011-11 as of January 1, 2013 did not have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income to update the presentation of reclassifications from comprehensive income to net income in consolidated financial statements. Under this new guidance, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income either by the respective line items of net income or by cross-reference to other required disclosures. The new guidance does not change the requirements for reporting net income or other comprehensive income in financial statements. This guidance is effective for fiscal years beginning after December 15, 2012. We adopted this guidance effective January 1, 2013, and it did not have any effect on our consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. Under this guidance, when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. This amendment is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013 and early adoption is permitted. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in ASU 2013-11 require an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for an net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward except when: (1) An NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; or (2) The entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. The amendment does not affect the recognition or measurement of uncertain tax positions under ASC 740 This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized

BANKRATE, INC., AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(Unaudited)

tax benefits that exist at the effective date. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

Recently Issued Pronouncements, Not Adopted as of June 30, 2014

In April 2014, the FASB issued ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” which amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued operations criteria. This ASU requires discontinued operations treatment for disposals of a component or group of components of an entity that represent a strategic shift that has or will have a major impact on an entity’s operations or financial results. ASU 2014-08 also expands the scope of ASC 205-20, “Discontinued Operations,” to disposals of equity method investments and acquired businesses held for sale. This ASU is effective prospectively for all disposals or classifications as held for sale that occur in interim and annual reporting periods beginning after December 15, 2014. Management does not expect the adoption of ASU 2014-08 to have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09: Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The effective date for public registrants will be January 1, 2017 for us. Early adoption is not permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

NOTE 2 – GOODWILL AND INTANGIBLE ASSETS

Goodwill activity for the six months ended June 30, 2014 is shown below:

Balance, January 1, 2014	$ 611,975
Acquisition of Caring, Inc.	26,217
Adjustment during the measurement period of previous acquisition	(182)
Balance, June 30, 2014	$ 638,010

Intangible assets consist primarily of domain names and URLs, customer relationships, affiliate relationships and developed technologies. Intangible assets are being amortized over their estimated useful lives on both straight-line and accelerated bases.

Intangible assets subject to amortization were as follows as of June 30, 2014:

(In thousands)	Cost	Accumulated Amortization	Net
Trademarks and URLs	$ 270,407	$ (63,869)	$ 206,538
Customer relationships	239,011	(113,735)	125,276
Affiliate relationships	22,740	(12,169)	10,571
Developed technology	29,136	(17,544)	11,592
	$ 561,294	$ (207,317)	$ 353,977

BANKRATE, INC., AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(Unaudited)

Intangible assets subject to amortization were as follows as of December 31, 2013:

(In thousands)	Cost	Accumulated Amortization	Net
Trademarks and URLs	$ 256,013	$ (53,681)	$ 202,332
Customer relationships	229,041	(100,077)	128,964
Affiliate relationships	22,740	(11,721)	11,019
Developed technology	24,133	(16,242)	7,891
	$ 531,927	$ (181,721)	$ 350,206

Amortization expense for the three months ended June 30, 2014 and 2013 was $13.7 million and $13.1 million, respectively. Amortization expense for the six months ended June 30, 2014 and 2013 was $26.3 million and $26.0 million, respectively.

Future amortization expense as of June 30, 2014 is expected to be:

(In thousands)	Amortization Expense
Remainder of 2014	$ 27,124
2015	52,262
2016	51,198
2017	46,313
2018	36,362
Thereafter	140,718
Total expected amortization expense for intangible assets	$ 353,977

NOTE 3 – EARNINGS PER SHARE

We compute basic earnings per share by dividing net income for the period by the weighted average number of shares outstanding for the period. Diluted earnings per share includes the effects of dilutive common stock equivalents, consisting of outstanding stock-based awards, unrecognized compensation expense and tax benefits in accordance with FASB Accounting Standards Codification (“ASC”) 718, Compensation – Stock Compensation, to the extent the effect is not anti-dilutive, using the treasury stock method.

The following table presents the computation of basic and diluted earnings per share:

	Three months ended		Six months ended	
(In thousands, except share and per share data)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net (loss) income	$ (2,246)	$ (892)	$ 2,586	$ 1,291
Weighted average common shares outstanding for basic earnings per share	101,894,188	100,050,989	101,389,630	100,049,225
Additional dilutive shares related to share based awards	-	-	2,026,017	873,255
Weighted average common shares outstanding for diluted earnings per share	101,894,188	100,050,989	103,415,647	100,922,480
Basic and diluted net income per share:				
Basic	$ (0.02)	$ (0.01)	$ 0.03	$ 0.01
Diluted	$ (0.02)	$ (0.01)	$ 0.03	$ 0.01

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BANKRATE, INC., AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(Unaudited)

For the three months ended June 30, 2014 and 2013 there were 2,612,684 and 5,022,426 stock options, respectively, which were not included in the calculation of diluted earnings per share because their impact would have been anti-dilutive. For the six months ended June 30, 2014 and 2013 there were 586,667 and 4,897,426 stock options, respectively, which are not included in the calculation of diluted earnings per share because their impact would have been anti-dilutive.

NOTE 4 – STOCKHOLDERS' EQUITY

The activity in stockholders' equity for the six months ended June 30, 2014 is shown below:

	Common Stock						
(In thousands)	Shares	Amount	Additional paid-in capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss - Foreign Currency Translation	Total Stockholders' Equity
Balance at December 31, 2013	101,699	$ 1,017	$ 864,152	$ (25,266)	$ (591)	$ (350)	$ 838,962
Other comprehensive income, net of taxes	-	-	-	-	-	143	143
Treasury stock purchased	(426)	(4)	-	-	(6,925)	-	(6,929)
Restricted stock issued, net of cancellations	901	9	(9)	-	-	-	-
Performance stock issued, net of cancellations	720	7	(7)	-	-	-	-
Common stock issued	1,540	15	22,811	-	-	-	22,826
Stock-based compensation	-	-	8,338	-	-	-	8,338
Excess tax benefit	-	-	-	-	-	-	-
Net income	-	-	-	2,586	-	-	2,586
Balance at June 30, 2014	104,434	$ 1,044	$ 895,285	$ (22,680)	$ (7,516)	$ (207)	$ 865,926

NOTE 5 – GEOGRAPHIC DATA AND CONCENTRATIONS

No single country outside of the U.S. accounted for more than 10% of revenue during the three months ended June 30, 2014 and 2013. There was one customer that accounted for 12% of revenue during the three months ended June 30, 2014. There were no customers that accounted for more than 10% of revenue during the three months ended June 30, 2013. .No single country outside of the U.S. accounted for more than 10% of revenue during the six months ended June 30, 2014 and 2013. There was one customer that accounted for 11% of revenue during the six months ended June 30, 2014. There were no customer that accounted for more than 10% of revenue during the six months ended June 30, 2013. There was one customer with accounts receivable that constituted greater than 10% of the accounts receivable balance as of June 30, 2014 and no customers greater than 10% as of December 31, 2013.

BANKRATE, INC., AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(Unaudited)

Revenue related to the U.S. and international operations and revenue by type for the three and six months ended June 30, 2014 and 2013, and long-lived assets related to the U.S. and international operations as of June 30, 2014 and December 31, 2013 are as follows:

	Three months ended		Six months ended	
(In thousands)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue:				
USA	$ 129,801	$ 104,436	$ 264,950	$ 211,377
International	861	1,110	2,187	2,617
	$ 130,662	$ 105,546	$ 267,137	$ 213,994
Revenue:				
Online	$ 129,346	$ 103,564	$ 264,411	$ 210,029
Print	1,316	1,982	2,726	3,965
	$ 130,662	$ 105,546	$ 267,137	$ 213,994

(In thousands)	June 30, 2014	December 31, 2013
Long lived assets:		
USA	$ 1,001,551	$ 970,903
International	4,045	4,208
Balance, end of period	$ 1,005,596	$ 975,111

NOTE 6 – FAIR VALUE MEASUREMENT

The carrying amounts of cash, accounts receivable and accrued interest approximate estimated fair value. In measuring the fair value of our long term debt, the Company used market information. These estimates require considerable judgment in interpreting market data, and changes in assumptions or estimation methods could significantly affect the fair value estimates.

The following table presents estimated fair value, and related carrying amounts, as of June 30, 2014 and December 31, 2013:

	June 30, 2014		December 31, 2013	
	Carrying	Estimated	Carrying	Estimated
(In thousands)	Amount	Fair Value	Amount	Fair Value
Financial Liabilities:				
Long term debt	$ 297,305	$ 318,750	$ 297,021	$ 312,000

In addition, the Company makes recurring fair value measurements of its contingent acquisition consideration using Level 3 unobservable inputs. The Company recognizes the fair value of contingent acquisition consideration based on its estimated fair value at the date of acquisition using discounted cash flows and subsequent adjustments to the fair value are due to the passage of time as we approach the payment date or changes to management’s estimates of the projected results of the acquired business. In determining the fair value of contingent acquisition consideration, the Company reviews current results of the acquired business along with projected results for the remaining earnout period to calculate the expected contingent acquisition consideration to be paid using the agreed upon formula as laid out in the acquisition agreements.

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(Unaudited)

The following tables present the Company's fair value measurements of its contingent acquisition consideration as of June 30, 2014 and December 31, 2013 using the fair value hierarchy:

	Fair Value Measurement at June 30, 2014 Using			
(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring fair value measurement				
Contingent acquisition consideration	$ -	$ -	$ 15,615	$ 15,615
Total recurring fair value measurements	$ -	$ -	$ 15,615	$ 15,615

	Fair Value Measurement at December 31, 2013 Using			
(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring fair value measurement				
Contingent acquisition consideration	$ -	$ -	$ 38,762	$ 38,762
Total recurring fair value measurements	$ -	$ -	$ 38,762	$ 38,762

The following table sets forth a reconciliation of changes in the fair value of the Company's Level 3 financial assets, contingent acquisition consideration, for the six months ended June 30, 2014:

(In thousands)	Six months ended June 30, 2014
Balance at beginning of period	$ 38,762
Additions to Level 3	-
Transfers into Level 3	-
Transfers out of Level 3	-
Change in fair value	2,150
Payments	(25,297)
Balance at end of period	$ 15,615

The unobservable inputs used by the Company in determining the fair value of contingent acquisition consideration for earnout periods not yet completed include a discount factor of 16% based on the Company's weighted average cost of capital and projected results of the acquired businesses. The fair value calculated as of June 30, 2014 is subject to sensitivity as it relates to the projected results of the acquired businesses. Each calculation is based on a separate formula and results that differ from our projections could impact the fair value significantly. During the six months ended June 30, 2014, the Company changed certain estimates of the projected results of acquired businesses that resulted in an increase in the fair value of contingent acquisition consideration and a charge to operating income of $543,000. The remaining $1.6 million recorded in the change in fair value of contingent acquisition consideration during the six months ended June 30, 2014 is related to the passage of time. As of June 30, 2014, the $15.6 million represents the discounted fair value of the maximum payments allowed under the acquisition agreements and therefore only a change to the discount factor used could result in an increase to the fair value recorded as of June 30, 2014.

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(Unaudited)

NOTE 7 – STOCK-BASED COMPENSATION

In June 2011, the Company established the 2011 Equity Compensation Plan (the "2011 Plan") to grant stock-based awards for up to 12,120,000 shares of our common stock. Under the 2011 Plan, the Board of Directors or its delegate has the sole authority to determine who receives such grants, the type, size and timing of such grants, and to specify the terms of any non-competition agreements relating to the grants. The purpose of the 2011 Plan is to advance our interests by providing eligible participants in the Plan with the opportunity to receive equity-based or cash incentive awards, thereby aligning their economic interests with those of our stockholders. As of June 30, 2014, 3,786,155 shares were available for future issuance under the 2011 plan.

The stock-based compensation expense for stock options and restricted stock awards recognized in our condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2014 and 2013 are as follows:

(In thousands)	Three months ended June 30, 2014	June 30, 2013	Six months ended June 30, 2014	June 30, 2013
Cost of revenue	$ 388	$ 190	$ 698	$ 318
Operating expenses:				
Sales	399	433	732	777
Marketing	264	314	494	577
Product development and technology	707	388	1,214	714
General and administrative	2,657	1,555	5,200	2,735
Total stock-based compensation	$ 4,415	$ 2,880	$ 8,338	$ 5,121

Restricted Stock

The following table summarizes restricted stock award activity for the six months ended June 30, 2014:

	Number of	Weighted Average Grant Date

	Shares	Fair Value
Balance, January 1, 2014	973,193	$ 15.66
Granted	937,728	16.19
Vested and released	(274,920)	14.77
Forfeited	(36,476)	15.72
Expired	-	-
Balance, June 30, 2014	1,599,525	$ 16.12

Stock-based compensation expense for the three months ended June 30, 2014 and 2013 included approximately $2.5 million and $534,000 related to restricted stock awards, respectively. Stock-based compensation expense for the six months ended June 30, 2014 and 2013 included approximately $4.5 million and $534,000 related to restricted stock awards, respectively. As of June 30, 2014, there was unrecognized compensation cost related to non-vested restricted stock awards of $21.8 million, which is estimated to be recognized over 2.3 years.

