INFOSPACE INC
Form 10-Q/A
November 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1 to Form 10-Q

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

For the quarterly period ended June 30, 2011

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 Number: 000-25131

INFOSPACE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**91-1718107**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
601 108th Avenue NE, Suite 1200 Bellevue, Washington	**98004**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (425) 201-6100

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. x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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

Large accelerated filer	¨	Accelerated filer	x
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 x No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at July 29, 2011**
Common Stock, Par Value $0.0001	38,149,690

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Explanatory Note

InfoSpace, Inc. (the ***Company, InfoSpace****,* ***our****,* or ***we***) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the three months ended June 30, 2011, as originally filed with the Securities and Exchange Commission (***SEC***) on August 8, 2011 (the **Original Quarterly Report**) for the purpose of restating its unaudited condensed consolidated financial statements for the second quarters of 2011 and 2010. As we reported in our Current Report on Form 8-K filed with the SEC on November 3, 2011, we have identified an error related to our accounting for goodwill in connection with our acquisition of the Make The Web Better assets in April 2010. As a result, we are restating our unaudited condensed consolidated financial statements to correct this error.

On April 1, 2010, we purchased assets consisting of internet properties and licenses for content and technology from Make The Web Better, a developer of online products used on social networking sites and a member of our search distribution network. We purchased these assets for $13.0 million and allocated $12.7 million of the purchase price to goodwill. We have determined that this $12.7 million should have been allocated to an intangible asset consisting of an installed code base technology that directs Make The Web Better users to use our search services. As a result of this determination, the Company is restating all periods since the second quarter of 2010 to amortize that intangible asset. We have recorded this amortization as an expense to cost of sales. For further detail on this restatement, please see Note 1: The Company and Basis of Presentation of the Notes to Unaudited Condensed Consolidated Financial Statements (Item 1 of Part I of this report).

This Amendment No. 1 also contains a change in presentation for discontinued operations from the original Quarterly Report that is not a restatement or connected to the restatement described above, but is an appropriate change given the re-issuance of the information contained in this report. For further detail on this presentation change, please see Note 8: Discontinued Operations of the Notes to Unaudited Condensed Consolidated Financial Statements (Item 1 of Part I of this report).

We are amending and restating in their entirety all of Items 1, 2, and 4 of Part I and Item 6 of Part II in this Amendment No. 1 to reflect the restatement of the above-referenced financial statements and the other changes to presentation and classification as described herein. There have been no changes to the Original Quarterly Report other than those specifically described in this Amendment No. 1.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

INFOSPACE, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

	June 30, 2011 (as Restated)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,698	$ 155,645
Short-term investments, available-for-sale	192,704	98,091
Accounts receivable, net of allowance of $10 and $15	19,758	19,189
Other receivables	4,528	1,185
Prepaid expenses and other current assets	1,577	2,163
Net assets of discontinued operations		16,161
Total current assets	289,265	292,434
Property and equipment, net	6,814	7,304
Goodwill	44,815	44,815
Other intangible assets, net	2,180	3,910
Other long-term assets	4,264	4,257
Total assets	$ 347,338	$ 352,720
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 12,503	$ 2,699
Accrued expenses and other current liabilities	20,896	39,518
Liabilities of discontinued operations		7,777
Total current liabilities	33,399	49,994
Other long-term liabilities	757	955
Total liabilities	34,156	50,949
Commitments and contingencies (Note 5)		
Stockholders equity:		
Common stock, par value $0.0001 authorized, 1,800,000,000 shares; issued and outstanding 37,963,589 and 36,088,646 shares	4	4
Additional paid-in capital	1,337,020	1,322,265
Accumulated deficit	(1,023,851)	(1,020,496)
Accumulated other comprehensive income (loss)	9	(2)
Total stockholders equity	313,182	301,771
Total liabilities and stockholders equity	$ 347,338	$ 352,720

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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INFOSPACE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)

(amounts in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2011 (as Restated)	2010 (as Restated)	2011 (as Restated)	2010 (as Restated)
Revenues:	$ 54,292	$ 52,363	$ 105,942	$ 114,136
Cost of sales:	36,579	33,414	69,253	76,973
Gross profit	17,713	18,949	36,689	37,163
Expenses and other income:				
Engineering and technology	1,784	2,540	3,448	4,446
Sales and marketing	4,902	7,314	11,869	13,796
General and administrative	4,970	6,751	10,130	13,506
Depreciation	552	814	1,214	1,634
Other loss (income), net	(107)	3,522	(182)	3,659
Total expenses and other income	12,101	20,941	26,479	37,041
Income (loss) from continuing operations before income taxes	5,612	(1,992)	10,210	122
Income tax benefit (expense)	(1,936)	538	(3,638)	(32)
Income (loss) from continuing operations	3,676	(1,454)	6,572	90
Discontinued operations:				
Loss from discontinued operations, net of taxes	(680)	(912)	(2,253)	(912)
Loss on sale of discontinued operations, net of taxes	(7,674)		(7,674)	
Net loss	$ (4,678)	$ (2,366)	$ (3,355)	$ (822)
Loss per share Basic				
Income (loss) from continuing operations	$ 0.10	$ (0.04)	$ 0.18	$
Loss from discontinued operations	(0.02)	(0.03)	(0.06)	(0.02)
Loss on sale of discontinued operations	(0.20)		(0.21)	
Basic net loss per share	$ (0.12)	$ (0.07)	$ (0.09)	$ (0.02)
Weighted average shares outstanding used in computing basic income (loss) per share	37,422	35,751	36,883	35,609
Loss per share Diluted				
Income (loss) from continuing operations	$ 0.10	$ (0.04)	$ 0.18	$
Loss from discontinued operations	(0.02)	(0.03)	(0.06)	(0.02)
Loss on sale of discontinued operations	(0.20)		(0.21)	
Diluted net loss per share	$ (0.12)	$ (0.07)	$ (0.09)	$ (0.02)
Weighted average shares outstanding used in computing diluted income (loss) per share	38,128	35,751	37,609	37,207

Other comprehensive loss:				
Net loss	$ (4,678)	$ (2,366)	$ (3,355)	$ (822)
Foreign currency translation adjustment		(17)		(188)
Unrealized gain (loss) on investments, available-for-sale, included in net income loss	(18)	77	11	140
Other comprehensive income (loss)	(18)	60	11	(48)
Comprehensive loss	$ (4,696)	$ (2,306)	$ (3,344)	$ (870)

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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INFOSPACE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Six months ended June 30, 2011 (as Restated)	Six months ended June 30, 2010 (as Restated)
Operating activities:		
Net loss	$ (3,355)	$ (822)
Adjustments to reconcile net loss to net cash provided by operating activities of continuing operations:		
Loss from sale of discontinued operations	7,674	
Loss from discontinued operations	2,253	912
Stock-based compensation	3,371	6,070
Depreciation and amortization of intangible assets	4,557	7,749
Earn-out contingent liability adjustments	1,500	
Gain on resolution of contingent liability	(1,500)	
Amortization of premium on investments, net	240	942
Loss on disposals of assets	5	544
Other	(19)	(7)
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	107	8,831
Notes and other receivables	(3,343)	(279)
Prepaid expenses and other current assets	586	431
Other long-term assets	(295)	286
Accounts payable	9,825	(2,784)
Accrued expenses and other current and long-term liabilities	(13,100)	(3,881)
Net cash provided by operating activities of continuing operations	8,506	17,992
Investing activities:		
Business acquisitions, net of cash acquired		(8,000)
Purchases of property and equipment	(2,209)	(977)
Other long-term assets	288	
Proceeds from the sales of assets		306
Proceeds from maturities of investments	44,767	115,460
Purchases of investments	(139,611)	(141,841)
Net cash used by investing activities of continuing operations	(96,765)	(35,052)
Financing activities:		
Proceeds from stock option exercises and issuance of stock through employee stock purchase plan	11,869	1,840
Tax payments from shares withheld upon vesting of restricted stock units	(1,119)	(2,383)
Earn-out payments for business acquisitions	(423)	
Repayment of capital lease obligation	(221)	(291)
Net cash provided (used) by financing activities of continuing operations	10,106	(834)
Discontinued operations:		
Net cash used by operating activities of discontinued operations	(6,156)	(2,759)
Net cash used by investing activities of discontinued operations	(638)	(7,966)
Net cash used by discontinued operations	(6,794)	(10,725)
Net decrease in cash and cash equivalents	(84,947)	(28,619)

Cash and cash equivalents:				
Beginning of period		155,645		83,750
End of period	$	70,698	$	55,131
Non-cash items:				
Supplemental disclosure of non-cash investing activities:				
Liabilities assumed in purchase transaction			$	(8,231)
Supplemental disclosure of non-cash financing activities:				
Contingent earn-out consideration from acquisition			$	(5,000)

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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INFOSPACE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The Company and Basis of Presentation

InfoSpace, Inc. (the ***Company*** or ***InfoSpace***) provides search tools and technologies that assist consumers with finding information, merchants, individuals, products, and other content on the Internet. The Company uses its metasearch technology, which selects search results from several search engine content providers, to power its own branded websites and to provide search services to distribution partners. Distribution partner versions of web offerings are generally private-labeled and delivered with each distribution partner s unique requirements. Some content providers, such as Google and Yahoo!, provide InfoSpace with advertisements in addition to search content, and share the revenue earned from those advertisements, and the Company refers to those providers as search customers.