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Performance Based Restricted Shares

Performance based shares activity was as follows for the six months ended June 30, 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2014	419,500	$ 14.77
Granted	1,144,240	16.06
Vested/Earned	-	-
Forfeited	(4,500)	16.06
Unearned	(419,500)	14.77
Balance, June 30, 2014	1,139,740	$ 16.06

During the six months ended June 30, 2014 it was determined that the Company had not met the performance condition related to the performance based restricted shares granted in 2013 and cancelled the 419,500 outstanding shares as unearned. During the six months ended June 30, 2014 we granted 1,144,240 performance based restricted shares with an average grant date fair value of $16.06 per share. The shares include a performance condition and the number of shares ultimately issued will be determined based on the Company's performance for the two fiscal years ending December 31, 2015. The granted amount represents the maximum amount of the award at 150% of the target and the total number of shares ultimately issued can range from 0% to 100% of the granted amount. No stock-based compensation expense has been recorded during the three and six months ended June 30, 2014 as the satisfaction of the performance condition is not considered probable.

Stock Options

Stock option activity was as follows for the six months ended June 30, 2014:

	Number of Shares	Price Per Share	Weighted Average	Aggregate

			Exercise Price	Intrinsic Value
Balance, January 1, 2014	5,058,543	$ 11.05 - 24.25	$ 15.70	$ 13,167,000
Granted	-	-	-	
Exercised	(1,520,938)	11.05 - 16.75	15.01	
Forfeited	(36,459)	23.71	23.71	
Expired	-	-	-	
Balance, June 30, 2014	3,501,146	$ 11.05 - 24.25	$ 15.92	$ 7,493,000

Pursuant to the income tax provisions of ASC 718, we follow the “long-haul method” of computing our hypothetical additional paid-in capital, or APIC, pool. Approximately 503,000 stock options vested during the six months ended June 30, 2014.

The aggregate intrinsic value of stock options outstanding in the table above is calculated as the difference between the closing price of Bankrate’s common stock on the last trading day of the reporting period ($17.54) and the exercise price of the stock options multiplied by the number of shares underlying options with an exercise prices less than the closing price on the last trading day of the reporting period.

As of June 30, 2014, approximately $9.9 million of total unrecognized compensation costs, net of forfeitures, related to non-vested stock option awards is expected to be recognized over a weighted average period of 1.3 years.

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NOTE 8 – INCOME TAXES

We calculate our income tax provision for interim periods based on two components: 1) the estimate of the annual effective tax rate and 2) the addition of any required period (i.e., discrete) events. The difference between income tax expense computed at the statutory rate and the reported income tax expense is primarily due to state income taxes and the effects of non-includable foreign activity incurred during the three and six months ended June 30, 2014 and 2013.

We have approximately $12.9 million of unrecognized tax benefits as of June 30, 2014 and December 31, 2013.

We are subject to income taxes in the U.S. federal jurisdiction, various states, and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. We are subject to examination by state taxing authorities for tax returns filed and have no unrecorded liabilities for uncertain tax positions as of June 30, 2014. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2009. In October 2013, the Massachusetts Department of Revenue (“MADOR”) notified us of an examination into the 2012 tax year. The MADOR has collected data and is currently in its determination state. We cannot presently estimate the outcome of this examination. On March 3, 2014, the Internal Revenue Service (“IRS”) notified us of an examination into the 2011 tax year. On May 9, 2014, the IRS notified us of expanding their examination into the 2012 tax year. The IRS has collected data and is currently in its execution stage. We cannot presently estimate the outcome of this examination.

We accrued approximately $78,000 and $96,000 for the payment of interest and penalities for the respective three months ended June 30, 2014 and 2013, which was recorded as an income tax expense during the respective three months ended June 30, 2014 and 2013.

We accrued approximately $156,000 and $191,000 for the payment of interest and penalties for the respective six months ended June 30, 2014 and 2013, which was recorded as an income tax expense during the respective six months ended June 30, 2014 and 2013.

Our effective tax rate changed from approximately 16% during the three months ended June 30, 2013 to approximately 30% in the same period in 2014 due to the lesser impact of foreign losses and interest incurred during the three months ended June 30, 2014 on liabilities related to unrecognized tax benefits on a larger overall pretax loss.

Our effective tax rate changed from approximately 56% during the six months ended June 30, 2013 to approximately 53% in the same period in 2014 due to foreign losses and interest incurred during the six months ended June 30, 2014 on liabilities related to unrecognized tax benefits.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

BanxCorp Litigation

In July 2007, BanxCorp, an online publisher of rate information provided by financial institutions with respect to various financial products, filed suit against the Company in the United States District Court for the District of New Jersey alleging violations of Federal and New Jersey State antitrust laws, including the Sherman Act and the Clayton Act. BanxCorp has alleged that it has been injured as a result of monopolistic and otherwise anticompetitive conduct on the part of the Company and is seeking approximately $180 million in compensatory damages, treble damages, and attorneys' fees and costs. In October 2012, BanxCorp filed a Seventh Amended Complaint, alleging violations of Section 2 of the Sherman Act, Section 7 of the Clayton Act and parallel provisions of New Jersey antitrust laws, and dropping its claims under Section 1 of the Sherman Act. Discovery closed on December 21, 2012 and both parties have filed motions seeking summary judgment. The Company will continue to vigorously defend this lawsuit. The Company cannot presently estimate the amount of loss, if any, that would result from an adverse resolution of this matter.

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TCPA Litigation

In October 2013, a putative class action lawsuit styled Steven Nicoski v. Bankrate, Inc. was filed against the Company in the United States District Court for the District of Minnesota alleging violations of the Telephone Consumer Protection Act (TCPA) and seeking statutory damages, injunctive relief and attorney fees. The plaintiff alleged that the Company contacted him and the members of the class he sought to represent on their cellular telephones without their prior express consent. The plaintiff filed a motion for class certification in December 2013, which was denied without prejudice in March 2014. On June 23, 2014, the plaintiff entered into a settlement agreement with the Company on an individual basis for an immaterial amount. On July 15, 2014, the court dismissed the case with prejudice.

Securities Litigation

In October 2013, a purported class action suit was brought in federal court in the Southern District of New York against the Company, certain officers and directors of the Company, entities associated with Apax Partners, and the underwriters in the Company’s 2011 initial public offering and December 2011 stock offering. The suit, captioned Arkansas Teacher Retirement System v. Bankrate, Inc., 13-CV-7183, alleges, among other things, that the Company’s public disclosures regarding its insurance leads business, were materially misleading, and seeks relief under the federal securities laws, including damages. On January 21, 2014, the plaintiffs filed an Amended Complaint, which asserted claims against the Company, certain officers of the Company, and entities associated with Apax Partners, and dropped the claims asserted against the underwriters and certain Company directors. On April 15, 2014, the court granted the defendants’ motion to dismiss as to claims asserted against the entities associated with Apax Partners, and denied the motion to dismiss as to the remaining claims. On June 9, 2014, the Company announced that it has reached a proposed agreement, subject to Court approval, to settle this litigation. Under the terms of the proposed settlement, Bankrate would pay a total of $18 million in cash to a Settlement Fund to resolve all claims asserted on behalf of investors who purchased or otherwise acquired Bankrate stock between June 16, 2011 and October 15, 2012. The proposed settlement further provides that Bankrate denies all claims of wrongdoing or liability. Bankrate’s insurers are expected to fund at least a substantial portion of the Settlement Fund. During the three months ended June 30, 2014 the Company recorded a loss for the settlement and related legal expenses of $9.1 million, net of agreed to insurance proceeds of $10.0 million in legal settlements within the Condensed Consolidated Statements of Comprehensive Income. The Company expects to receive additional insurance proceeds. The $10.0 million of insurance proceeds is included in prepaid expenses and other current assets and the accrued legal settlement of $19.1 million is included in other current liabilities within the Condensed Consolidated Balance Sheets as of June 30, 2014.

NOTE 10 – DEBT

Senior Notes

On July 25, 2013, the Company delivered a Conditional Notice of Full Redemption (the ”Notice”) to holders of its 11.75% Senior Secured Notes due 2015 (“Senior Secured Notes”). The Notice called for redemption of all the currently outstanding $195.0 million aggregate principal amount of Senior Secured Notes on August 24, 2013 (the ”Redemption

Date”). The redemption price of the Senior Secured Notes is 105.875% of the principal amount redeemed, plus accrued and unpaid interest to but not including the Redemption Date (the “Redemption Price”). The redemption was consummated on the Redemption Date and as a result the Company recorded a loss of $17.2 million during the year ended December 31, 2013.

On August 2, 2013, the Company announced the pricing of an offering of $300 million of new 6.125% senior unsecured notes due 2018 (the “Senior Notes”), which closed on August 7, 2013. On August 7, 2013, the Company completed the offering of the Senior Notes and the deposit of $208.9 million with Wilmington Trust, National Association, the trustee (the “Trustee”) under the Indenture, dated as of July 13, 2010 (the “Indenture”) under which the Senior Secured Notes were issued, thereby satisfying and discharging the Indenture governing the Senior Secured Notes and all of the Company’s obligations under the Senior Secured Notes. The deposited funds were applied by the Trustee to pay the Redemption Price. In connection with the redemption, the Company wrote off unamortized original issue discount of $819,000 and unamortized deferred loan fees of approximately $3.4 million, which were included in the loss on early extinguishment of debt in the condensed consolidated statement of comprehensive income in 2013.

Interest on the Senior Notes accrues daily on the outstanding principal amount thereof at 6.125% and is payable semi-annually, in arrears, on August 15th and February 15th, beginning on February 15, 2014, in cash.

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On or after August 15, 2015, the Company may redeem some or all of the Senior Notes at a premium that will decrease over time as set forth in Bankrate, Inc.'s Indenture, dated as of August 7, 2013 (the "Senior Notes Indenture"). Additionally, if the Company experiences a Change of Control Triggering Event (as defined in the Senior Notes Indenture), the Company must offer to purchase all of the Senior Notes at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase. The Senior Notes Indenture contains covenants and events of default customary for transactions of this type and has no financial maintenance covenant. All obligations under the Senior Notes are guaranteed by the Guarantors (as defined below).

For the three months ended June 30, 2014 and 2013, interest expense, excluding the amortization of deferred financing costs and the original issue discounts, related to the Senior Notes and Senior Secured Notes was $4.6 million and $5.7 million, respectively. For the six months ended June 30, 2014 and 2013, interest expense, excluding the amortization of deferred financing costs and the original issue discounts, related to the Senior Notes and Senior Secured Notes was $9.2 million and $11.5 million, respectively.

During the three months ended June 30, 2014 and 2013, the Company amortized original issue discount which is included within interest and other expenses on the accompanying condensed consolidated statements of comprehensive income of $143,000 and $92,000, respectively. During the six months ended June 30, 2014 and 2013, the Company amortized original issue discount which is included within interest and other expenses on the accompanying condensed consolidated statements of comprehensive income of $284,000 and $182,000, respectively. At June 30, 2014 and December 31, 2013, the Company had approximately $2.7 million and $3.0 million, respectively, in original issue discounts remaining to be amortized.

During the three months ended June 30, 2014 and 2013, the Company amortized deferred loan fees related to the Senior Notes and Senior Secured Notes which are included within interest and other expenses on the accompanying consolidated statement of comprehensive income of $314,000 and $387,000, respectively. During the six months ended June 30, 2014 and 2013, the Company amortized deferred loan fees related to the Senior Notes and Senior Secured Notes which are included within interest and other expenses on the accompanying consolidated statement of comprehensive income of $623,000 and $761,000, respectively. At June 30, 2014 and December 31, 2013, the Company had approximately $6.1 million and $6.7 million, respectively, in deferred loan fees remaining to be amortized.

The Company had a balance of approximately $297.3 million and $297.0 million in Senior Notes, net of amortization, as of June 30, 2014 and December 31, 2013, respectively recorded on the accompanying consolidated balance sheet.

Revolving Credit Facility

On August 7, 2013, the Company terminated its existing Revolving Credit Facilities in an aggregate amount of $100.0 million, consisting of two tranches, tranche A for $30.0 million and tranche B for $70.0 million ("Revolving Credit Facilities") and repaid all outstanding obligations thereunder. In connection with such termination, the Company wrote off approximately $1.4 million of deferred loan fees, which was included in the loss on early extinguishment of debt in the condensed consolidated statement of comprehensive income for the year ended December 31, 2013.

Also on August 7, 2013, the Company announced it entered into a Revolving Credit Agreement dated as of August 7, 2013 (the “New Credit Agreement”), among the Company, as borrower, certain subsidiaries of the Company, as guarantors (the “Guarantors”), the lenders party thereto (the “Lenders”), Royal Bank of Canada, as administrative agent, and the other parties thereto. The New Credit Agreement provides for a $70.0 million revolving facility (“Revolving Credit Facility”) which matures on May 17, 2018. The proceeds of any loans made under the Revolving Credit Facility can be used for ongoing working capital requirements and other general corporate purposes, including the financing of capital expenditures and acquisitions.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to, at the Company’s option, either (1) an alternate base rate (as defined in the Revolving Credit Facility) or (2) an adjusted LIBO rate (as defined in the Revolving Credit Facility), each calculated in a customary manner, plus applicable margin. The applicable margin is 3.00% per annum with respect to alternate base rate loans and 2.00% per annum with respect to adjusted LIBO rate loans. In addition to paying interest on the outstanding principal amount of borrowings under the Revolving Credit Facility, the Company must pay a commitment fee to the Lenders in respect of their average daily unused amount of revolving commitments at a rate that ranges from 0.375% to 0.50% per annum depending on the Company’s consolidated total leverage ratio. The Company may voluntarily prepay loans under the

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Revolving Credit Facility at any time without premium or penalty (subject to customary "breakage" fees in the case of Eurodollar rate loans).

The New Credit Agreement contains customary affirmative and negative covenants and events of default and requires the Company to comply with a maximum consolidated total leverage ratio of 4.00:1.00 as of the last day of any fiscal quarter only if the aggregate amount (without duplication) of letters of credit (other than letters of credit that are issued and not drawn to the extent such letters of credit are cash collateralized) and loans outstanding under the Revolving Credit Facility exceed, on a pro forma basis, 30% of the total revolving commitments of all Lenders at such time. The Company was in compliance with all required covenants as of June 30, 2014.

All obligations under the New Credit Agreement are guaranteed by the Guarantors and are secured, subject to certain exceptions, by first priority liens on the assets of the Company and the Guarantors.

As of June 30, 2014, the Company had $70.0 million available for borrowing under the Revolving Credit Facility and there were no amounts outstanding. During the three months ended June 30, 2014 and 2013, the Company amortized $85,000 and $207,000 of deferred loan fees, respectively, which is included in interest and other expenses on the accompanying consolidated statements of comprehensive income (loss). During the six months ended June 30, 2014 and 2013, the Company amortized $170,000 and $415,000 of deferred loan fees, respectively, which is included in interest and other expenses on the accompanying consolidated statements of comprehensive income (loss). At June 30, 2014 and December 31, 2013, the Company had approximately $1.2 million and $1.4 million, respectively, in deferred loan fees remaining to be amortized.

NOTE 11 – ACQUISITIONS

Acquisition of Caring, Inc.

On May 1, 2014, the Company completed the acquisition of Caring, Inc., a Delaware corporation ("Caring"), through the merger of a wholly owned subsidiary of Bankrate with and into Caring, with Caring continuing as the surviving corporation (the "Merger"). Caring was a privately held company and the owner of Caring.com, a leading senior care resource for those seeking information and support as they care for aging family members and loved ones. As a result of the Merger, Caring became a wholly owned subsidiary of Bankrate. This acquisition was made to complement our online publishing business and to enter a new product vertical. The results of operations of Caring are included in the Company's consolidated results from the acquisition date. The acquisition is accounted for as a business combination and the purchase accounting is preliminary and subject to change as third party valuations are finalized.

The Company paid $53.7 million, net of cash acquired, and $4.3 million was placed in escrow to satisfy certain indemnification obligations of Caring's shareholders. As of June 30, 2014, no escrow payments have been made.

We recorded approximately $26.2 million in goodwill, which reflects the adjustments necessary to allocate the purchase price to the fair value of the assets acquired and the liabilities assumed. We expect goodwill will not be deductible for income tax purposes. Approximately $29.5 million was recorded as intangible assets consisting of

Internet domain name for $14.6 million, customer relationships for $9.9 million, and developed technology for $5.0 million.

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(Unaudited)

The following table presents the June 30, 2014 preliminary estimated fair value of assets acquired and liabilities assumed at the acquisition date.

(In thousands)	Preliminary Acquisition Date Estimated Fair Value
Current assets, net of cash acquired	$ 1,490
Property and equipment, net	76
Intangible assets	29,500
Goodwill	26,217
Deferred tax asset	10,000
Other noncurrent assets	76
Current liabilities	(2,174)
Deferred tax liability	(11,500)
Other noncurrent liabilities	(6)
Preliminary purchase price	$ 53,679

The valuations used to determine the preliminary estimated fair value of the intangible assets and the resulting goodwill in the purchase price allocation principally use the discounted cash flow methodology and were made concurrent with the effective date of the acquisition. The estimated weighted average amortization periods for intangible assets recorded in the acquisition are as follows:

	Weighted Average Amortization Period (Years)
Trademarks and URLs	10.0
Customer relationships	7.0
Developed technology	8.0

Pro Forma Data

The amounts of revenue and net loss included in the Company's Consolidated Statement of Comprehensive Income from the acquisition date were $2.1 million and $1.6 million, respectively. The following unaudited pro forma data summarizes the results of operations for the three and six months ended June 30, 2014 as if the acquisition of Caring had been completed on January 1, 2013.

	Three months ended		Six months ended	
(In thousands)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Total revenue	$ 131,872	$ 107,036	$ 270,962	$ 216,575
Net income (loss)	$ (2,600)	$ (2,915)	$ 550	$ 1,872

The pro forma data give effect to the actual operating results prior to the acquisitions and adjustments to reflect the additional amortization expense that would have been charged and reduction in deferred revenue assuming the fair value adjustments had been applied on January 1, 2013. In addition, the pro forma data gives effect to additional stock compensation expense resulting from the acquisition as if it had happened on January 1, 2013 and eliminates interest expense from Caring's historical results, together with the related tax effects of all adjustments. The pro forma data does not give effect to transaction costs related to the acquisitions. These pro forma amounts are not intended to be indicative of the results that would have been actually reported if the acquisition of Caring had occurred on January 1, 2013 or that may be reported in the future.

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

You should read the following discussion of our results of operations and financial condition with the financial statements and related notes included elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs, and that involve numerous risks and uncertainties, including, but not limited to, those described in the "Cautionary Statement Concerning Forward-Looking Statements" section of this quarterly report and in the materials referenced therein. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Statement Concerning Forward-Looking Statements."

Introduction

Our Company

We are a leading publisher, aggregator and distributor of personal finance content on the Internet. We provide consumers with proprietary, fully researched, comprehensive, independent and objective personal finance editorial content across multiple vertical categories including mortgages, deposits, insurance, credit cards, and other personal finance categories.

Our sources of revenue include display advertising, performance-based advertising, lead generation, distribution arrangements and traditional media avenues, such as syndication of editorial content and subscriptions.

We generate revenue through the sale of leads in the credit card, insurance and senior care vertical categories. Primarily through our CreditCards.com, Bankrate.com and CreditCardGuide.com brands, and through our affiliate networks, we provide leads to credit card issuers and principally record sales after the credit card issuers approve the leads' credit applications. Through our InsWeb, InsureMe and NetQuote brands, we sell leads to insurance agents and insurance carriers. We generate revenue on a per-lead basis based on the actual number of qualified insurance leads generated, and on a per-action basis for credit card applications (i.e., upon approval or completion of an application). Leads are generated not only organically within the Bankrate network of websites, but also through our various affiliate networks, via co-brands, and through display advertisements. We sell to advertisers targeting a specific audience in a city or state and also to national advertisers targeting the entire country. Through our Caring brand, we provide leads to senior care communities and principally record sales after the leads have moved into the community.

Advertisers that are listed in our mortgage and deposit rate tables have the opportunity to hyperlink their listings. Additionally, advertisers can buy hyperlinked placement within our qualified insurance listings. By clicking on the hyperlink, users are taken to the advertiser's website. We typically sell our hyperlinks on a per-click pricing model. Under this arrangement, advertisers pay Bankrate a specific, pre-determined cost each time a consumer clicks on that advertiser's hyperlink or phone icon (usually found under the advertiser's name in the rate or insurance table listings). All clicks are screened for fraudulent characteristics in accordance with IAB advertising standards by either an independent third party vendor (for our mortgage and deposit products) or internally (for our insurance products) and then charged to the customer's account.

We provide a variety of digital display formats. Our most common digital display advertisement sizes are leader boards and banners, which are prominently displayed at the top or bottom of a page, as well as skyscrapers, islands, and posters. We charge for these advertisements based on the number of times the advertisement is displayed or based on a fixed amount for a campaign. Advertising rates may vary depending upon the product areas targeted, geo-targeting, the quantity of advertisements purchased by an advertiser, and the length of time an advertiser runs an advertisement on our online network. We sell to advertisers targeting a specific audience in a city or state and also to national advertisers targeting the entire country.

Lead generation, display advertisements and hyperlink listings, which we refer to as online revenue, represented approximately 99% and 98% of our revenue for the six months ended June 30, 2014 and 2013. We also derive revenue through the sale of print advertisements and the distribution (or syndication) of our editorial content, which we refer to as print publishing and licensing revenue.

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Company Developments

Acquisitions Fiscal Year 2013

During the six months ended June 30, 2013, the Company acquired certain assets and liabilities of an entity for an aggregate purchase price of $11.8 million, including $8.8 million in fair value of contingent acquisition consideration. The Company paid $3.0 million during the six months ended June 30, 2013 and assumed a net liability of $165,000. This entity is individually immaterial to the Company's net assets and operations. This acquisition was accounted for as a purchase and is included in the Company's consolidated results from its acquisition date. The purchase price recorded by the Company included $226,000 in goodwill and $11.7 million in intangible assets for trademarks and URLs related to this acquisition.

Acquisitions Fiscal Year 2014

During the six months ended June 30, 2014, the Company completed the stock acquisition of Caring, Inc., a Delaware corporation ("Caring") for $53.7 million, net of cash acquired. This acquisition was accounted for as a stock acquisition and is included in the Company's consolidated results from its acquisition date. The purchase price recorded by the Company included $26.2 million in goodwill and $29.5 million in intangible assets for Internet domain name, customer relationships and developed technology related to this acquisition.

Certain Trends Influencing Our Business

Our business benefits from the secular shift toward consumer use of the Internet to research and shop for personal finance products coupled with increased consumer interest in comparison shopping for such products, and the related shift by advertiser demand from offline to online and targeting of in-market consumers. Our ability to benefit from these trends depends on the strength of our position in the personal finance services markets driven by our brands, proprietary and aggregated content, breadth and depth of personal finance products, distribution, position in algorithmic search results and monetization capabilities. The key drivers of our business include the number of ready-to-transact consumers visiting our online network, including the number of page views they generate, the availability of financial products and the demand of our online network advertisers, each of which are correlated to general macroeconomic conditions in the United States. We believe that increases in housing activity and general consumer financial activity and fluctuations in interest rates positively impact these drivers while decreases in these areas, or a deterioration in macroeconomic conditions, could have a negative impact on these drivers.

Key Initiatives

We are focused on the following key initiatives to drive our business:

- increasing the visitor traffic to our online network;
- mobile traffic optimization and monetization;
- optimizing the revenue of our cost-per-thousand-impressions, cost-per-click and cost-per-approval models on our online network;
- revenue optimization associated with the new look, design and functionality of our mortgage and deposit cost-per-click as well as cost-per-call initiatives;
- enhancing search engine marketing and keyword buying to drive targeted impressions into our online network;
- expanding our co-brand and affiliate footprint;
- broadening the breadth and depth of the personal finance content and products that we offer on our online network;
- continue the transition to a higher conversion lead model with a greater percentage of owned and operated traffic from a high volume third party lead model;

- further develop our mobile applications and optimize the consumer experience across different modes of accessing our online network;
- develop an ongoing relationship with our visitors;
- containing our costs and expenses; and
- continuing to integrate our acquisitions to maximize synergies and efficiencies.

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Revenue

The amount of advertising we sell is a function of (1) the number of visitors to our online network and our affiliates' websites, (2) the number of ad pages we serve to those visitors, (3) the click through rate of visitors on hyperlinks, (4) the number of advertisements per page, (5) the rate at which consumers apply for financial product offerings, and (6) advertiser demand.

Lead Generation Revenue

Lead generation revenue consists of cost-per-approval (CPA) and cost-per-lead (CPL) revenue. We generate revenue by delivering measurable online marketing results to our clients in the credit card, personal insurance and senior care vertical categories. These results are typically in the form of qualified leads, the outcomes of customers submitting an application for a credit card, customers being contacted regarding a quote for a personal insurance product, or customers moving in to a senior care community. These qualified leads are generated from our marketing activities on our websites or on third party websites with whom we have relationships.