On May 10, 2010, the Company acquired certain assets from Mercantila, Inc., an online retail company, and on June 22, 2011, the Company sold its Mercantila e-commerce business to Zoo Stores, Inc. Prior to the Company s disposition of its Mercantila business, the Company had two reporting segments, Core and E-commerce. As a result of the disposition of the Mercantila e-commerce business, the Company now has one reporting segment, and the operating results of the e-commerce business have been presented as discontinued operations in the accompanying unaudited Condensed Consolidated Financial Statements for all periods presented.

The Company s Chief Executive Officer, who is its chief operating decision maker, reviews financial information presented on a consolidated basis accompanied by disaggregated information for certain measures. This information is used for purposes of allocating resources and evaluating financial performance. The Company s operations are not organized into components below the consolidated unit level and operating results are not reported to the Chief Executive Officer for components below the consolidated unit level. Accordingly, the Company s management considers InfoSpace to have a single reporting segment.

Restatement: On April 1, 2010, the Company purchased assets consisting of internet properties and licenses for content and technology from Make The Web Better, a developer of online products used on social networking sites and a member of InfoSpace s search distribution network. InfoSpace purchased these assets for $13.0 million, and allocated $12.7 million of the purchase price to goodwill. In October 2011, the Company identified an error related to its accounting for goodwill in connection with its acquisition of the Make the Web Better assets. The Company determined that $12.7 million should have been allocated to an intangible asset consisting of an installed code base technology that directs Make The Web Better users to use InfoSpace s search services. As a result of this determination, the Company has allocated the $12.7 million initially classified as goodwill to the installed code base technology classified as other intagibles, net, and is amortizing that intangible asset ratably as a proportion of the estimated revenue generated by the installed code base technology, as adjusted by changes in the estimated total revenue expected to be generated.

The Company believed that the error was material to the unaudited condensed consolidated financial statements three and six months ended June 30, 2011 and 2010 and, therefore, is restating in this Amendment No. 1 to its Quarterly Report on Form 10-Q/A.

Additionally, cash equivalents and available for sale securities previously classified as Level 1 financial assets have been corrected to be classified as Level 2 in Note 2: Fair Value Measures as of June 30, 2011.

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The effects of this restatement on the unaudited condensed consolidated balance sheet as of June 30, 2011, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands):

	As previously reported	Adjustment	As restated
Other receivables, net	$ 4,262	$ 266	$ 4,528
Total current assets	$ 288,999	$ 266	$ 289,265
Goodwill	$ 57,465	$ (12,650)	$ 44,815
Other intangible assets, net	$ 282	$ 1,898	$ 2,180
Total assets	$ 357,824	$ (10,486)	$ 347,338
Accrued expenses and other current liabilities	$ 20,779	$ 117	$ 20,896
Accumulated deficit	$ (1,013,248)	$ (10,603)	$ (1,023,851)
Total stockholders equity	$ 323,785	$ (10,603)	$ 313,182
Total liabilities and stockholders equity	$ 357,824	$ (10,486)	$ 347,338

The effects of this restatement on the unaudited condensed consolidated statement of operations for the three months ended June 30, 2011, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands, except per share data):

	As previously reported	Adjustment	As restated
Cost of sales	$ 35,807	$ 772	$ 36,579
Gross profit	$ 18,485	$ (772)	$ 17,713
Income from continuing operations before income taxes	$ 6,384	$ (772)	$ 5,612
Income tax expense	$ (1,999)	$ 63	$ (1,936)
Income (loss) from continuing operations	$ 4,385	$ (709)	$ 3,676
Loss from discontinued operations, net of taxes	$ (621)	$ (59)	$ (680)
Net loss	$ (3,910)	$ (768)	$ (4,678)
Net income (loss) per share Basic			
Income from continuing operations	$ 0.12	$ (0.02)	$ 0.10
Net loss per share	$ (0.10)	$ (0.02)	$ (0.12)
Net income per share Diluted			
Income from continuing operations	$ 0.12	$ (0.02)	$ 0.10
Net loss per share	$ (0.10)	$ (0.02)	$ (0.12)

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The effects of this restatement on the unaudited condensed consolidated statement of operations for the six months ended June 30, 2011, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands, except per share data):

	As previously reported	Adjustment	As restated
Cost of sales	$ 67,523	$ 1,730	$ 69,253
Gross profit	$ 38,419	$ (1,730)	$ 36,689
Income (loss) from continuing operations before income taxes	$ 11,940	$ (1,730)	$ 10,210
Income tax expense	$ (3,788)	$ 150	$ (3,638)
Income from continuing operations	$ 8,152	$ (1,580)	$ 6,572
Net loss	$ (1,775)	$ (1,580)	$ (3,355)
Net income per share Basic			
Income (loss) from continuing operations	$ 0.22	$ (0.04)	$ 0.18
Net income (loss) per share	$ (0.05)	$ (0.04)	$ (0.09)
Net income per share Diluted			
Income (loss) from continuing operations	$ 0.22	$ (0.04)	$ 0.18
Net income (loss) per share	$ (0.05)	$ (0.04)	$ (0.09)

The effects of this restatement on the unaudited condensed consolidated statement of operations for the six months ended June 30, 2010, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands, except per share data):

	As previously reported	Adjustment	As restated
Cost of sales	$ 29,142	$ 4,272	$ 33,414
Gross profit	$ 23,221	$ (4,272)	$ 18,949
Income (loss) from continuing operations before income taxes	$ 2,280	$ (4,272)	$ (1,992)
Income tax benefit (expense)	$ (850)	$ 1,388	$ 538
Income (loss) from continuing operations	$ 1,430	$ (2,884)	$ (1,454)
Loss from discontinued operations, net of taxes	$ (760)	$ (152)	$ (912)
Net loss	$ 670	$ (3,036)	$ (2,366)
Net income per share Basic			
Income (loss) from continuing operations	$ 0.04	$ (0.08)	$ (0.04)
Loss from discontinued operations	$ (0.02)	$ (0.01)	$ (0.03)
Net income (loss) per share	$ 0.02	$ (0.09)	$ (0.07)
Net income per share Diluted			
Income (loss) from continuing operations	$ 0.04	$ (0.08)	$ (0.04)
Loss from discontinued operations	$ (0.02)	$ (0.01)	$ (0.03)
Net income (loss) per share	$ 0.02	$ (0.09)	$ (0.07)

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The effects of this restatement on the unaudited condensed consolidated statement of operations for the six months ended June 30, 2010, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands, except per share data):

	As previously reported	Adjustment	As restated
Cost of sales	$ 72,701	$ 4,272	$ 76,973
Gross profit	$ 41,435	$ (4,272)	$ 37,163
Income from continuing operations before income taxes	$ 4,394	$ (4,272)	$ 122
Income tax expense	$ (1,420)	$ 1,388	$ (32)
Income from continuing operations	$ 2,974	$ (2,884)	$ 90
Loss from discontinued operations, net of taxes	$ (760)	$ (152)	$ (912)
Net income (loss)	$ 2,214	$ (3,036)	$ (822)
Net income per share Basic			
Income from continuing operations	$ 0.08	$ (0.08)	$
Loss from discontinued operations	$ (0.02)	$	$ (0.02)
Net income (loss) per share	$ 0.06	$ (0.08)	$ (0.02)
Net income (loss) per share Diluted			
Income from continuing operations	$ 0.08	$ (0.08)	$
Loss from discontinued operations	$ (0.02)	$	$ (0.02)
Net income (loss) per share	$ 0.06	$ (0.08)	$ (0.02)

The effects of this restatement on the unaudited condensed consolidated statement of cash flows for the six months ended June 30, 2011, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands):

	As previously reported	Adjustment	As restated
Operating activities:			
Net income (loss)	$ (1,775)	$ (1,580)	$ (3,355)
Depreciation and amortization of intangible assets	$ 2,827	$ 1,730	$ 4,557
Deferred income taxes (combined in Other)	$ (198)	$ 198	$
Other	$ (20)	$ 1	$ (19)
Other receivables	$ (3,077)	$ (266)	$ (3,343)
Other long-term assets	$ (294)	$ (1)	$ (295)
Accrued expenses and other current and long-term liabilities	$ (13,018)	$ (82)	$ (13,100)

The effects of this restatement on the unaudited condensed consolidated statement of cash flows for the six months ended June 30, 2010, as previously reported in the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2011, are as follows (in thousands):