Click and Call Revenue

We also sell hyperlinks (e.g., in our interest rate or insurance table listings) on our online network on a cost-per-click (CPC) and on a cost-per-call basis. We generate revenue upon delivery of qualified and reported click-throughs to our advertisers from a hyperlink in a rate or insurance rate table listing and qualified phone calls. These advertisers pay us a designated transaction fee for each click-through or phone call, which occurs when a user clicks on any of their advertisement listings or makes a phone call to the advertiser. Each phone call or click-through on an advertisement listing represents a completed transaction once it passes our filtering validation process.

Display Advertising Revenue

We sell display advertisements on our online network consisting primarily of leaderboards, banners, badges, islands, posters, and skyscraper advertisements on a cost-per-impression (CPM) basis. We typically charge for these advertisements based on the number of times the advertisement is displayed.

Print Publishing and Licensing Revenue

Print publishing and licensing revenue represent advertising revenue from the sale of advertising in our Mortgage Guide (formerly called the Consumer Mortgage Guide) and CD & Deposit Guide, rate tables, newsletter subscriptions, and licensing of research information.

We also earn fees from distributing editorial rate tables that are published in newspapers and magazines across the United States, from paid subscriptions to three newsletters, and from providing rate surveys to institutions and government agencies. In addition, we license research data under agreements that permit the use of rate information we develop to advertise the licensee's products in print, radio, television, and website promotions.

Cost of Revenue (excludes depreciation and amortization)

Cost of revenue represents expenses directly associated with the creation of revenue. These costs include contractual revenue sharing obligations resulting from our distribution arrangements ("distribution payments"), salaries, editorial costs, market analysis and research costs, stock-based compensation expense, and allocated overhead. Distribution payments are made to website operators for visitors directed to our online network as well as to affiliates for leads directed to our online network and lead generation websites. These costs increase proportionately with gains related to revenue from our online network and lead generation websites. Editorial costs relate to writers and editors who create original content for our online publications and associates who build web pages. These costs have increased as we have added online publications and co-branded versions of Bankrate.com under distribution arrangements. These websites must be maintained on a daily basis. Research costs include expenses related to gathering data on banking and credit products and consist primarily of compensation and benefits along with allocated overhead.

We are also involved in revenue sharing arrangements with our online partners where the consumer uses co-branded websites to which we provide web services. Revenue is effectively allocated to each partner based on the revenue earned from each website. The allocated revenue is shared according to distribution agreements.

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Operating Expenses

Sales

Sales costs represent direct selling expenses, principally for online advertising, and include compensation and benefits, sales commissions, allocated facility costs, and stock-based compensation expense.

Marketing

Marketing expenses represent expenses associated with expanding brand awareness of our products and services to consumers and include search engine marketing ("SEM") expense, print and Internet advertising, marketing and promotion costs including email marketing, and stock-based compensation expense.

Product Development and Technology

Product development and technology costs represent compensation and benefits related to site development, network systems and telecommunications infrastructure support, programming, new product design and development, other technology costs, and stock-based compensation expense.

General and Administrative

General and administrative expenses represent compensation and benefits for executive, finance and administrative personnel, professional fees, stock-based compensation expense, allocated facility costs and other general corporate expenses.

Acquisition, Offering and Related Expenses

Acquisition, offering and related expenses represent direct expenses related to our acquisitions.

Depreciation and Amortization

Depreciation and amortization expense includes the cost of capital asset acquisitions spread over their expected useful lives. These expenses are spread over 1 to 25 years and are calculated mostly on a straight-line basis. Depreciation and amortization also includes the amortization of intangible assets, consisting primarily of trademarks and URLs, software licenses, customer relationships, agent/vendor relationships, developed technologies and non-compete agreements, all of which were either acquired separately or as part of business combinations recorded under the acquisition method of accounting. The amortization periods for intangible assets are as follows:

	Estimated Useful Life
Trademarks and URLs	2-25 years
Customer relationships	3-15 years
Affiliate relationships	1-15 years
Developed technologies	1-6 years

Interest and Other Expenses, Net

Interest and other expenses, net primarily consists of expenses associated with our long-term debt, amortization of the debt issuance costs, interest income earned on cash and cash equivalents and other income.

Changes in Fair Value of Contingent Acquisition Consideration

Changes in fair value of contingent acquisition consideration primarily consists of adjustments to the fair value of contingent acquisition consideration due to the passage of time, or changes to the underlying assumptions.

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Income Tax Expense

Income tax expense consists of federal and state income taxes in the United States and taxes in certain foreign jurisdictions.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenue and expenses during the period. We base our judgments, estimates and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. There have been no significant changes in our critical accounting policies or estimates during the three months ended June 30, 2014 as compared to the critical accounting policies and estimates disclosed in management's discussion and analysis of financial condition and results of operations included our Annual Report dated February 27, 2014 and filed with the SEC on Form 10-K.

Recent Accounting Pronouncements

See Note 1 in Notes to Condensed Consolidated Financial Statements.

Results of Operations

The following is our analysis of the results of operations for the periods covered by our interim consolidated financial statements. This analysis should be read in conjunction with our annual financial statements, including the related notes to the annual financial statements included within our Annual Report dated February 27, 2014 and filed with the SEC on Form 10-K.

The following table displays our results for the respective periods expressed as a percentage of total revenue.

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
Statement of Operations Data:	2014	2013	2014	2013
Revenue	100%	100%	100%	100%
Cost of revenue (excludes depreciation and amortization)	36%	36%	35%	34%
Gross margin	64%	64%	65%	66%
Operating expenses:				
Sales	3%	4%	3%	3%
Marketing	25%	24%	25%	24%
Product development and technology	5%	5%	4%	4%
General and administrative	11%	11%	11%	11%
Legal settlements	7%	0%	3%	0%
Acquisition, offering and related expenses	0%	0%	1%	0%

Changes in fair value of contingent acquisition consideration	1%	3%	1%	2%
Depreciation and amortization	12%	14%	11%	14%
	64%	61%	59%	58%
Income from operations	0%	3%	6%	8%
Interest and other expenses, net	4%	6%	4%	6%
(Loss) income before taxes	(4%)	(3%)	2%	2%
Income tax expense (benefit)	(1%)	0%	1%	1%
Net (loss) income	(3%)	(3%)	1%	1%

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Revenue

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
(In thousands)	2014	2013	2014	2013
Online (1)	$ 129,346	$ 103,564	$ 264,411	$ 210,029
Print publishing	1,316	1,982	2,726	3,965
Total revenue	$ 130,662	$ 105,546	$ 267,137	$ 213,994

(1) Consists of display advertising, hyperlink and lead generation.

Cost of Revenue (excludes depreciation and amortization) and Gross Margin

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
(In thousands)	2014	2013	2014	2013
Revenue	$ 130,662	$ 105,546	$ 267,137	$ 213,994
Cost of revenue	46,494	37,542	92,789	73,650
Gross margin	$ 84,168	$ 68,004	$ 174,348	$ 140,344
Gross margin as a percentage of revenue	64%	64%	65%	66%

Three months ended June 30, 2014 Compared to Three months ended June 30, 2013

Revenue

Total revenue was $130.7 million and $105.5 million for the three months ended June 30, 2014 and 2013, respectively, representing an increase of 24%, due primarily to the reasons set forth below.

Total lead revenue increased by $19.7 million for the three months ended June 30, 2014 compared to the same period in 2013 as cost per approval (CPA) and cost per lead (CPL) revenue increased 33% and 20%, respectively. The increase in CPA revenue is as a result of an increase in volume in our affiliate networks ($4.1 million impact) as well as an increase in price ($10.1 million impact) partially impacted by the acquisition of Caring. The increase in CPL revenue was due to the Company's quality initiative to substantially reduce lower quality affiliate leads and boost the overall quality and conversion of its insurance products. This initiative resulted in an increase in the overall revenue per lead ($5.3 million impact).

Click and Call revenue (cost-per-click or CPC) increased by $5.2 million ended June 30, 2014 compared to the same period in 2013, due to an increase in the number of clicks ($3.6 million impact) and an increase in the overall rate ($1.6 million impact). The increase in volume was seen in both insurance and deposits offset by a decline in mortgage clicks due to the softening refinance market.

Display advertising revenue (cost-per-impression or CPM) revenue increased $674,000 for the three months ended June 30, 2014 compared to the same period in 2013 which was driven by an increase in sold impressions ($1.4 million impact) offset by a decline in revenue per impression ($750,000 impact).

Cost of Revenue (excludes depreciation and amortization) and Gross Margin

Cost of revenue for the three months ended June 30, 2014 of $46.5 million was $9.0 million higher than the same period in 2013. The Company incurred $7.8 million more in distribution payments to our online partners and affiliates as a result of higher online revenue on affiliate sites and $1.0 million in higher employee costs. Our gross margin for the three months ended June 30, 2014 was 64%, compared to 64% for the same period in 2013.

Operating Expenses

Sales

Sales expenses for the three months ended June 30, 2014 of $3.7 million were $77,000 lower than the same period in 2013, primarily due to a decrease of outside labor costs.

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Marketing

Marketing expenses for the three months ended June 30, 2014 of $33.2 million were $8.3 million higher than the same period in 2013. The increase is primarily due to an $8.1 million increase in paid marketing expense which includes search engine marketing ("SEM") and email marketing expense and $25,000 in higher compensation costs. The increase in marketing is in an effort to drive increased traffic to our owned and operated sites.

Product Development and Technology

Product development and technology costs for the three months ended June 30, 2014 of $5.9 million were approximately $1.1 million higher than the comparable period in 2013, primarily due to $549,000 in higher compensation costs due to increased headcount, $319,000 in higher stock compensation expense, and $143,000 in higher general information technology costs.

General and Administrative

General and administrative expenses for the three months ended June 30, 2014 of $14.2 million were $2.9 million higher due primarily to $1.1 million in higher stock compensation expense, increases of $1.2 million in employee costs associated with increased headcount and higher projected incentive plan payments, $286,000 in higher professional fees, $186,000 in higher general information technology costs and $101,000 in higher allocated facility costs.

Legal Settlements

Legal settlements for the three months ended June 30, 2014 were $9.2 million which consists of legal settlements related primarily to the Company's securities litigation (see Note 9 for further details), net of insurance recoveries.

Acquisition, Offering and Related Expenses

Acquisition, offering and related expenses for the three months ended June 30, 2014 was $158,000 as compared to $20,000 for the same period in 2013. The acquisition, offering and related expenses for the three months ended June 30, 2014 were primarily related to costs associated with our acquisition of Caring, Inc.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2014 of $15.2 million was $351,000 higher than the same period in 2013 primarily as a result of amortization expense associated with new intangibles recorded in connection with the acquisition of Caring of approximately $604,000, partially offset by lower amortization due to fully amortized assets.

Interest and Other Expenses, net

Interest and other expenses, net for the three months ended June 30, 2014 primarily consists of expenses associated with our Senior Notes, partially offset by other income and de minimis interest earned on cash and cash equivalents. Interest and other expenses, net for the three months ended June 30, 2014 was $5.2 million, which primarily consisted of $4.6 million for the Senior Notes and $544,000 for the amortization of deferred financing costs and original issue discounts on the Senior Notes and the New Credit Agreement. This amount was partially offset by de minimis interest and other income.

Interest and other expenses, net for the three months ended June 30, 2013 primarily consisted of expenses associated with the Senior Secured Notes, partially offset by other income and de minimis interest earned on cash equivalents. Interest and other expenses, net for the three months ended June 30, 2013 was $6.5 million, which primarily consisted of $5.7 million for the Senior Secured Notes and $686,000 for amortization of deferred financing notes and original issue discount.

Changes in Fair Value of Contingent Acquisition Consideration

Changes in fair value of contingent acquisition consideration for the three months ended June 30, 2014 was $744,000 and consisted of increases to the fair value due to the passage of time of $702,000 and increases to fair value due to change in estimates of $42,000.

Changes in fair value of contingent acquisition consideration for the three months ended June 30, 2013 was $2.9 million and consisted of increases to the fair value due to the passage of time of $1.7 million and increases to fair value due to change in estimates of $1.2 million.

Income Tax Expense

Our income tax benefit for the three months ended June 30, 2014 of $962,000 compared to our income tax benefit of $166,000 for three months ended June 30, 2013. Our effective tax rate changed from approximately 16% during the three months ended June 30, 2013 to approximately 30% in the same period in 2014 due to the lesser impact of foreign losses and interest incurred during the three months ended June 30, 2014 on liabilities related to unrecognized tax benefits on a larger overall pretax loss.

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Six months ended June 30, 2014 Compared to Six months ended June 30, 2013

Revenue

Total revenue was $267.1 million and $214.0 million for the six months ended June 30, 2014 and 2013, respectively, representing an increase of 25%, due primarily to the reasons set forth below.