	As previously reported	Adjustment	As restated
Operating activities:			
Net income (loss)	$ 2,214	$ (3,036)	$ (822)
Loss from discontinued operations	$ 760	$ 152	$ 912
Depreciation and amortization of intangible assets	$ 3,477	$ 4,272	$ 7,749
Excess tax benefits from stock-based award activity	$ (1,097)	$ 1,097	$
Other receivables	$ 60	$ (339)	$ (279)
Other long-term assets	$ 285	$ 1	$ 286
Accrued expenses and other current and long-term liabilities	$ (2,984)	$ (897)	$ (3,881)
Net cash provided by operating activities of continuing operations	$ 16,742	$ 1,250	$ 17,992

Financing activities:			
Excess tax benefits from stock-based award activity	$ 1,097	$ (1,097)	$
Net cash provided (used) by financing activities of continuing operations	$ 263	$ (1,097)	$ (834)
Discontinued operations:			
Net cash used by operating activities of discontinued operations	$ (2,606)	$ (153)	$ (2,759)
Net cash used by discontinued operations	$ (10,572)	$ (153)	$ (10,725)

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Reclassification: A reclassification has been made to prior year financial statements to conform to the current year presentation. In the Unaudited Condensed Consolidated Statements of Cash Flows, for the six months ended June 30, 2010, the proceeds from the sales of investments is separately presented as a component of net cash provided by investing activities; it was previously presented under the caption of Proceeds from the sales and maturities of investments. This reclassification had no effect on previously reported net cash provided by investing activities in the Unaudited Condensed Statement of Cash Flows.

The accompanying Unaudited Condensed Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments that, in the opinion of management, are necessary to present fairly the financial information set forth herein. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (***GAAP***) have been condensed under the rules and regulations of the U.S. Securities and Exchange Commission. Investors should read these interim Unaudited Condensed Consolidated Financial Statements and related notes in conjunction with the audited financial statements and related notes included in Amendment No. 1 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 2010.

Results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of future financial results. 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ, perhaps materially, from these financial estimates.

2. Fair Value Measures

The Company measures its investments at fair value under GAAP. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy of the Company s financial assets carried at fair value and measured on a recurring basis is as follows (amounts in thousands):

		Fair value measurements at the reporting date using		
	June 30, 2011	**Quoted prices in active markets using identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Cash equivalents				
Money market	$ 72	$	$ 72	$
Commercial paper	51,967		51,967	
Total	52,039		52,039	
Available-for-sale securities				
U.S. government securities	139,065		139,065	
Commercial paper	46,573		46,573	
Taxable municipal bonds	7,066		7,066	
Total	192,704		192,704	
Total	$ 244,743	$	$ 244,743	$

		Fair value measurements at the reporting date using
	December 31, 2010	

		Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents				
Money market funds	$ 31	$	$ 31	$
Commercial paper	87,902		87,902	
Taxable municipal bonds	12,096		12,096	
Total	100,029		100,029	
Available-for-sale securities				
U.S. government securities	90,850		90,850	
Taxable municipal bonds	7,241		7,241	
Total	98,091		98,091	
Total	$ 198,120	$	$ 198,120	$

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Maturity information was as follows for investments classified as available-for-sale at June 30, 2011 (in thousands):

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Within one year	$ 192,695	$ 49	$ (40)	$ 192,704
Greater than one year				
Total	$ 192,695	$ 49	$ (40)	$ 192,704

Maturity information was as follows for investments classified as available-for-sale at December 31, 2010 (in thousands):

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Within one year	$ 98,091	$ 13	$ (13)	$ 98,091
Greater than one year				
Total	$ 98,091	$ 13	$ (13)	$ 98,091

In the six months ended June 30, 2011 and at December 31, 2010, the Company did not measure the fair value of any of its assets or liabilities other than cash equivalents and available-for-sale investments. The Company s management considers the carrying values of accounts receivable, other receivables, prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities to approximate fair values primarily due to their short-term nature.

3. Stock-Based Compensation

The Company has included the following amounts for stock-based compensation expense, including the cost related to restricted stock units (***RSUs***), market stock units, and stock options granted under the Company s equity award plans including the Company s employee stock purchase plan, in the accompanying Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2011 and 2010 (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Cost of sales	$ 53	$ 145	$ 197	$ 253
Engineering and technology	178	651	433	862
Sales and marketing	223	1,059	652	1,538
General and administrative	884	1,935	2,089	3,417
Discontinued operations	(536)	169	(159)	169
Total	$ 802	$ 3,959	$ 3,212	$ 6,239

The total intrinsic value and net shares issued for RSUs vested, options exercised, and shares purchased pursuant to the employee stock purchase plan (***ESPP***) during the three and six months ended June 30, 2011 and 2010 is presented below (amounts in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2011		2010		2011		2010	
	Intrinsic value	Net shares issued	Intrinsic value	Net shares issued	Intrinsic value	Net shares issued	Intrinsic value	Net shares issued
RSUs vested	$ 2,858	229	$ 3,350	221	$ 3,740	296	$ 5,470	337
Options exercised	1,057	1,233	158	52	1,486	1,549	356	187
Shares purchased pursuant to ESPP			75		41	30	75	26
Total	$ 3,915	1,462	$ 3,583	273	$ 5,267	1,875	$ 5,901	550

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To determine the stock-based compensation expense that was recognized with respect to RSUs, market stock units (which are a form of share price performance-based restricted stock unit granted under our 2011 long-term executive compensation plan), and stock options in the three and six months ended June 30, 2011 and 2010, the Company used the fair value at date of grant for RSUs, the Black-Scholes-Merton option-pricing model for stock option grants, and the Monte Carlo valuation method for the market stock unit grants, with the following weighted-average inputs for stock option grants and market stock unit grants:

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Stock option grants:				
Risk-free interest rate	1.06%	1.38%	1.06%	1.40%
Expected dividend yield	0%	0%	0%	0%
Expected volatility	46%	51%	47%	51%
Expected life	3.0 years	3.0 years	3.0 years	3.0 years
Market stock unit grants:				
Risk-free interest rate	0.15%		0.15%	
InfoSpace expected dividend yield	0%		0%	
iShares Russell 2000 Index expected dividend yield	1.08%		1.08%	
InfoSpace closing stock price	$8.74		$8.74	
iShares Russell 2000 Index closing price	$82.29		$82.29	
InfoSpace expected volatility	37.4%		37.4%	
iShares Russell 2000 Index expected volatility	20.3%		20.3%	
Measurement period	1.0 years		1.0 years	

4. Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common shares outstanding plus the number of potentially dilutive shares outstanding during the period. Potentially dilutive shares consist of the incremental common shares issuable due to equity award activity by using the treasury stock method. Potentially dilutive shares are excluded from the computation of earnings per share if their effect is antidilutive. The treasury stock method calculates the dilutive effect for equity awards with an exercise price less than the average stock price during the period presented (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Weighted average common shares outstanding, basic	37,422	35,751	36,883	35,609
Dilutive equity awards	706		726	1,598
Weighted average common shares outstanding, diluted	38,128	35,751	37,609	37,207
Antidilutive equity awards with an exercise price less than the average price during the applicable period excluded from dilutive share calculation	794	6,673	609	492
Outstanding stock options with an exercise price greater than the average price during the applicable period not included in dilutive share calculation	2,919	2,482	3,063	2,402

5. Commitments and Contingencies

The Company s contractual commitments associated with its purchase commitments and capital and operating lease obligations did not change materially from the commitments and obligations disclosed in Amendment No. 1 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 2010.

Litigation

From time to time the Company is subject to various legal proceedings or claims that arise in the ordinary course of business. Although the Company cannot predict the outcome of these matters with certainty, the Company s management does not believe that the disposition of these ordinary course matters will have a material adverse effect on the Company s financial position, results of operations, or cash flows.

6. Income Taxes

The Company provides income taxes for the various jurisdictions in which it operates. The income tax expense or benefit reflects the income tax effects of financial reporting income, permanent differences between financial reporting income and taxable income and the effects for the change in the valuation allowance applied to its deferred tax assets. At the end of each quarterly reporting period, the Company estimates the income, permanent differences, changes in the deferred tax assets and the related change to its valuation allowance, and the effective income tax rate that its expects for the full year.

Each quarterly reporting period, the Company applies the expected effective income tax rate to financial reporting income recorded in its financial statements on a year-to-date basis and records the change in expected income taxes as income tax expense or benefit. The Company reflects the tax effect of any tax law changes and certain other discrete events in the period in which they occur.

The expected annual effective tax rate may vary during each quarterly reporting period due to a number of factors, including any changes to the valuation allowance arising from the limitation on forecasting the reversal of deferred tax assets attributable to stock-based compensation prior to the settlement date, increases or decreases in deferred tax assets during a subsequent quarterly reporting period and expectations on realizability of deferred tax assets, enactment of tax legislation in the various jurisdictions in which the Company operates, and certain other discrete events.

As discussed in Note 8 to the Consolidated Financial Statements in Amendment No. 1 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 2010, the Company has a valuation allowance against substantially the full amount of its net deferred tax asset. The Company currently provides a valuation allowance against deferred tax assets when it is more likely than not that some portion, or all, of its deferred tax assets will not be realized.

The Company recorded income tax expense from continuing operations of $1.9 million and $3.6 million in the three and six months ended June 30, 2011, respectively. The Company recorded income tax benefit from continuing operations of $538,000 and income tax expense of $32,000 in the three and six months ended June 30, 2010, respectively. In the three and six months ended June 30, 2011, income tax expense did not significantly differ from the taxes at the statutory rates.

During the six months ended June 30, 2011, there were no material changes to the unrecognized tax benefits, the total amount of unrecognized tax benefits that would affect the effective tax rate if recognized, the amount of interest and penalties recognized in connection with the unrecognized tax benefits, and the tax years that remain subject to examination. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

7. Acquisitions

Mercantila. On May 10, 2010, the Company acquired certain assets from Mercantila, Inc., an e-commerce company, at a cost of $7.8 million in cash, plus $8.2 million in liabilities assumed. On June 22, 2011 the Company sold these Mercantila assets to Zoo Stores, Inc. (see Note 8 below for further detail).

Make The Web Better. On April 1, 2010, the Company purchased assets consisting of web properties and licenses for content and technology from Make The Web Better, a search distribution partner and privately-held developer of online products used on social networking sites, for $13.0 million. The purchase consideration included an initial cash payment of $8.0 million, with an additional contingent payment depending on financial performance. At the time of the acquisition, that contingent payment was estimated at $5.0 million. The financial performance of the operation of the Make the Web Better assets has been greater than was expected when the assets were acquired due to a slower than expected decline in revenue. As a consequence, the Company s estimate of the fair value of the related contingent consideration increased to $11.5 million as of June 30, 2011 and it recorded a charge of $1.5 million to other loss (income), net in the six months ended June 30, 2011, and recorded a charge of $3.5 million to other loss (income), net in the three and six months ended June 30, 2010.

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The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at their date of acquisition as follows (in thousands):

Installed code base technology	$ 12,650
License for use of developed core technology	235
Prepaid hosting services	115
Identifiable assets acquired	$ 13,000
Purchase price:	
Cash paid	$ 8,000
Contingent consideration	5,000
Purchase price	$ 13,000
Less identifiable assets acquired	(13,000)
Excess of purchase price over net assets acquired, allocated to goodwill	$

8. Discontinued Operations

On June 22, 2011, the Company sold its Mercantila e-commerce business to Zoo Stores, Inc. As consideration for the acquisition of Mercantila, Zoo Stores paid InfoSpace $250,000 upon completion of the sale, plus the Company received the right to receive additional consideration of up to $3.0 million contingent on liquidity or other events, which the Company recorded at a fair value of zero as of June 30, 2011. Nikhil Behl, a former Named Executive Officer of InfoSpace, ceased to be an officer of, or otherwise affiliated with, InfoSpace upon the closing of the transaction.

The results of operations from the business are reflected in the unaudited Condensed Consolidated Financial Statements as discontinued operations for all periods presented. Revenue, loss before taxes, income tax benefit, and loss from discontinued operations, net of taxes, and loss on sale of discontinued operations, net of taxes, for the three and six months ended June 30, 2011 and 2010 are presented below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue from discontinued operations	$ 6,915	$ 7,039	$ 16,894	$ 7,039
Loss from discontinued operations before taxes	$ (1,214)	$ (926)	$ (3,506)	$ (926)
Income tax benefit	534	14	1,253	14
Loss from discontinued operations, net of taxes	$ (680)	$ (912)	$ (2,253)	$ (912)
Loss on sale of discontinued operations, net of an income tax benefit of $5,092	$ (7,674)	$	$ (7,674)	$

Loss from discontinued operations includes previously unallocated depreciation, amortization, stock-based compensation expense, income taxes, and other corporate expenses that were attributable to the e-commerce business.

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Assets and liabilities from discontinued operations at December 31, 2010 consist of the following (in thousands):

	December 31, 2010
Accounts receivable	$ 365
Other receivables	1,101
Prepaid expenses and other current assets	1,015
Property and equipment, net	166
Goodwill	12,413
Other intangible assets	1,101
Assets of discontinued operations	$ 16,161
Accounts payable	$ 4,540
Accrued expenses and other current liabilities	3,237
Liabilities of discontinued operations	$ 7,777

9. Reclassifications to Unaudited Condensed Consolidated Statements of Operations

In the three months ended June 30, 2011, the Company revised the presentation of its Consolidated Statements of Operations. The operating results of the Company s recently sold Mercantila e-commerce business have been presented as discontinued operations in the accompanying unaudited Condensed Consolidated Statements of Operations for all periods presented. The Company s management now considers InfoSpace to have a single reporting segment.

The amounts in the Consolidated Statements of Operations for the year ended December 31, 2010 and each of the three months ended March 31, June 30, September 30, and December 31, 2010 and March 31, 2011 have been reclassified as follows (in thousands):

	Three months ended					Three months ended
	March 31 2010	June 30 2010 (1)	September 30 2010 (1)	December 31 2010 (1)	Year ended December 31 2010 (1)	March 31 2011 (1)
Revenues:	$ 61,773	$ 52,363	$ 50,524	$ 49,683	$ 214,343	$ 51,650
Cost of sales:	43,559	33,414	31,868	30,154	138,995	32,674
Gross profit	18,214	18,949	18,656	19,529	75,348	18,976
Expenses and other income:						
Engineering and technology	1,906	2,540	2,197	1,828	8,471	1,664
Sales and marketing	6,482	7,314	7,305	7,044	28,145	6,967
General and administrative	6,755	6,751	9,213	10,124	32,843	5,160
Depreciation	820	814	804	700	3,138	662
Other loss (income), net	137	3,522	493	(19,399)	(15,247)	(75)
Total expenses and other income	16,100	20,941	20,012	297	57,350	14,378
Income (loss) from continuing operations before income taxes	2,114	(1,992)	(1,356)	19,232	17,998	4,598
Income tax benefit (expense)	(570)	538	(163)	(8,530)	(8,725)	(1,702)

Income (loss) from continuing operations	1,544	(1,454)	(1,519)	10,702	9,273	2,896
Discontinued operations:						
Loss from discontinued operations, net of taxes		(912)	(2,029)	(1,652)	(4,593)	(1,573)
Net income (loss)	1,544	(2,366)	(3,548)	9,050	4,680	1,323

(1) Reflects the effects of the restatement described in Note 1: The Company and Basis of Presentation.

10. Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU 2011-05 will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two

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consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured, or when they must be reclassified to net income. This standard is effective for the Company as of January 1, 2012. Because this ASU impacts presentation only, it will have no effect on the Company s financial condition, results of operations or cash flows.

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

This Amendment No. 1 to Quarterly Report on Form 10-Q/A contains forward-looking statements that involve risks and uncertainties. The statements in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to: statements regarding projections of our future financial performance; trends in our businesses; our future business plans and growth strategy, including our plans to expand, develop, or acquire particular operations, businesses, or assets; and the sufficiency of our cash balances and cash generated from operating, investing, and financing activities for our future liquidity and capital resource needs.

Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that may cause our results, levels of activity, performance, achievements, prospects, and other characterizations of future events or circumstances, to be materially different from those expressed or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others, those identified under Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ending on December 31, 2010 (as originally filed on March 11, 2011), in Part II, Item 1A of our subsequently filed Quarterly Reports on Form 10-Q, and elsewhere in this report. You should not rely on forward-looking statements included herein, which speak only as of the date of this Amendment No. 1 to Quarterly Report on Form 10-Q/A or the date specified herein. We do not undertake any obligation to update publicly any forward-looking statement to reflect new information, events, or circumstances after the date of this Amendment No. 1 to Quarterly Report on Form 10-Q/A or to reflect the occurrence of unanticipated events.

Restatement

In the second quarter of 2010, we acquired certain assets from Make The Web Better. In October 2011, we determined that we made an error in accounting for those acquired assets and that this error was material to the consolidated financial statements for the three and six months ended June 30, 2011 and 2010. As a result of this determination, we are restating those financial statements in this Amendment No. 1 to Quarterly Report on Form 10-Q/A. The amounts presented below for 2011 and 2010 are restated to reflect the correction of that error. For additional information on the restatement, see Note 1: The Company and Basis of Presentation of the Notes to Unaudited Condensed Consolidated Financial Statements (Item 1 of Part I of this report).

Overview

InfoSpace s revenues are primarily generated by our search business. Using our metasearch technology and relationships with major search content providers, we offer web search products both directly to consumers and through our network of distribution partners. Our metasearch technology selects search results from several search engine content providers, including Google, Yahoo!, and Bing, among others, and aggregates, filters, and prioritizes the results. This combination provides a more relevant search results page and leverages the investments made by our search customers to continually improve the user experience. Revenues from our search business are primarily generated when end users of our services click on paid search results from our own branded websites or those of our distribution partners. These paid search results are provided to us by some of our search content providers, primarily Google and Yahoo!, who share the revenue generated by those paid clicks with us. We refer to those providers as our search customers.