Total lead revenue increased by $36.9 million for the six months ended June 30, 2014 compared to the same period in 2013 as both CPA and CPL revenue each increased by 26%. CPA revenue increased primarily as a result of an increase in volume in our affiliate networks ($8.4 million impact) as well as an increase in price ($14.4 million impact) partially impacted by the acquisition of Caring. The increase in CPL revenue was due to the Company's quality initiative to substantially reduce lower quality affiliate leads and boost the overall quality and conversion of its insurance products. This initiative resulted in an increase in the overall revenue per lead ($17.1 million impact) partially offset by a decrease in the number of leads sold ($3.1 million impact).

Click and Call revenue (cost-per-click or CPC) increased by $14.7 million ended June 30, 2014 compared to the same period in 2013, due to an increase in the number of clicks ($8.6 million impact) and an increase in the overall rate ($6.1 million impact). The increase in volume was seen in both insurance and deposits offset by a decline in mortgage clicks due to the softening refinance market.

Display advertising revenue (cost-per-impression or CPM) revenue increased $2.6 million for the six months ended June 30, 2014 compared to the same period in 2013 which was driven by an increase in sold impressions ($2.6 million impact).

Cost of Revenue (excludes depreciation and amortization) and Gross Margin

Cost of revenue for the six months ended June 30, 2014 of $92.8 million was $19.1 million higher than the same period in 2013. The Company incurred $17.6 million more in distribution payments to our online partners and affiliates as a result of higher online revenue on affiliate sites and $1.4 million in higher employee costs. Our gross margin for the three months ended June 30, 2014 was 65%, compared to 66% for the same period in 2013. The slight decline is a result of the increase in revenue from affiliates, which has lower margins.

Operating Expenses

Sales

Sales expenses for the six months ended June 30, 2014 of $7.3 million were approximately $194,000 lower than the same period in 2013, primarily due to $367,000 in lower outside labor costs offset by an increase of $125,000 in employee costs.

Marketing

Marketing expenses for the six months ended June 30, 2014 of $66.6 million were $15.4 million higher than the same period in 2013. The increase is primarily due $14.9 million of higher paid marketing expense which includes search engine marketing ("SEM") and email marketing expense, $630,000 in higher third party data verification tools related to new insurance products launched in late 2013, and $109,000 in higher employee costs. The increase in marketing is in an effort to drive increased traffic to our owned and operated sites.

Product Development and Technology

Product development and technology costs for the six months ended June 30, 2014 of $11.6 million were approximately $2.2 million higher than the comparable period in 2013, primarily due to $1.3 million in higher compensation costs due to increased headcount, $501,000 in higher stock compensation expense, and $240,000 in higher information technology costs.

General and Administrative

General and administrative expenses for the six months ended June 30, 2014 of $29.4 million were $6.8 million higher than the same period in 2013, due primarily to $2.5 million in higher stock compensation expense, increases of $2.4 million in employee costs

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associated with increased headcount and higher projected incentive plan payments, $1.0 million in higher professional fees, $294,000 in higher allocated facility costs and $323,000 in higher general information technology costs.

Legal Settlements

Legal settlements for the six months ended June 30, 2014 were $9.2 million which consists of legal settlements related primarily to the Company's securities litigation (see Note 9 for further details), net of insurance recoveries.

Acquisition, Offering and Related Expenses

Acquisition, offering and related expenses for the six months ended June 30, 2014 was $2.6 million as compared to $20,000 for the same period in 2013. The acquisition, offering and related expenses for the six months ended June 30, 2014 were primarily related to costs associated with our secondary offering and acquisition costs.

Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2014 of $29.7 million was $301,000 higher than the same period in 2013 primarily as a result of amortization expense associated with new intangibles recorded in connection with the acquisition of Caring of approximately $604,000, partially offset by lower amortization due to fully amortized assets.

Interest and Other Expenses, net

Interest and other expenses, net for the six months ended June 30, 2014 primarily consists of expenses associated with our Senior Notes, partially offset by other income and de minimis interest earned on cash and cash equivalents. Interest and other expenses, net for the six months ended June 30, 2014 was $10.4 million, which primarily consisted of $9.2 million for the Senior Notes and $1.1 million for the amortization of deferred financing costs and original issue discounts on the Senior Notes and the New Credit Agreement. This amount was partially offset by de minimis interest and other income.

Interest and other expenses, net for the six months ended June 30, 2013 primarily consisted of expenses associated with the Senior Secured Notes, partially offset by other income and de minimis interest earned on cash equivalents. Interest and other expenses, net for the six months ended June 30, 2013 was $13.1 million, which primarily consisted of $11.5 million for the Senior Secured Notes and $1.4 million for amortization of deferred financing notes and original issue discount.

Changes in Fair Value of Contingent Acquisition Consideration

Changes in fair value of contingent acquisition consideration for the six months ended June 30, 2014 was $2.2 million and consisted of increases to the fair value due to the passage of time of $1.6 million and increases to fair value due to change in estimates of $543,000.

Changes in fair value of contingent acquisition consideration for the six months ended June 30, 2013 was $4.1 million and consisted of increases of $2.7 million to the fair value due to the passage of time and increase to fair value due to change in estimates of $1.4 million.

Income Tax Expense

Our income tax expense for the six months ended June 30, 2014 of $2.9 million compared to our income tax expense of $1.7 million for the six months ended June 30, 2013. Our effective tax rate changed from approximately 56% during the six months ended June 30, 2013 to approximately 53% in the same period in 2014 due to foreign losses and interest incurred during the six months ended June 30, 2014 on liabilities related to unrecognized tax benefits.

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Liquidity and Capital Resources

(In thousands)	June 30, 2014	December 31, 2013	Change
Cash and cash equivalents	$ 175,779	$ 230,071	$ (54,292)
Working capital	$ 223,959	$ 225,463	$ (1,504)
Stockholders' equity	$ 865,926	$ 838,962	$ 26,964

Our principal ongoing source of operating liquidity is the cash generated by our business operations. We consider all highly liquid debt investments purchased with an original maturity of less than three months to be cash equivalents.

Our primary uses of cash have been to fund our working capital and capital expenditure needs, fund acquisitions, and service our debt obligations. We believe that we can generate sufficient cash flows from operations to fund our operating and capital expenditure requirements, as well as to service our debt obligations, for the next 12 months. In the event we experience a significant adverse change in our business operations, we would likely need to secure additional sources of financing.

As of June 30, 2014, we had working capital of $224.0 million and our primary commitments were normal working capital requirements and $6.9 million in accrued interest for the Senior Notes. In addition, we have commitments for potential earn out obligations related to past acquisitions totaling $15.6 million as of June 30, 2014.

As of December 31, 2013, we had working capital of $225.5 million and our primary commitments were normal working capital requirements and $7.4 million in accrued interest for the Senior Notes.

We assess acquisition opportunities as they arise. Financing may be required if we decide to make additional acquisitions or if we are required to make any earn-out payments to which the former owners of our acquired businesses may be entitled. There can be no assurance, however, that any such opportunities may arise, or that any such acquisitions may be consummated. Additional financing may not be available on satisfactory terms or at all when required.

Debt Financing

Revolving Credit Facility

We have a Revolving Credit Facility in an aggregate amount of $70.0 million which matures on May 17, 2018 ("Revolving Credit Facility"). All obligations under the Revolving Credit Facility are guaranteed by the Guarantors and are secured, subject to certain exceptions, by first priority liens and security interests in the assets of the Company and the Guarantors.

As of June 30, 2014, we had no amount outstanding under the Revolving Credit Facility and we were in compliance with all required covenants.

Senior Notes

As of June 30, 2014, we had $300.0 million in Senior Notes outstanding for which interest is accrued daily on the outstanding principal amount at 6$1/_8$% and is payable semi-annually, in arrears, on February 15th and August 15th in cash. The Senior Notes are due August 15, 2018. Accrued interest on the Senior Notes as of June 30, 2014 is approximately $6.9 million. Refer to Note 10 in the Notes to Condensed Consolidated Financial Statements for a further description of the Senior Notes.

Operating Activities

During the six months ended June 30, 2014, operating activities provided cash of $13.8 million compared to $39.3 million during the six months ended June 30, 2013. The decrease is due to an increase in taxes paid of $26.0 million, a decrease in interest paid of $1.9 million, an increase in net income excluding non-cash charges (primarily depreciation and amortization, stock-based compensation and changes in fair value of contingent acquisition consideration) of $2.6 million and a decrease due to changes in operating assets and liabilities of $28.1 million. The decrease in operating assets and liabilities is attributed to the overall increase in revenue as well as the timing of cash receipts and payments.

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Investing Activities

For the six months ended June 30, 2014, cash used in investing activities was $58.7 million primarily consisted of business acquisitions of $53.7 million, purchases of furniture, fixtures, equipment and capitalized website development costs of $4.5 million, and purchase of investments of $500,000.

For the six months ended June 30, 2013, cash used in investing activities was $10.9 million and includes $4.5 million of cash used for business acquisitions and $6.4 million for purchases of furniture, fixtures, equipment and capitalized website development costs.

Financing Activities

For the six months ended June 30, 2014, cash used by financing activities was $9.4 million primarily from $25.3 million of payments of contingent acquisition consideration and repurchase of Company's stock of $6.9 million offset by net proceeds from the issuance of common stock of $22.8 million resulting from the exercise of stock options.

For the six months ended June 30, 2013, cash provided by financing activities was $103,000 from proceeds from issuance of common stock.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements include the following four categories: obligations under certain guarantees or contracts; retained or contingent interests in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations under material variable interests.

Besides our Senior Notes, we have not entered into any material arrangements which would fall under any of these four categories and which would be reasonably likely to have a current or future material effect on our results of operations, liquidity or financial condition.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The primary objective of our investment strategy is to preserve principal while maximizing the income we receive from investments without significantly increasing risk. To minimize this risk, to date we have maintained our portfolio of cash equivalents in short-term and overnight investments that are not subject to market risk, as the interest paid on such investments fluctuates with the prevailing interest rates. As of June 30, 2014, all of our cash equivalents mature in less than three months.

None of our outstanding debt as of June 30, 2014 was subject to variable interest rates as we did not have an outstanding balance for borrowed money under our Revolving Credit Facility as of June 30, 2014. Interest under the Revolving Credit Facility accrues at variable rates based, at our option, on the alternate base rate (as defined in the Revolving Credit Facility) plus a margin of 3.00% or at the adjusted LIBO rate (as defined in the Revolving Credit Facility) plus a margin of 2.00%. Our fixed interest rate debt includes $300 million of the Senior Notes in the aggregate principal amount.

Exchange Rate Sensitivity

Our exposure to exchange rate risk is primarily that of a net receiver of currencies other than the US dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect the Company's revenue and gross margins as expressed in U.S. dollars. Additionally, we have not engaged in any derivative or hedging transactions to date.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to the Company is made known to the officers who certify the Company’s financial reports and to other members of senior management and the board of directors.

Based on their evaluation as of June 30, 2014, the principal executive officer and principal financial officer of the Company have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management, including our chief executive officer and chief financial officer, does not expect our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Controls over Financial Reporting

There has not been any change in our internal control over financial reporting that occurred during the quarter ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information with respect to legal proceedings is incorporated by reference from Note 9 of our Condensed Consolidated Financial Statements included herein.

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Item 1A. Risk Factors

An investment in our securities involves risk. You should carefully consider the following risks as well as the other information included in this Quarterly Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes, before investing in our securities. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or prospects, and cause the value of our securities to decline, which could cause you to lose all or part of your investment in our Company. The following is an update to the "Risks Related to our Business" set forth in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2013.

Risks Related to Our Business

Our success depends on revenue from online advertising and the sale of financial and senior care lead products.

We have historically derived, and we expect to continue to derive, the majority of our revenue through the sale of advertising impressions, financial product leads and senior care leads and clicks and calls on our online network. Any factors that limit the amount our customers are willing to and do spend on advertising with us, or to purchase leads from us, could have a material adverse effect on our business. These factors may include our ability to:

- maintain a significant number of unique website visitors and corresponding significant reach of Internet and mobile visitors;
- successfully convert visitors to some of our websites or mobile applications into credit card applicants and maintain a significant rate at which credit card applications from consumers that come through our websites or mobile applications are approved by our credit card issuer customers;
- successfully convert consumers' visits to some of our websites or mobile applications into transaction fees and/or revenue from banks, mortgage brokers, or insurance agents or carriers;
- maintain and increase our relationships with third-party insurance lead sources and maintain the quality of our lead product sourced from third parties;
- successfully convert consumers' visits to some of our websites or mobile applications into senior care referrals and maintain a significant rate at which those referrals result in move-ins with our senior care customers;
- compete with alternative advertising sources;
- maintain a significant number of sellable impressions generated from website visitors available to advertisers;
- accurately measure the number and demographic characteristics of our visitors;
- successfully sell and market our online network to our customers, including mortgage loan, credit card, insurance product and senior care providers;
- handle temporary high volume traffic spikes to our online network;
- convince traditional media advertisers to advertise on our online network;
- increase traffic to our online network; and
- acquire and generate insurance leads.