We offer search services directly to consumers through our owned and operated web properties, such as *Dogpile.com*, *WebCrawler.com*, *MetaCrawler.com*, and *WebFetch.com*, which collectively receive millions of unique visitors each month. We use the term properties to refer to the methods used by end users to access our search services, which are typically websites and downloadable applications belonging to us or our distribution partners. In addition, we provide search services through the web properties of distribution partners. Partner versions of our web offerings are generally private-labeled and delivered with each distribution partner s unique requirements.

We generate revenue when an end user of our services clicks on a paid search link provided by a search customer and displayed on one of our owned and operated web properties or displayed on a distribution partner s web property. The search customer that provided the paid search link receives a fee from the advertiser who paid for the click and the search customer pays us a portion of that fee. If the click originated from one of our distribution partners web properties, we share a portion of the fee we receive with such partner. Revenue is recognized in the period in which such paid clicks occur and is based on the amounts earned and remitted to us by our search customers for such clicks. Revenues from Google and Yahoo! jointly account for over 95% of our total revenues for the three months ended June 30 in both 2011 and 2010.

Revenues from our search business increased to $54.3 million for the three months ended June 30, 2011 from $52.4 million for the three months ended June 30, 2010. This increase was driven primarily by an increase in the revenues from our distribution partners, which increased to $42.5 million for the three months ended June 30, 2011 from $32.7 million for the

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three months ended June 30, 2010. The increase in distribution partner revenue is due in part to increased revenue generated by existing distribution partners (launched during the relevant prior year), which increased by $8.7 million for the three months ended June 30, 2011 as compared to the same period in 2010. Additionally, revenue from new distribution partners (launched during the current year) increased by $1.1 million for the three months ended June 30, 2011 as compared to the same period in 2010.

In recent periods, we experienced an overall decline in revenue generated through our owned and operated properties. This trend is a result of fewer retained users on our owned and operated metasearch engine sites and, therefore, fewer paid clicks from these sites. The impact of this trend is partially offset by higher fees earned from our search customers for each of these paid clicks. Our ability to maintain revenue in our metasearch engine sites relies in part on our ability to attract end users to these properties and retain them by providing a satisfying search experience. Revenue from our metasearch engine sites (such as *Dogpile.com*) accounted for 60% of overall owned and operated revenue *(excluding revenue from the Make The Web Better purchased assets discussed below)* for the three months ended June 30, 2011 and 56% for the three months ended June 30, 2010. The remainder of our owned and operated revenue is generated through our online direct marketing initiatives, which attract users to our owned and operated sites via targeted online advertisements. The success of our online direct marketing initiatives depends on our ability to execute to an expected return on our online direct marketing expenditures. In recent periods, revenue generated through our online direct marketing initiatives has declined, further contributing to the overall negative trend in revenue generated by our owned and operated properties. Revenue from our online direct marketing initiatives accounted for 40% of owned and operated revenue *(excluding revenue from the Make The Web Better purchased assets)* for the three months ended June 30, 2011 and 44% for the three months ended June 30, 2010.

On April 1, 2010, we purchased assets consisting of web properties and licenses for content and technology from Make The Web Better, a former search distribution partner. After this purchase, revenue from the Make The Web Better assets were included in our owned and operated revenues and contributed $2.2 million (or 19%) to our search revenue generated through our owned and operated properties for the three months ended June 30, 2011. As we anticipated, the revenue generated by the operation of the acquired Make The Web Better assets has steadily declined since we acquired them. We expect that, as the end-user base of those assets continues to decrease, the revenue generated will decline by approximately 20% to 25% in each quarter when compared to the prior quarter, and will be approximately $8 million for 2011.

On June 22, 2011, we sold our Mercantila e-commerce business to Zoo Stores, Inc. after our management determined that the long-term prospects for the financial performance of Mercantila were not meeting InfoSpace s expectations and that retaining the Mercantila business did not fit within InfoSpace s strategy. As consideration for the acquisition of Mercantila, Zoo Stores paid us $250,000 upon completion of the sale and the right to receive additional consideration of up to $3.0 million contingent on liquidity or other events. The results of operations from the Mercantila business are reflected as discontinued operations for all periods presented in this Amendment No. 1 to Quarterly Report on Form 10-Q/A.

The Company is currently focused on the following areas: improving the search services offered to our distribution partners and through our owned and operated properties, maintaining our current distribution partners and adding new distribution partners, and seeking opportunities to use our resources to acquire and integrate new businesses and assets. Within the Company, engineering, operations, and product management personnel remain paramount to our ability to deliver high quality search services, enhance our current technology, and increase our distribution network. The Company has shifted much of the incentive compensation for these personnel to cash-based incentives from stock-based incentives, and this change is reflected in a decline in stock-based compensation expenses. The extent to which this decline is offset by an increase in cash-based incentive compensation expenses in future periods is unknown and depends on Company performance and hiring trends. Additionally, we seek to use our cash and short-term available-for-sale investments to acquire businesses and other assets, including businesses that may not be related to search.

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Overview of Second Quarter 2011 Operating Results

The following is an overview of our operating results for the second quarter 2011 compared to the second quarter 2010. A more detailed discussion of our operating results, comparing our operating results for the three and six months ended June 30, 2011 and 2010, is included under the heading Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010 in this Management s Discussion and Analysis of Financial Condition and Results of Operations.

Several of our key operating financial measures for the second quarter 2011 and 2010 in total dollars (in thousands) and as a percentage of associated revenue are presented below.

	Three months ended June 30,			
	2011		2010	
Revenues	$54,292		$52,363	
		% of revenues		% of revenues
Gross profit	$ 17,713	32.6%	$ 18,949	36.2%
Income (loss) from continuing operations	$ 3,676	6.8%	$ (1,454)	(2.8)%
Net loss	$ (4,678)	(8.6)%	$ (2,366)	(4.5)%
Adjusted EBITDA (1)	$ 8,991	16.6%	$ 11,306	21.6%
Search Revenue:				
Revenue from distribution partners	$ 42,462	78%	$ 32,663	62%
Revenue from existing distribution partners (launched prior to the then-current year)	$ 41,130	76%	$ 32,410	62%
Revenue from new distribution partners (launched during the then-current year)	$ 1,332	2%	$ 253	0%
Revenue from owned and operated properties	$ 11,721	22%	$ 18,503	35%
Revenue from online direct marketing initiatives on owned and operated web properties	$ 3,821	7%	$ 4,888	9%
Revenue from Make The Web Better	$ 2,198	4%	$ 7,411	14%
Revenue from metasearch properties	$ 5,702	11%	$ 6,204	12%

(1) Adjusted EBITDA is a non-GAAP measure, defined below in Non-GAAP Financial Measures.

Search revenue excludes revenue from early-stage business initiatives, which is *de minimis* for the second quarter 2011. The increase in revenues for the second quarter 2011 as compared to the three months ended June 30, 2010 was primarily due to an increase in revenue generated through the web properties of our distribution partners, partially offset by a decrease in revenue generated through our owned and operated properties. We generated 46% and 33% of our search revenue through our top five distribution partners for the second quarter 2011 and 2010, respectively. The web properties of our top five distribution partners second quarter 2011 generated 29% of our search revenue in the second quarter 2010.

The decrease in gross profit as a percent of search revenue, for the second quarter 2011 as compared to the second quarter 2010, was primarily due to an increase in revenue generated through the web properties of our distribution partners, with whom we share our search revenue, and a decrease in revenue generated through our owned and operated properties.

The decrease in operating expenses was primarily due to decreases in stock-based compensation of $2.4 million, advertising expense associated with our owned and operated properties of $932,000, and general and administrative professional service fees, including legal fees, of $865,000.

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Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010

Revenues. Revenues for the three and six months ended June 30, 2011 and 2010 are presented below (amounts in thousands):

	Three months ended June 30, 2011	Three months ended June 30, 2010	Change from 2010	Six months ended June 30, 2011	Six months ended June 30, 2010	Change from 2010
Revenues	$ 54,292	$ 52,363	$ 1,929	$ 105,942	$ 114,136	$ (8,194)

The increase in revenues for the second quarter 2011 as compared to the second quarter 2010 is due to an increase in revenue generated through the web properties of our distribution partners. Revenue from existing distribution partners (launched prior to the then-current year) increased for the second quarter 2011, as compared to the second quarter 2010, by $8.7 million. Additionally, revenue from new distribution partners (launched during the then-current year) increased by $1.1 million for the second quarter 2011, as compared to the second quarter 2010.

The decrease of $6.8 million in revenue generated by our owned and operated properties for the second quarter 2011 as compared to the second quarter 2010 was primarily due to decrease of $5.2 million in revenue generated by the operation of the acquired Make The Web Better assets and a decrease in revenue of $1.1 million from our online direct marketing initiatives. Also, we continue to experience an overall decline in revenue generated through our owned and operated metasearch engine sites, excluding the revenue from the Make The Web Better purchased assets. This trend is a result of fewer retained users on our metasearch engine sites and, therefore, fewer paid clicks from these sites.

For the second quarter 2011, 78% of our search revenue was generated through our search distribution partners web properties, compared to 64% of our search revenue generated through our search distribution partners web properties in the second quarter 2010.

The decrease in revenues for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 is due to a decrease in revenue generated by our owned and operated properties of $4.2 million, a decrease in revenue from our non-search initiatives of $2.8 million (due to closing down our Haggle operations in 2010), and a decrease in revenues from our distribution partners of $1.2 million. Revenue from existing distribution partners (launched prior to the then-current year) decreased for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 by $1.3 million, primarily due to a decline of $9.4 million from distribution partner Make The Web Better as we acquired its search revenue generating assets on April 1, 2010.

The decrease of $4.2 million in revenue generated by our owned and operated properties for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 was primarily due to decrease of $2.5 million in revenue generated by the operation of the acquired Make The Web Better assets and an overall decline in revenue generated through our other owned and operated metasearch engine sites.

For the six months ended June 30, 2011, 76% of our search revenue was generated through our search distribution partners web properties, compared to 73% of our search revenue generated through our search distribution partners web properties in the six months ended June 30, 2010.

During the first half of 2010, we discontinued the syndication of our search results to certain distribution partners who we deemed to be delivering low quality clicks. Those discontinuations had a material negative impact on our revenues for the first half of 2010. We expect that search revenue from searches conducted by end users on sites of our distribution partners will continue to represent a significant proportion of our search revenue for the foreseeable future.

Seasonality

Our owned and operated metasearch services are affected by seasonal fluctuations in Internet usage, which generally declines in the summer months.

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Cost of sales. Cost of sales consists of distribution and content costs related to revenue sharing arrangements with our search distribution partners and usage-based content fees, amortization of acquired intangible assets, and certain costs associated with the operation of the data centers that serve our search business, which include personnel expenses (which include salaries, benefits and other employee related costs, and stock-based compensation expense) and bandwidth costs, and depreciation. Additionally, cost of sales includes costs directly identifiable to our development-stage business initiatives. Cost of sales in total dollars (in thousands) and as a percentage of associated and total revenues for the three and six months ended June 30, 2011 and 2010 are presented below:

	Three months ended June 30,		Change from	Six months ended June 30,		Change from
	2011	2010	2010	2011	2010	2010
Distribution and content	$ 33,515	$ 25,443	$ 8,072	$ 62,698	$ 64,742	$ (2,044)
Amortization of intangible assets	772	4,320	(3,548)	1,730	4,368	(2,638)
Data center operations	1,467	1,616	(149)	3,209	3,108	101
Depreciation	824	852	(28)	1,613	1,747	(134)
Other	1	1,183	(1,182)	3	3,008	(3,005)
Total cost of sales	$ 36,579	$ 33,414	$ 3,165	$ 69,253	$ 76,973	$ (7,720)
Percentage of revenues	67.4%	63.8%		65.4%	67.4%	

The dollar increase in cost of sales for the second quarter 2011 as compared to the second quarter 2010 is primarily due to the increase in revenue sharing expenses related to an increase in revenue generated through the web properties of our distribution partners, partially offset by the decreases in the amortization of intangible assets acquired from Make The Web Better. The cost of sales for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 decreased primarily due to the effect of no longer paying distribution expense for revenue generated by Make The Web Better s assets after we acquired them on April 1, 2010, and by the decreases in the amortization of intangible assets acquired from Make The Web Better.

We anticipate that revenue sharing expenses paid to our distribution partners will increase in dollars if revenue increases through growth in existing arrangements with our distribution partners or we add new distribution partners. If search revenue generated through our distribution partners web properties increases at a greater rate than revenue generated through our owned and operated web properties, revenue sharing expenses with our distribution partners as a percentage of revenues will increase. As a result of our acquisition of assets from Make The Web Better in April 2010, we experienced a decrease in cost of sales as a percentage of revenues, and a corresponding increase in our gross profit percentage on our revenues. That effect has been declining as expected as the revenue has declined from the Make The Web Better assets. We expect that revenue from searches conducted by end users on sites of our distribution partners will continue to be a significant portion of our search revenue.

The decline in other cost of sales for the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010 is primarily due to the decline in cost of sales to our Haggle.com competetive shopping site, which ceased operations in the fourth quarter of 2010.

Engineering and technology expenses. Engineering and technology expenses are associated with the research, development, support, and ongoing enhancements of our offerings, including personnel expenses (which include salaries, stock-based compensation expense, and benefits and other employee related costs), costs for temporary help and contractors to augment our staffing, software support and maintenance, and professional service fees. Engineering and technology expenses in total dollars (in thousands) and as a percentage of total revenues for the three and six months ended June 30, 2011 and 2010 are presented below:

	Three months ended June 30,		Change from	Six months ended June 30,		Change from
	2011	2010	2010	2011	2010	2010
Engineering and technology expenses	$ 1,784	$ 2,540	$ (756)	$ 3,448	$ 4,446	$ (998)
Percentage of revenues	3.3%	4.9%		3.3%	3.9%	

The dollar decrease for the second quarter 2011 as compared to the second quarter 2010 was primarily attributable to a decrease in stock-based compensation expense of $473,000.

The dollar decrease for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 was primarily attributable to a decrease in stock-based compensation expense of $429,000 and a decrease in personnel-related expenses, not including stock-based compensation expense and including costs for temporary help and contractors to augment our staffing, of $398,000, primarily due to an increase in capitalizing internal software development costs.

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Sales and Marketing Expenses. Sales and marketing expenses consist principally of personnel costs (which include salaries, stock-based compensation expense, and benefits and other employee related costs), the cost of temporary help and contractors to augment our staffing, and marketing expenses associated with our owned and operated websites (which consist of agency fees, brand promotion expense, market research expense, and online direct marketing expense associated with traffic acquisition, including fees paid to search engines). Sales and marketing expenses in total dollars (in thousands) and as a percentage of total revenues for the three and six months ended June 30, 2011 and 2010 are presented below:

	Three months ended June 30,		Change from	Six months ended June 30,		Change from
	2011	2010	2010	2011	2010	2010
Sales and marketing expenses	$ 4,902	$ 7,314	$ (2,412)	$ 11,869	$ 13,796	$ (1,927)
Percentage of revenues	9.0%	14.0%		11.2%	12.1%	

The dollar decrease for the second quarter 2011 as compared to the second quarter 2010 was primarily attributable to a decrease of $932,000 in advertising expense associated with our owned and operated properties, and decreases in personnel-related costs, not including stock-based compensation expense and including costs for temporary help and contractors to augment our staffing, of $605,000, and in stock-based compensation expense of $836,000.

The dollar decrease for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 was primarily attributable to a decrease in personnel-related costs, not including stock-based compensation expense and including costs for temporary help and contractors to augment our staffing, of $809,000, and a decrease in stock-based compensation expense of $885,000.

We expect to continue to invest in our direct marketing initiatives to drive traffic to an owned and operated web property.

General and Administrative Expenses. General and administrative expenses consist primarily of personnel expenses (which include salaries, stock-based compensation expense, and benefits and other employee related costs), professional service fees (which include legal, audit, and tax fees), general business development and management expenses, occupancy and general office expenses, taxes, insurance expenses, and certain legal settlements. General and administrative expenses in total dollars (in thousands) and as a percentage of total revenues for the three and six months ended June 30, 2011 and 2010 are presented below:

	Three months ended June 30,		Change from	Six months ended June 30,		Change from
	2011	2010	2010	2011	2010	2010
General and administrative expenses	$ 4,970	$ 6,751	$ (1,781)	$ 10,130	$ 13,506	$ (3,376)
Percentage of revenues	9.2%	12.9%		9.6%	11.8%	

The dollar decrease for the second quarter 2011 as compared to the second quarter 2010 was primarily attributable to decreases in stock-based compensation expense of $1.1 million, legal fees of $446,000, and professional service fees of $419,000. These decreases were partially offset by increases in employee separation costs of $387,000.

The dollar decrease for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 was primarily attributable to decreases in stock-based compensation expense of $1.3 million, and legal fees of $1.6 million. These decreases were partially offset by increases in personnel-related costs, not including stock-based compensation expense and including costs for temporary help and contractors to augment our staffing, not including stock-based compensation expense, of $331,000.

Depreciation. Depreciation of property and equipment includes depreciation of computers, software, office equipment and fixtures, and leasehold improvements that is not reclassified into cost of sales.

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	Three months ended June 30, 2011	2010	Change from 2010	Six months ended June 30, 2011	2010	Change from 2010
Depreciation expense	$ 552	$ 814	$ (262)	$ 1,214	$ 1,634	$ (420)

The only material variance in depreciation expense for the periods presented above was a decrease in the depreciation of capitalized internal software development costs for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 of $328,000.