Most of our customer contracts are short-term and are subject to termination by the customer at any time and/or do not have any minimum purchase requirements. Customers who have longer-term contracts may fail to honor their existing contracts, fail to renew their contracts or reduce their purchase volume under those contracts. If a significant number of customers or a few large customers decide not to continue advertising with us or purchasing our lead products, or materially reduce such activities, we could experience an immediate and substantial decline in our revenues over a relatively short period of time.

In addition, a failure to continue to successfully execute on our strategy within our consumer insurance lead generation products, including without limitation our initiative to continue to improve and maintain the quality of our consumer insurance lead products, could adversely affect our revenue and operating results.

We face intense competitive pressures that may harm our operating results.

We face intense competition in all our businesses, and we expect competition to remain intense in the future. We compete with, among others, search engines utilizing keyword cost-per-click advertising or comparison advertising sites/networks; lead aggregators and websites committed to specific personal finance or senior care products; numerous websites in each of our vertical categories competing for traffic and for advertisers; financial institutions, including mortgage lenders, deposit institutions, insurance providers and credit card issuers, many of whom are also our customers; and traditional offline personal finance marketing channels, including

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direct mail, retail bank branch networks, television, radio, print advertising and call centers. Some of these competitors have significantly greater financial resources than we do and could use those resources to develop more directly competitive product offerings and editorial content and undertake advertising campaigns to promote those new offerings and content, which could result in diminished traffic to our websites and reduce our overall competitive and market position. In addition, new competitors may enter this market as there are few barriers to entry. For example, Google presents comparisons of credit cards through its search engine, and in the past has presented and in the future may present comparisons of mortgage, insurance, or deposit rates through its search engine, which may divert consumers away from our websites, including consumers who would otherwise find, be directed or be linked to our websites through the Google search engine. If one of those competitors was successful in such efforts, it could have an adverse effect on our business, operating results and prospects. Our online competitors may adopt certain aspects of our business model or replicate the appearance and features of our website, which could reduce our ability to differentiate our services. Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than us. Many competitors have complementary products or services that drive traffic to their websites. In the future, competitors could introduce superior products and services or reduce prices below ours. Increased competition could result in lower website traffic, advertising rate reductions, reduced margins or loss of market share, any of which would adversely affect our business and operating results.

We depend upon Internet search engines to attract a significant portion of the visitors to our websites, and any change in the prominence of our websites in either paid or algorithmic search result listings could cause the number of visitors to our websites and our revenue to decline.

We depend in significant part on various Internet search engines, such as Google, Bing and Yahoo!, and other search websites to direct a significant number of visitors to our websites to provide our online services to our clients. Search websites typically provide two types of search results, algorithmic and paid listings. Algorithmic, or organic, listings are determined and displayed solely by a set of formulas designed by search companies. Paid listings can be purchased and then are displayed if particular words are included in a user's Internet search. Placement in paid listings is generally not determined solely on the bid price, but also takes into account the search engines' assessment of the quality of the website featured in the paid listing and other factors. We rely on both algorithmic and paid search results, as well as advertising on other websites, to direct a substantial share of the visitors to our websites.

Our ability to maintain the number of visitors to our websites from Internet search websites and other websites is not entirely within our control. For example, Internet search websites frequently revise their algorithms in an attempt to optimize their search result listings or to maintain their internal standards and strategies. Changes in the algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. We have experienced and continue to experience fluctuations in the search result rankings for a number of our websites.

In addition, the prominence of the placement of our advertisements is in part determined by the amount we are willing to pay for the advertisement. We bid against our competitors for the display of paid search engine advertisements and some of our competitors have greater resources with which to bid and better brand recognition than we have. If competition for the display of paid advertisements in response to search terms related to our online services increases, our online advertising expenses could rise significantly or we may be required to reduce the number of our paid search advertisements. If we were to reduce our advertising with search engines, our consumer traffic may significantly decline or we may be unable to maintain a cost-effective search engine marketing program.

Other factors, such as search engine technical difficulties, search engine technical changes and technical or presentation changes we make to our websites, could also cause our websites to be listed less prominently in algorithmic search results. In addition, search engines retain broad discretion to remove from search results any company whose marketing practices are deemed to be inconsistent with the search engine's guidelines. If our marketing practices do not comply with search engine guidelines, we may, without warning, not appear in search result listings at all. Any adverse effect on the placement of our websites in search engine results could reduce the number of users who visit our websites. In turn, any reduction in the number of visitors to our websites would negatively affect our ability to earn revenue. If visits to our websites decrease, our revenue may decline or we may need to resort to more costly sources to replace lost visitors, and such decreased revenue and/or increased expense could adversely affect our business and profitability.

Our visitor traffic can be impacted by interest rate volatility.

We provide interest rate information for mortgages and other loans, credit cards and a variety of deposit accounts. Visitor traffic to our online platforms tends to increase with interest rate movements. Factors that have caused significant visitor fluctuations in the past have been Federal Reserve Board actions and general market conditions affecting home mortgage and deposit interest rates. Additionally, the level of traffic to our websites can be dependent on interest rate levels as well as mortgage financing and refinancing

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activity. Accordingly, a slowdown in mortgage production or refinancing volumes could have an adverse effect on our business. Conversely, a sudden, significant change in interest rates could dramatically increase our page views such that we would be unable to sell sufficient advertisements to take full advantage of the spike in traffic.

To accelerate the growth of traffic to our websites, we are working with our syndication partners to provide timely content, and we are aggressively promoting all of our products. There is the risk that our traffic will not remain stable or that our promotional activities will not be successful. Any reduction in traffic to our online platforms could have an adverse effect on our business or results of operations.

We depend on third-parties for a significant portion of our insurance lead generation leads and traffic and to a lesser extent for our banking, credit card and senior care traffic and revenues, and any material decline in our relationships with these third parties, or increase in the price of leads from these third parties, could have a material adverse impact on our revenues or operating results.

A significant portion of our revenue from our lead product, particularly in our insurance channel, is attributable to leads sourced from third-parties, including but not limited to website publishers, lead aggregators and email marketers. In many instances, these third parties can change the lead inventory they make available to us at any time and, therefore, impact our revenue. If these third parties decide not to make lead inventory available to us, are purchased by one of our competitors or another company that decide to no longer make lead inventory available to us, or decide to demand a higher price for lead product, we may not be able to find replacement lead inventory from other sources that satisfy our requirements in a timely and cost-effective manner, which could have a material adverse impact on our revenues or operating results.

In addition, our failure to mitigate risks associated with this traffic and leads from third party sources within our insurance lead generation channel by developing larger direct and organic traffic could have a material adverse impact on our revenues or operating results.

If we fail to keep pace with rapidly-changing technologies and industry standards, including without limitation the increasing shift by consumers to mobile devices from personal computers, we could lose consumers, customers or advertising inventory and our results of operations may suffer.

The business lines in which we currently operate and compete are characterized by rapidly-changing Internet media and marketing standards, changing technologies and platforms, frequent new product and service introductions, and changing consumer and customer demands and modes of accessing and providing information. The number of individuals who access the Internet through devices other than a personal computer, such as tablets and smartphones, has increased dramatically. The introduction of new technologies and services embodying new technologies and the emergence of new industry standards and practices could render our existing technologies and services obsolete and unmarketable or require unanticipated investments in technology. If consumers find our online network difficult to access through alternative devices or our competitors develop product offerings that are better adapted to or more easily accessible through alternative devices, we may fail to capture a sufficient share of an increasingly important portion of the market for online services and may fail to attract both advertisers and Internet traffic. Our future success will depend in part on our ability to adapt to these rapidly-changing digital media formats and platforms and other technologies, including without limitation new Internet and mobile technologies. We will need to enhance our existing technologies and services and develop and introduce new technologies and services to address our customers’ changing demands and consumer expectations and the ways consumers access online information. If we fail to adapt successfully to such developments or timely introduce new technologies and services, including without limitation a failure to successfully execute on our mobile strategy, we could lose consumers and customers, our expenses could increase and we could lose advertising inventory, any of which could have a material adverse impact on our revenues or results of operations.

Our websites, applications, widgets and other products may encounter technical problems, service interruptions or security failures.

In the past, our websites have experienced significant increases in traffic and our applications and widgets have experienced significant increases in use in response to interest rate movements and other business or financial news events. The number of our visitors has continued to increase over time, and we are seeking to further increase our visitor traffic. As a result, our servers must accommodate spikes in demand for our web pages in addition to potential significant growth in traffic.

Our websites, applications, widgets and other products have in the past, and may in the future, experience slower response times or interruptions as a result of increased traffic or other reasons. These delays and interruptions may increase in the future if our servers

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and infrastructure are not able to accommodate potential significant traffic growth and spikes in demand. Delays and interruptions resulting from the failure to maintain service connections to our websites or applications could frustrate visitors and reduce future traffic on our online platforms, which could have a material adverse effect on our business or results of operations.

Our principal communications, networking and operations equipment is located in commercial co-location data centers in Atlanta, Georgia; Denver, Colorado; and Austin, Texas, as well as other locations. Additional communications, networking and operations equipment is located at our office locations in North Palm Beach, Florida and Denver, Colorado, as well as other locations. Multiple system or network failures or catastrophic loss of facility involving these locations, particularly data centers, could lead to interruptions or delays in service for our websites or applications, which could have a material adverse effect on our business or results of operations. Additionally, we are dependent on third-party providers and their ability to provide safe, effective and cost-efficient servers. Our operations are dependent upon our ability, and our third-party providers' ability, to protect our systems against damage from fires, floods, tornadoes, hurricanes, earthquakes, power losses, telecommunications failures, physical or electronic break-ins, computer viruses, acts of terrorism, hacker attacks and other events beyond our control. If any of these events were to occur, it could have a material adverse effect on our business or results of operations. Although we maintain insurance to cover a variety of risks, the scope and amount of our insurance coverage may not be sufficient to cover our losses resulting from system or security failures or other disruptions to our online operations.

Our business depends on a strong brand and content, thus we will not be able to attract visitors and advertisers if we do not maintain and develop our brands and content.

It is critical for us to maintain and develop our brands and content so as to effectively expand our visitor base and our revenues. Our success in promoting and enhancing our brands, as well as our ability to remain relevant and competitive, depends on our success in offering high quality content, features, product offers, services and functionality. In addition, we may take actions that have the unintended consequence of harming our brand. If our actions cause consumers to question the value of our marketplace, our business and reputation may suffer. If we fail to promote our brands successfully or if visitors to our websites, users of our applications, or advertisers do not perceive our content and services to be of high quality, we may not be able to continue growing our business and attracting visitors and advertisers, which will in turn impact our operating results.

Our results of operations may fluctuate significantly.

Our results of operations are difficult to predict and may fluctuate significantly in the future as a result of several factors, many of which are beyond our control. These factors include:

- changes in fees paid by our customers or customer demand for our services;
- traffic levels on our websites and mobile applications, which can fluctuate significantly;
- changes in the demand for online products and services;
- changes in fee or revenue-sharing arrangements with our distribution partners;
- changes in application approval rates by our credit card issuer customers;
- our ability to enter into or renew key distribution agreements;
- the introduction of new advertising services by us or our competitors;
- failure by advertisers or their agencies to pay amounts owed to us in a timely manner or at all;
- failure by our credit card customers to timely report, or to report at all, approved credit card applications for consumers that come through our websites;
- failure by our senior care customers to timely report, or to report at all, completed move-ins of the consumers that come through our websites;
- changes in access to lead inventory;

- changes in our capital or operating expenses;
- changes in consumer confidence;
- changes in interest rates;
- general economic conditions; and
- changes in banking or other laws that could limit or eliminate content on our websites.

Our future revenue and results of operations are difficult to forecast due to these factors as well as other factors. As a result, we believe that period-to-period comparisons of our results of operations may not be meaningful, and you should not rely on past periods as indicators of future performance.

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Restrictive covenants in the indenture governing our outstanding senior secured notes, our revolving credit agreement or other future indebtedness may limit our current and future operations, particularly our ability to respond to changes in our business or to pursue our business strategies.

The Senior Notes Indenture (as defined below) governing our 6 1/8 % senior notes due 2018 (the "Senior Notes" or "Notes") and our New Credit Agreement (as defined below) contain, and any future indebtedness may contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to take actions that we believe may be in our interest. The Senior Notes Indenture and the New Credit Agreement limit, among other things, our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends on or make distributions in respect of capital stock or make certain other restricted payments (including redemptions of subordinated indebtedness);
- enter into agreements that restrict distributions from restricted subsidiaries;
- sell or otherwise dispose of assets, including capital stock of restricted subsidiaries;
- enter into transactions with affiliates;
- create or incur liens;
- enter into sale/leaseback transactions;
- merge, consolidate or sell all or substantially all of our assets;
- make investments; and
- change our business operations.

A breach of the covenants or restrictions under the Senior Notes Indenture, the New Credit Agreement or any agreement governing our future indebtedness could result in a default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In the event our lenders and note holders accelerate the repayment of our borrowings, we cannot assure that we and our subsidiaries would have sufficient assets to repay such indebtedness.