Other Loss (Income), Net. Other income (loss), net for the three and six months ended June 30, 2011 and 2010 are presented below (in thousands):

	Three months ended June 30, 2011	2010	Change from 2010	Six months ended June 30, 2011	2010	Change from 2010
Increase in fair value of earn-out contingent liability	$	$ 3,500	$ (3,500)	$ 1,500	$ 3,500	$ (2,000)
Gain on contingency resolution				(1,500)		(1,500)
Interest income	(99)	(95)	(4)	(190)	(160)	(30)
Foreign currency exchange loss	16	32	(16)	7	3	4
Loss on disposal of fixed assets	5	72	(67)	5	296	(291)
Other	(29)	13	(42)	(4)	20	(24)
Other loss (income), net	$ (107)	$ 3,522	$ (3,629)	$ (182)	$ 3,659	$ (3,841)

The expense related to the increase in fair value of earn-out contingent liability for the periods presented above was to adjust the estimated contingent payments to be made related to our acquisition of the Make The Web Better assets and a gain of $1.5 million related to the resolution of a contingent liability recorded in the six months ended June 30, 2011.

Income Tax Expense. We recorded income tax expense from continuing operations of $1.9 million and $3.6 million in the three and six months ended June 30, 2011 respectively. We recorded income tax benefit from continuing operations of $538,000 and income tax expense of $32,000 in the three and six months ended June 30, 2010 respectively. In the three and six months ended June 30, 2011, income tax expense did not significantly differ from the taxes at the statutory rates.

Loss from Discontinued Operations and Loss on Sale of Discontinued operations. On June 22, 2011, we sold our Mercantila e-commerce business to Zoo Stores, Inc. As consideration for the acquisition of Mercantila, Zoo Stores paid us $250,000 upon completion of the sale, plus we received the right to receive additional consideration of up to $3.0 million contingent on liquidity or other events, which we recorded at a fair value of zero as of June 30, 2011. We recorded a loss of $7.7 million upon the sale of our Mercantila business, net of a $5.1 million income tax benefit. Nikhil Behl, a former Named Executive Officer of InfoSpace, owns a majority interest in Zoo Stores. Mr. Behl ceased to be an officer of, or otherwise affiliated with, InfoSpace upon the closing of the transaction.

The results of operations from the business are reflected as discontinued operations for all periods presented. Revenue, loss before taxes, income tax benefit, and loss from discontinued operations, net of taxes for the three and six months ended June 30, 2011 and 2010 are presented below (in thousands):

	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Revenue from discontinued operations	$ 6,915	$ 7,039	$ 16,894	$ 7,039
Loss from discontinued operations before taxes	$ (1,214)	$ (926)	$ (3,506)	$ (926)
Income tax benefit	534	14	1,253	14
Loss from discontinued operations, net of taxes	$ (680)	$ (912)	$ (2,253)	$ (912)

Loss on sale of discontinued operations, net of an income tax benefit of $5,092	$ (7,674)	$	$ (7,674)	$

Non-GAAP Financial Measures

We define Adjusted EBITDA as net income (loss), determined in accordance with GAAP, excluding the effects of discontinued operations (including loss from discontinued operations, net of taxes, and loss on sale of discontinued operations, net of taxes), income taxes, depreciation, amortization of intangible assets, stock-based compensation expense, and other loss (income), net (which includes such items as adjustments to the fair values of contingent liabilities related to business combinations, gains on resolution of contingencies, interest income, foreign currency gains or losses, and gains or losses from the disposal of assets).

We believe that Adjusted EBITDA provides meaningful supplemental information regarding InfoSpace s performance by excluding certain expenses and gains that we believe are not indicative of our operating results. We use this non-GAAP financial measure for internal management purposes, when publicly providing guidance on possible future results, and as a means to evaluate period-to-period comparisons. We believe that Adjusted EBITDA is a common measure used by investors and analysts to evaluate our performance, that it provides a more complete understanding of the results of operations and trends affecting our business when viewed together with GAAP results, and that management and investors benefit from referring to this non-GAAP financial measure. Items excluded from Adjusted EBITDA are significant and necessary components to the operations of our business, and, therefore, Adjusted EBITDA should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income. Other companies may calculate Adjusted EBITDA differently, and therefore our Adjusted EBITDA may not be comparable to similarly titled measures of other companies. A reconciliation of our Adjusted EBITDA to net income, which we believe to be the most comparable GAAP measure, is presented for the three and six months ended June 30, 2011 and 2010 below (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Net loss	$ (4,678)	$ (2,366)	$ (3,355)	$ (822)
Discontinued operations	8,354	912	9,927	912
Depreciation and amortization of intangible assets	2,148	5,986	4,557	7,749
Stock-based compensation	1,338	3,790	3,371	6,070
Other loss (income), net	(107)	3,522	(182)	3,659
Income tax expense (benefit)	1,936	(538)	3,638	32
Adjusted EBITDA	$ 8,991	$ 11,306	$ 17,956	$ 17,600

A reconciliation of our Adjusted EBITDA to net income (loss), for the year ended December 31, 2010 and each of the three months ended March 31, June 30, September 30, and December 31, 2010 and March 31, 2011 and are presented below (amounts in thousands):

	Three months ended				Year ended	Three months ended
	March 31 2010	**June 30 2010**	**September 30 2010**	**December 31 2010**	**December 31 2010**	**March 31 2011**
Net income (loss)	$ 1,544	$ (2,366)	$ (3,548)	$ 9,050	$ 4,680	$ 1,323
Discontinued operations		912	2,029	1,652	4,593	1,573
Depreciation and amortization of intangible assets	1,763	5,986	4,754	3,290	15,793	2,409
Stock-based compensation	2,280	3,790	2,708	5,140	13,918	2,033
Other loss (income), net	137	3,522	493	(19,399)	(15,247)	(75)
Income tax expense (benefit)	570	(538)	163	8,530	8,725	1,702
Adjusted EBITDA	$ 6,294	$ 11,306	$ 6,599	$ 8,263	$ 32,462	$ 8,965

We define non-GAAP income from continuing operations as income from continuing operations, determined in accordance with GAAP, excluding the effect of non-cash income taxes. Non-cash income tax expense represents a reduction to cash taxes payable associated with the utilization of deferred tax assets, which are primarily comprised of U.S. federal net operating losses.

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We believe that excluding the non-cash portion of income tax expense from our GAAP income from continuing operations provides meaningful supplemental information to investors and analysts regarding our performance and the valuation of our business because of our ability to offset a substantial portion of our cash tax liabilities by using these deferred tax assets. The majority of these deferred tax assets will expire if unutilized in 2020. Non-GAAP net income should be evaluated in light of our financial results prepared in accordance with GAAP, and should be considered as a supplement to, and not as a substitute for or superior to, GAAP income from continuing operations. A reconciliation of our non-GAAP income from continuing operations to income from continuing operations, which we believe to be the most comparable GAAP measure, is presented for the three and six months ended June 30, 2011 and 2010 below (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net loss	$ (4,678)	$ (2,366)	$ (3,355)	(822)
Discontinued operations	8,354	912	9,927	912
Income (loss) from continuing operations	3,676	(1,454)	6,572	90
Non-cash income tax expense (benefit) from continuing operations	1,803	(509)	3,392	
Non-GAAP net income (loss)	5,479	(1,963)	9,964	90
Income (loss) from continuing operations - diluted	$ 0.10	$ (0.04)	$ 0.18	$
Non-cash income taxes per share - diluted	0.04	(0.01)	0.08	
Non-GAAP income (loss) per share - diluted	$ 0.14	$ (0.05)	$ 0.26	$

A reconciliation of our non-GAAP income from continuing operations to income from continuing operations, for the year ended December 31, 2010 and each of the three months ended March 31, June 30, September 30, and December 31, 2010 and March 31, 2011 and are presented below (amounts in thousands):

	Three months ended				Year ended	Three months ended
	March 31 2010	June 30 2010	September 30 2010	December 31 2010	December 31 2010	March 31 2011
Net income (loss)	$ 1,544	$ (2,366)	$ (3,548)	$ 9,050	$ 4,680	$ 1,323
Discontinued operations		912	2,029	1,652	4,593	1,573
Income (loss) from continuing operations	1,544	(1,454)	(1,519)	10,702	9,273	2,896
Non-cash income tax expense from continuing operations	509	(509)		8,530	8,530	1,589
Non-GAAP net income (loss)	$ 2,053	$ (1,963)	$ (1,519)	$ 19,232	$ 17,803	$ 4,485
Income (loss) from continuing operations per share - diluted	$ 0.04	$ (0.04)	$ (0.04)	$ 0.29	$ 0.25	$ 0.08
Non-cash (loss) income per share - diluted	0.02	(0.01)		0.23	0.23	0.04
Non-GAAP net income (loss) per share - diluted	$ 0.06	$ (0.05)	$ (0.04)	$ 0.52	$ 0.48	$ 0.12

For our non-GAAP measures Adjusted EBITDA and Non-GAAP net income, amounts previously disclosed have been revised to reflect the effect of classifying our Mercantila e-commerce business as discontinued operations.