The restrictions contained in the Senior Notes Indenture and the New Credit Agreement could adversely affect our ability to:

- finance our operations;
- make needed or desired capital expenditures;
- make strategic acquisitions or investments or enter into strategic alliances;
- withstand a future downturn in our business or the economy in general;
- engage in business activities, including future opportunities, that may be in our interest; and
- plan for or react to market conditions or otherwise execute our business strategies.

These restrictions could materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the Senior Notes and the New Credit Agreement.

Risks associated with our strategic acquisitions could adversely affect our business or results of operations.

We have acquired a number of companies and assets of companies in the past and may make additional acquisitions, asset purchases and strategic investments in the future. For example, in May 2014 we completed the acquisition of Caring, Inc. (owner of Caring.com). We will continue to consider acquisitions, asset purchases and joint ventures as a means of enhancing stockholder value. Our success in integrating our acquired businesses will depend upon our ability to retain key personnel, avoid diversion of management's attention from operational matters, integrate the technical operations and personnel of the acquired companies, and achieve the expected financial results, synergies and other benefits from our acquisitions.

In addition, future acquisitions could result in the incurrence of additional debt, costs and contingent liabilities. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated.

It is also possible that expected synergies from our acquisitions may not materialize in full or at all. We may also incur costs and divert management attention through potential acquisitions that are never consummated. Future impairment losses on goodwill and intangible assets with an indefinite life, or restructuring charges, could also occur as a result of acquisitions.

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Despite our due diligence investigation of each business that we acquire, there may be liabilities of the acquired companies that we fail to or are unable to discover during the due diligence investigation and for which we, as a successor owner, may be responsible and which could have a material adverse effect on our business or results of operations. In connection with acquisitions, we generally seek to minimize the impact of these types of potential liabilities through the structure of the transaction or through indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities due to limitations in scope, amount or duration, financial limitations of the indemnitor or warrantor or other reasons.

Our ability to consummate any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands, our resources and our ability to obtain financing.

We depend on attracting and retaining executive officers and personnel to continue the implementation of our long-term business strategy and could be harmed by the loss of their services.

We believe that our continued growth and future success will depend in large part on the skills of our senior management team and other skilled employees. The loss of service of one or more of our executive officers or of other key personnel could reduce our ability to successfully implement our long-term business strategy, our business could suffer and the value of our common stock could be materially adversely affected. Leadership changes will occur from time to time and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our senior management team possesses valuable knowledge about our business and that their knowledge and relationships would be very difficult to replicate. Although our senior management team has entered into employment agreements with us, they may not complete the term of their employment agreements or renew them upon expiration. Our success and the quality of our content also depend on the expertise of our editors and reporters and on their relationships with the media, financial experts and other sources of information. The loss of qualified personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results.

If our employees were to unionize, our operating costs would likely increase.

Our employees are not currently represented by a collective bargaining agreement. However, we have no assurance that our employees will not unionize in the future, which could increase our operating costs, force us to alter our operating methods, and have a material adverse effect on our operating results.

We are from time to time involved in, or may in the future be subject to, claims, suits, government inquiries or investigations, and other proceedings that may have an adverse effect on our business, operating results or financial condition.

We are from time to time involved in, or may in the future be subject to, claims, suits, government inquiries or investigations, and proceedings arising from our business or the fact that we are a public company, including actions with respect to intellectual property claims, privacy, consumer protection, information security, securities laws and regulations, transactions in which we are involved, data protection or law enforcement matters, tax matters, labor and employment claims, commercial claims, as well as shareholder derivative actions, purported class action lawsuits, and other matters. We are also at risk where we have agreed to indemnify others for losses related to legal proceedings or from direct harm. Such claims, suits, inquiries, investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Defense costs and any resulting damage awards or settlement amounts may not be fully covered by our insurance policies. Regardless of the outcome, any such legal proceedings can have an adverse impact on us because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, or requiring a change in our business practices, products or technologies, which could in the future materially and adversely affect our business, operating results or financial condition. In addition, accounting rules may require the Company to record a liability related to a particular matter prior to its resolution if the incurrence of a loss related to such matter becomes probable and reasonably estimable.

In addition to litigation in the ordinary course of business, we are currently involved in litigation in which it has been alleged that we have participated in anti-competitive conduct. See the section entitled "Legal Proceedings." Antitrust litigation is by its nature not in the ordinary course. Defending antitrust allegations, even if ultimately successful, can be costly and have a negative effect on our business. In addition, the relief sought by the plaintiffs in this case, if granted, could prevent Bankrate from continuing to pursue at least some aspects of its current business model, which could have a material adverse effect on our financial condition and results of operations.

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Insurance coverage may not be available to cover all of our potential liability and available coverage may not be sufficient to cover all claims that we may incur.

Our ability to obtain liability insurance, its coverage levels, deductibles and premiums are all dependent on market factors, our loss history and insurers' perception of our overall risk profile. We cannot ensure that our insurance will cover all claims or that insurance coverage will be available at economically acceptable rates. Significant uninsured liabilities could have a material adverse effect on our business, financial condition and results of operations.

We are subject to operational risk.

We are subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of our noncompliance with contractual and other obligations. We are also exposed to operational risk through the aspects of our business that we outsource, and the effect that changes in circumstances or capabilities of our outsourcing vendors can have on our ability to continue to perform operational functions necessary to our business. Although we seek to mitigate operational risk through a system of internal controls which we review and update, no system of controls, however well designed and maintained, is infallible. Control weaknesses or failures or other operational risks could result in charges, increased operational costs, harm to our reputation or foregone business opportunities, and also adversely impact our ability to produce accurate financial statements on a timely basis, any of which could have a material adverse effect on our business or results of operations.

We rely on the protection of our intellectual property.

Our intellectual property includes our unique research and editorial content of our websites, our applications, our URLs, our registered and unregistered trademarks and our print publications. We rely on a combination of copyrights, patents, trademarks, trade secret laws, and our policy and restrictions on disclosure to protect our intellectual property. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information. Despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our websites, mobile applications or print publications without authorization. A failure to protect our intellectual property in a meaningful manner could have a material adverse effect on our business.

We may be subject to claims that we violated intellectual property rights of others, which even if unfounded or decided in our favor may be extremely costly to defend, could require us to pay significant damages and could limit our ability to operate.

Companies in the Internet and technology industries, and other patent holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We may in the future receive notices that claim we have misappropriated or misused other parties' intellectual property rights. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods.

Because we license some of our data and content from other parties, we may be exposed to infringement actions if such parties do not possess the necessary proprietary rights. Generally, we obtain representations as to the origin and ownership of licensed content and obtain indemnification to cover any breach of any of these representations. However, these representations may not be accurate and the indemnification may be limited or otherwise may not be sufficient to provide adequate compensation for any breach of these representations.

Any future infringement or other claims or prosecutions related to our intellectual property could have a material adverse effect on our business. Defending against any of these claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to introduce new content or trademarks, develop new technology or enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may not be available on acceptable terms, if at all.

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We may face liability for, and may be subject to claims related to, information on our websites or mobile applications, which even if unfounded or decided in our favor may be extremely costly to defend, could require us to pay significant damages and could limit our ability to operate.

Much of the information published on our online platforms and in our print publications relates to the competitiveness of financial institutions' rates, products and services. We also publish editorial and other content designed to educate consumers about banking, personal finance and senior care products, and on certain of our websites provide a platform for user-generated content. If the information we provide is not accurate or is construed as misleading or outdated, consumers and others could lose confidence in our services and attempt to hold us liable for damages and government regulators could impose fines or penalties on us. We may be subjected to claims of violations of law or regulation, and claims for defamation, negligence, discrimination, invasion of personal privacy, fraud, deceptive practices, copyright or trademark infringement, conflicts of interest or other theories relating to the information we publish. We may also be exposed to similar liability in connection with content that users post to our websites through ratings, reviews, forums, blogs, comments, and other social media features. In addition, if there are errors or omissions in information we publish, consumers, individually or through consumer class actions, could seek damages from us for losses incurred if they relied on incorrect information we provided. These types of claims have been brought, sometimes successfully, against providers of online services as well as print publications. The scope and amount of our insurance may not adequately protect us against these types of claims.

We may face liability for, and may be subject to claims related to, inaccurate advertising content provided to us, which even if unfounded or decided in our favor may be extremely costly to defend, could require us to pay significant damages and could limit our ability to operate.

Much of the information on our online platforms that is provided by advertisers and collected from third parties relates to the rates, costs and features for various loan, depository, insurance, personal credit and investment products offered by financial institutions, mortgage companies, investment companies, insurance companies and others participating in the personal finance marketplace, and for providers of senior care facilities. We are exposed to the risk that some advertisers may provide us, or directly post on our websites or mobile applications, (i) inaccurate information about their product rates, costs and features, or (ii) rates, costs and features that are not available to all consumers. This could cause consumers to lose confidence in the information we provide, causing certain advertisers to become dissatisfied with our services, and result in lawsuits being filed or regulatory action against us which could adversely affect our business or results of operations. The scope and amount of our insurance may not adequately protect us against these types of lawsuits or actions.

Our success depends on establishing and maintaining distribution arrangements.

Our business strategy includes the distribution of our content through the establishment of co-branded web pages with high traffic business and personal finance sections of online services and websites. Providing access to these co-branded web pages is a significant part of the value we offer to our advertisers. We compete with other Internet content providers to maintain our current relationships with other online operators and establish new relationships. In addition, as we expand our personal finance content, some of these online operators may perceive us as a competitor. As a result, they may be unwilling to promote distribution of our content. If our distribution arrangements do not attract a sufficient number of visitors to support our current advertising model, or if we do not establish and maintain distribution arrangements on favorable economic terms, our business could be adversely affected.

We do not have exclusive relationships or long-term contracts with the banks, mortgage brokers, credit card issuers, insurance companies and agencies, or senior care companies that are our customers, which may limit our ability to retain these customers as participants in our marketplace and maintain the attractiveness of our services to consumers.

We do not have an exclusive relationship with the banks, mortgage brokers, credit card issuers, insurance companies and agencies, or senior care companies whose products are advertised on our online marketplace, and thus, consumers may obtain services or products from these companies without using our services. Many of our customers also offer their products directly to consumers through agents, mass marketing campaigns or other traditional methods of distribution. In many cases, our customers also offer their products and services over the Internet, either directly to consumers or through one or more of our online competitors, or both. An inability to retain these customers as participants in our marketplace could materially affect our business, revenues and results of operations.

Our revenue from senior living referrals is concentrated among a small number of customers.

A significant portion of our senior living referral revenue is generated from a small number of customers. Because the senior living industry is highly fragmented, with only a small number of major participants, we expect that most of our senior living referral

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revenues will continue to depend on referral fees from a small group of customers. The loss of one of these customers could significantly reduce our senior living referral revenue. In addition, if a significant customer experiences operating issues, regulatory violations, bad publicity or other problems, the fees we receive from that customer may be materially reduced.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under accounting principles generally accepted in the United States of America ("GAAP") to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include, among others, unanticipated competition, loss of key personnel, or a significant adverse change in the business environment. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations.

Unfavorable resolution of tax contingencies could adversely affect us.

Our tax returns and positions are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, and could negatively and adversely impact our financial condition, results of operations or cash flows.

We may expand to other international markets, in addition to our United Kingdom, Canada and China operations, in which we may have limited experience.

We have websites for consumers located in the United Kingdom, Canada and China. In the event that we expand into other international markets, we will have only limited experience in marketing and operating our products and services in those markets. Expansion into international markets requires significant management attention and financial resources, may require the attraction, retention and management of local offices or personnel, and requires us to tailor our services and information to the local market as well as to adapt to local cultures, languages, regulations and standards. Certain international markets may be slower than domestic markets in adopting the Internet as an advertising and commerce medium or in developing telecommunications or Internet infrastructure and so our operations in international markets may not develop at a rate that supports our level of investment. In addition, international consumers may not adopt the Internet for personal finance content at all or as quickly as U.S. consumers.

Our international operations are subject to increased risks which could harm our business, operating results and financial condition.

We face certain risks inherent in doing business internationally, including:

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing and simultaneously managing foreign operations as a result of distance, language, and cultural differences;
- restrictions on the use of or access to the Internet;
- longer payment cycles;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- political or social unrest or economic instability;

- seasonal volatility in business activity;
- risks related to compliance with applicable regulations, including but not limited to anti-corruption laws such as the Foreign Corrupt Practices Act and U.K. Bribery Act;
- risks related to government regulation or required compliance with local laws in certain jurisdictions, including labor laws; and
- potentially adverse tax consequences.

One or more of these factors could harm our future international operations and consequently, could harm our brand, business, operating results, and financial condition.

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Fraudulent Internet transactions, consumer identity theft, security breaches and privacy concerns could hurt our revenues and reputation.