Liquidity and Capital Resources

Cash, Cash Equivalents, and Short-Term Investments

Our principal source of liquidity is our cash and cash equivalents and short-term investments. As of June 30, 2011, we had cash and marketable investments of $263.4 million, consisting of cash and cash equivalents of $70.7 million and available-for-sale short-term investments of $192.7 million. We generally invest our excess cash in high quality marketable investments. These investments include securities issued by U.S. government agencies, commercial paper, certificates of deposit, money market funds, and taxable municipal bonds. All of our financial instrument investments held at June 30, 2011 have minimal default risk and short-term maturities.

We plan to use our cash to fund operations, develop technology, advertise, market and distribute our services, and continue the enhancement of our network infrastructure. An important component of our strategy for future growth is to acquire technologies and businesses, and we plan to use our cash to acquire and integrate acceptable targets that we may identify. These targets may include businesses, products, or technologies unrelated to search. We may use a portion of our cash for special dividends or for common stock repurchases.

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We believe that existing cash and cash equivalents, short-term investments, and cash generated from operations will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, the underlying levels of revenues and expenses that we project may not prove to be accurate. In addition, we evaluate acquisitions of businesses, products, or technologies from time to time. Any such transactions, if completed, may use a significant portion of our cash balances and marketable investments. If we are unable to liquidate our investments when we need liquidity for acquisitions or business purposes, we may need to change or postpone such acquisitions or business purposes or find alternative financing for such acquisitions or business purposes, if available. We may seek additional funding through public or private financings or other arrangements prior to such time. Our ability to raise funds may be adversely affected by a number of factors, including factors beyond our control, such as economic conditions in markets in which we operate and from which we generate revenues, and increased uncertainty in the financial, capital, and credit markets. Adequate funds may not be available when needed or may not be available on favorable terms. If we raise additional funds by issuing equity securities, dilution to existing stockholders may result. If funding is insufficient at any time in the future, we may be unable, or delayed in our ability, to develop or enhance our services, take advantage of business opportunities, or respond to competitive pressures, any of which could harm our business.

Contractual Obligations and Commitments

Our obligations under capital and operating lease agreements and other purchase commitments have not changed materially from those commitments disclosed in *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources* in Part II, Item 7, of Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2010.

Cash Flows

Our net cash flows were comprised of the following for the six months ended June 30, 2011 and 2010 (amounts in thousands):

	Six months ended June 30,	
	2011	**2010**
Net cash provided by operating activities	$ 8,506	$ 17,992
Net cash used by investing activities	(96,765)	(35,052)
Net cash provided (used) by financing activities	10,106	(834)
Net cash used by discontinued operations	(6,794)	(10,725)
Net decrease in cash and cash equivalents	$ (84,947)	$ (28,619)

Net cash provided by operating activities. Net cash provided by operating activities consists of net income offset by certain adjustments not affecting current period cash flows and the effect of changes in our operating assets and liabilities.

Net cash provided by operating activities was $8.5 million for the six months ended June 30, 2011, consisting of our net loss of $3.4 million, non-cash charges of $19.6 million (primarily consisting of a loss on discontinued operations and the loss on the sale of discontinued operations, stock-based compensation expense, depreciation and amortization of intangible assets, and earn-out contingent liability adjustments), and changes in our operating assets and liabilities of $10.5 million (primarily consisting of an increase in accounts payable, and a decrease in prepaid expenses and other current assets). These increases were offset by cash provided by changes in our operating assets and liabilities of $16.7 million (primarily consisting of decreases in accrued expenses and other current and long-term liabilities and increases in other receivables) and a gain on the resolution of a contingency of $1.5 million.

Net cash provided by operating activities was $18.0 million for the six months ended June 30, 2010, consisting of our net loss of $822,000, non-cash charges of $16.2 million (primarily consisting of depreciation and amortization of intangible assets, stock-based compensation expense, amortization of premium on investments, a loss on discontinued operations, and loss on disposal of assets), and changes in our operating assets and liabilities of $9.5 million (primarily consisting of decreases in accounts receivable and prepaid expenses and other current assets). These increases were partially offset by cash used by changes in our operating assets and liabilities of $6.9 million (primarily consisting of decreases in accounts payable and accrued expenses and other current and long-term liabilities).

Net cash used by investing activities. Net cash used by investing activities primarily consists of transactions related to our marketable investments, the business acquisitions, and purchases of property and equipment.

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Net cash used by investing activities was $96.8 million for the six months ended June 30, 2011, primarily consisting of purchases of $139.6 million of marketable investments and purchases of property and equipment of $2.2 million. Partially offsetting cash used by investing activities were proceeds of $44.8 million from the maturities of our marketable investments.

Net cash used by investing activities was $35.1 million for the six months ended June 30, 2010, primarily consisting of purchases of $141.8 million of marketable investments, $8.0 million for the acquisition of Make The Web Better assets, and purchases of property and equipment of $977,000. Partially offsetting cash used by investing activities were proceeds of $115.5 million from the maturities of our marketable investments.

Net cash provided (used) by financing activities. Net cash provided by financing activities consists of proceeds from the issuance of stock through the exercise of stock options and our employee stock purchase plan, tax payments from shares withheld upon vesting of restricted stock units, repayments of capital lease obligations, excess tax benefits generated by stock-based award activity and earn-out payments for business acquisitions.

Net cash provided by financing activities totaled $10.1 million for the six months ended June 30, 2011 and primarily consisted of cash proceeds of $11.9 million from the exercise of options and our employee stock purchase plan. Partially offsetting cash provided by financing activities was $1.1 million in tax payments from shares withheld upon vesting of restricted stock units and $423,000 in earn-out payments from business acquisitions.

Net cash used by financing activities totaled $834,000 for the six months ended June 30, 2010 and primarily consisted of $2.4 million in tax payments from shares withheld upon vesting of restricted stock units. Partially offsetting cash used by financing activities was cash proceeds of $1.8 million from the exercise of options and our employee stock purchase plan.

Net cash used by discontinued operations. Net cash used by discontinued operations consists of cash used in operating the Mercantila e-commerce business and the cash used in investing activities primarily related to the purchase and sale of the Mercantila e-commerce business.

Net cash used by operating activities attributable to discontinued operations totaled $6.2 million for the six months ended June 30, 2011 and consisted of cash used by discontinued operations. Net cash used by the investing activities attributable to discontinued operations totaled $638,000 for the six months ended June 30, 2011 and primarily consisted of net cash used in the sale of discontinued operations.

Net cash used by operating activities attributable to discontinued operations totaled $2.8 million for the six months ended June 30, 2010 and consisted of cash used by discontinued operations. Net cash used by the investing activities attributable to discontinued operations totaled $8.0 million for the six months ended June 30, 2011 and primarily consisted of net cash used to purchase operations that were discontinued.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our critical accounting policies, estimates, and methodologies for the six months ended June 30, 2011 are consistent with those in *Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates* in Part II, Item 7, of Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2010. We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position, or cash flows.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU 2011-05 will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured, or when they must be reclassified to net income. This standard is effective for the Company as of January 1, 2012. Because this ASU impacts presentation only, it will have no effect on our financial condition, results of operations or cash flows.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As described in the Explanatory Note to this Amendment No. 1 on Form 10-Q/A and in Note 1 to our consolidated financial statements, after the issuance of the Company s consolidated financial statements for the quarter ended June 30, 2011 in its Quarterly Report on Form 10-Q, the Company identified an error related to its accounting for goodwill that required the restatement of the consolidated financial statements for the quarter ended June 30, 2011. As a result, our management re-evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of June 30, 2011. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2011 due to a material weakness in our internal control over financial reporting, as further described in Management s Report on Internal Control Over Financial Reporting in Item 9A of Amendment No. 1 to our Annual Report on Form 10-K/A, filed on November 14, 2011. The Company has restated its consolidated financial statements for the quarter ended June 30, 2011 in this Amendment No. 1 on Form 10-Q/A to reflect the correct accounting for the acquisition.

Changes in Internal Control over Financial Reporting

During the second quarter of 2011, we implemented a new accounting system using Dynamics AX at InfoSpace, in order to improve our accounting efficiency. The implementation resulted in changes to our internal control over financial reporting relating to processing our business transactions and reporting our operating results. We believe we have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting around accounting and reporting during this transition.

There were no other changes in our internal control over financial reporting that occurred during the period covered by this Amendment No. 1 to Quarterly Report on Form 10-Q/A that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended).

PART II OTHER INFORMATION

Item 6. Exhibits

Exhibits filed or furnished herewith are listed in the accompanying Index to Exhibits.

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SIGNATURE

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

INFOSPACE, INC.

By /s/ Eric M. Emans
Eric M. Emans
Chief Financial Officer
(Principal Financial Officer)

Dated: November 14, 2011

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INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101*	The following financial statements from the Company s 10-Q for the fiscal quarter ended June 30, 2011, formatted in XBRL: (i) Unaudited Condensed Consolidated Balance Sheets (ii) Unaudited Condensed Consolidated Statements of Operations, (iii), Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements.				X

* 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 are otherwise not subject to liability under those sections.