If consumers experience identity theft, data security breaches or fraud after clicking through one of our websites or mobile applications to apply for credit cards on the websites of credit card issuers, mortgage or deposit products on the websites of brokers or lenders, or insurance on the websites of insurance agents or carriers, or following the completion of a lead form, we may be exposed to liability, adverse publicity and damage to our reputation. Despite our implementation of security measures, our computer systems may be susceptible to electronic or physical computer break-ins, viruses and other disruptions and security breaches. In addition, we depend on vendors to store or process certain information, some of which may be private or include personally-identifiable information. If these vendors fail to maintain adequate information security systems and consumer information is compromised, our business or results of operation could be significantly harmed. Any perceived or actual unauthorized disclosure of personally-identifiable information regarding visitors to our services could significantly harm our reputation, impair our ability to attract consumers and attract and retain our advertisers, or subject us to claims or litigation arising from damages suffered by consumers, and thereby significantly harm our business and operating results. To the extent that credit card fraud or identity theft causes a general decline in consumer confidence in online financial transactions, our revenues could decline and our reputation could be damaged. If consumers are reluctant to use our services because of concerns over data privacy or credit card fraud, our ability to generate revenues would be impaired. Our revenues would also decline if changes in industry standards, regulations or laws deterred people from using the Internet to conduct transactions that involve the transmission of confidential information, such as applying for credit cards. In addition, if technology upgrades or other expenditures are required to prevent security breaches of our network, boost general consumer confidence in financial transactions over the Internet, or prevent credit card fraud and identity theft, we may be required to expend significant capital and other resources. Further, advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could result in a compromise or breach of the algorithms we use to protect consumers' and customer companies' confidential information, which could have a material adverse effect on our business.

If we fail to detect click-through fraud, other fraud on advertisements or unscrupulous advertisers, we could lose the confidence of our other advertisers or our customers and all or part of their business, thereby causing our business to suffer.

We are exposed to the risk of fraudulent clicks on our advertisements or actions with respect to our lead sources. We may in the future have to refund revenue that our advertisers or customers have paid to us and that was later attributed to, or suspected to be caused by fraud. Fraudulent clicks may result in us receiving advertising fees that are not the result of clicks generated by consumers. Click-through fraud occurs when a person or automated system clicks on an advertisement displayed on a website with the intent of generating the revenue share payment to the publisher rather than to view the underlying content. Action fraud occurs when on-line forms are completed with false or fictitious information in an effort to increase the compensable actions in respect of which the recipient of such information is to be compensated. We do not charge our advertisers or customers for fraudulent clicks or actions when they are detected, and such fraudulent activities could negatively affect our profitability or harm our reputation. If fraudulent clicks or actions are not detected, the affected advertisers or customers may experience a reduced return on their investment in our programs, which could lead the advertisers or customers to become dissatisfied with our campaigns, and in turn, lead to loss of advertisers or customers and the related revenue.

We are also exposed to the risk that advertisers who advertise on our website will advertise interest rates or other terms on a variety of financial products that they do not intend to honor. This "bait and switch" activity encourages consumers to contact fraudulent advertisers over legitimate advertisers because the fraudulent advertisers claim to offer better interest rates or other terms. Such activity could hurt our reputation and our brand and lead to our other advertisers becoming dissatisfied with our advertising programs, which could lead to loss of advertisers and revenue.

Future government regulation of the Internet is uncertain and subject to change.

Laws and regulations that apply to Internet communications, commerce and advertising are continuously evolving and developing. In the United States and abroad, federal and state laws have been enacted regarding intellectual property ownership and infringement, trade secrets, the sending of unsolicited commercial email, user privacy, search engines, Internet tracking technologies, direct marketing, data security, children's privacy, sweepstakes, promotions and acceptable content and quality of goods. This legislation could: hinder growth in the use of the Internet generally; decrease the acceptance of the Internet as a communications, commercial and advertising medium; reduce our revenue; increase our operating expenses; or expose us to significant liabilities. Additionally, taxation of Internet use or electronic commerce transactions may be imposed. Any regulation imposing fees for Internet use or electronic commerce transactions could result in a decline in the use of the Internet and the viability of Internet commerce, which could have a material adverse effect on our business.

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Laws and regulations may limit or restrict the way we operate our business or establish and maintain our online relationships, and may subject us to claims.

State, federal and foreign lending laws and regulations generally require accurate disclosure of the critical components of credit costs so that consumers can readily compare credit terms from various lenders. These laws and regulations also impose certain restrictions on the advertisement of these credit terms. Because we are an aggregator of rate and other information regarding many financial products, including mortgages, deposits and credit cards, we may be subject to some of these laws and regulations and we may be held liable under these laws and regulations for information provided through our online services. The insurance industry is also subject to numerous federal and state laws and regulations, including licensing requirements. Federal and state fraud and abuse laws could be applied to referral sources where referral fees are funded using government funds.

We rely on telemarketing and email marketing conducted internally and through third parties to generate a significant number of leads for our business. The telemarketing and email marketing services industries are subject to an increasing amount of regulation in the United States under both federal and state law. The U.S. Federal Trade Commission (FTC) and Federal Communications Commission (FCC) have issued regulations that place restrictions on telephone calls to residential and wireless telephone subscribers.

Most of the statutes and regulations in the United States allow a private right of action for the recovery of damages or provide for enforcement by the FTC, FCC, other federal agencies, state attorneys general or state agencies permitting the recovery of significant civil or criminal penalties, costs and attorneys' fees in the event that regulations are violated. We believe that we comply with all such applicable laws and regulations, but cannot assure you that we, or third parties that we rely on for telemarketing, email marketing and other lead generation activities, will be in compliance with all applicable laws and regulations at all times. We cannot assure you that the FTC, FCC, other federal agencies, state attorneys general, state agencies or private litigants will not attempt to hold us responsible for any unlawful acts conducted by such third parties or that we could successfully enforce or collect upon any indemnities provided to us by third parties, any of which could have a material adverse effect on our business, results of operations or financial condition. In addition, changes in such regulations or the interpretation thereof that further restrict such activities could result in a material reduction in the number of leads for our business and could have a material adverse effect on our business, results of operations and financial condition.

The FCC amended its regulations under the Telephone Consumer Protection Act (TCPA), effective in July 2012, which could increase our exposure to liability for certain types of telephonic communication with consumers. Under the TCPA, plaintiffs may seek injunctive relief and actual monetary loss or statutory damages of $500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. A determination that there have been violations of laws relating to our practices under the TCPA or other communications-based statutes could expose us to damage awards that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial condition.

We believe that we have structured our business and our online services to comply with applicable laws and regulations as are currently in effect. Because of uncertainties as to the applicability of some of these laws and regulations to the Internet and, more specifically, to our type of business, and considering that our business has evolved and expanded in a relatively short period of time, and will continue to evolve and develop, we may not always have been, and may not always be, in compliance with all applicable federal, state and foreign laws and regulations. If we are found to be in violation of any applicable laws or regulations, we could be subject to administrative enforcement actions and fines, class action lawsuits, cease and desist orders, and civil and criminal liability. If these laws and regulations are changed, or if new laws or regulations are enacted, these events could prohibit or substantially alter the content we provide on our websites and the operation of our business. Moreover, such events could materially and adversely affect our business, results of operations and financial condition.

Deterioration in general economic conditions and difficult market conditions may adversely affect the financial services industry and harm our revenue opportunities, business and financial condition.

General downward economic trends, reduced availability of commercial credit and increasing unemployment negatively impact the credit performance of commercial and consumer credit. Concerns over the stability of the financial markets and the economy have resulted, and may result in the future, in decreased lending by financial institutions to their customers and to each other. These macroeconomic conditions have affected and may in the future negatively affect our business and financial condition. Economic pressure on consumers and businesses and declining confidence in the financial markets would likely cause a decrease in the demand for advertising financial products and services. Additionally, advertising expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenues from selling advertising, deterioration in economic conditions could cause decreases in or delays in advertising spending and would be likely to reduce our revenue and negatively impact our short term ability to grow our revenues.

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Our substantial indebtedness could adversely affect our financial flexibility and prevent us from fulfilling our obligations under the Notes and New Credit Agreement.

We have, and will continue to have, a significant amount of indebtedness. As of June 30, 2014, our total indebtedness was $297.3 million, net of unamortized discount comprised of the Notes in an aggregate principal amount of $300.0 million. As of June 30, 2014, we had no loans outstanding under the New Credit Agreement. Our interest expense for the year ended December 31, 2013 was $25.1 million. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to invest in our business at an appropriate level, thereby making it more difficult to pay amounts due in respect of our indebtedness. Our substantial indebtedness could have other important consequences to you and significant effects on our business. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to other contractual and commercial commitments;
- limit our ability to obtain additional financing amounts to fund working capital, capital expenditures, debt service requirements, execution of our business strategy, or acquisitions and other purposes;
- require us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce the funds available to us for other purposes;
- make us more vulnerable to adverse changes in general economic, industry and competitive conditions, changes in government regulation and changes in our business by limiting our flexibility in planning for, and making it more difficult for us to react quickly to, changing conditions;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expenses in the event of increases in interest rates; and
- make it more difficult to satisfy our financial obligations, including payments on the Notes and amounts outstanding from time to time under the New Credit Agreement.

In addition, the Senior Notes Indenture and the New Credit Agreement each contain, and the agreements evidencing or governing other future indebtedness may contain, restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful or if successful, could adversely impact our business.

Our ability to make scheduled payments on or to refinance our debt obligations, including the Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. Our debt service obligations are currently $18.4 million per year. In addition, we entered into the Revolving Credit Facility described below, which when drawn in the future would increase the amount of our current debt service obligations. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness, including the Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the Notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The Senior Notes Indenture and the New Credit Agreement each restrict, and any of our other future debt agreements may restrict, our ability to dispose of assets and use the proceeds from any such dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct our operations through our subsidiaries, certain of which may not be guarantors of the Notes or guarantors of our other indebtedness. Accordingly, repayment of our indebtedness, including the Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the Notes, our obligations from time to time under the New Credit Agreement or any future indebtedness, our subsidiaries do not have any obligation to pay amounts due on the Notes or under the New Credit Agreement or to make funds available for such purposes. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes. Each subsidiary is a distinct legal entity and, under certain

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circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. Although the Senior Notes Indenture and the New Credit Agreement do, and other future debt agreements may, limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are, or in the case of future debt agreements may be, subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, holders of Notes or our other indebtedness could declare all outstanding principal and interest to be due and payable and we could be forced into bankruptcy or liquidation.

Despite restrictions in the Senior Notes Indenture and the Revolving Credit Facility, we may still be able to incur additional indebtedness. This could increase the risks associated with our leverage, including the ability to service our indebtedness.

We may be able to incur additional indebtedness pursuant to the Senior Notes Indenture and the New Credit Agreement in the future, including additional secured indebtedness. As of December 31, 2013, we were able to incur up to an additional $417.7 million of indebtedness, of which up to $100.0 million could be secured indebtedness, pursuant to the incurrence tests described in the Senior Notes Indenture and New Credit Agreement. Although covenants under the Senior Notes Indenture and the New Credit Agreement limit our ability and the ability of our present and future subsidiaries to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. The Senior Notes Indenture and the New Credit Agreement also allow us to incur certain additional secured and unsecured debt and allow our foreign restricted subsidiaries and our future unrestricted subsidiaries to incur additional debt, which would be structurally senior to the Notes and amounts outstanding from time to time under the Revolving Credit Facility. In addition, the Senior Notes Indenture and the New Credit Agreement do not prohibit us from incurring obligations that do not constitute indebtedness as defined therein. To the extent that we incur additional indebtedness or such other obligations, the risk associated with substantial additional indebtedness described above, including our possible inability to service our debt will increase.

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

Company Purchase of Equity Securities

The following table sets forth the Company’s purchases of equity securities for the periods indicated:

	Total Number of Shares Purchased as Part of	Maximum Number of Shares That May

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Publicly Announced Plans or Programs	Yet Be Purchased Under the Plans or Programs(1)
April 1, 2014 through April 30, 2014	—	$ —	—	$ 70,000,000
May 1, 2014 through May 31, 2014	82,872	$ 14.77	—	$ 70,000,000
June 1, 2014 through June 30, 2014	315,493	$ 16.63	315,493	$ 64,746,532

(1) On February 12, 2013 the Company's Board of Directors authorized a $70 million share repurchase program which allows the Company to repurchase shares of its common stock in open market or private transactions. The program will expire on December 31, 2014.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit No.	Description
4.1*	Supplemental Indenture dated May 30, 2014
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
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability

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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.

Bankrate, Inc.

Date: August 8, 2014	By:	/s/ Edward J. DiMaria Edward J. DiMaria Senior Vice President and Chief Financial Officer (Mr. DiMaria is the Principal Financial Officer and has been duly authorized to sign on behalf of the Registrant)