

Answers CORP
Form 10-K/A
August 30, 2010

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

Amendment No. 2 to
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

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 001-32255

ANSWERS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

237 West 35th Street, Suite 1101, New York,
N.Y.

10001

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (646) 502-4777

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

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Common Stock

The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☒ x

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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ o	Accelerated filer ☐ o	Non-accelerated filer o (do not check if smaller reporting company) ☐ o	Smaller reporting company ☒ x
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒ x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒ x

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, computed by reference to price at which the common equity was sold, or the average bid and asked price of such common stock as of June 30, 2009, was \$60,860,415. For purposes of this computation, the registrant has excluded the market value of all shares of its common stock reported as being beneficially owned by executive officers and directors and holders of more than 10% of the common stock on a fully diluted basis of the registrant; such exclusion shall not, however, be deemed to constitute an admission that any such person is an "affiliate" of the registrant. As of March 4, 2010, there were 7,958,928 issued and outstanding shares of common stock of the registrant.

Explanatory Note

On March 8, 2010, we filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and on May 11, 2010, we filed an amendment to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (collectively, the “Annual Report”). Upon reviewing our 2010 Proxy Statement, we became aware of an error in the Annual Report in the “Director Independence” and “Committees of the Board” sections of Item 10. Directors, Executive Officers and Corporate Governance (“Item 10”), with respect to director independence. This amendatory filing (“Amendment”) is being made solely in order to amend and restate the paragraphs in Item 10 of the Annual Report captioned “Director Independence” and “Committees of the Board”. We have made no further changes to the Annual Report or any amendment thereto. This Amendment does not reflect events occurring after the filing of the Annual Report, nor does it modify or update the disclosures and information contained in the Annual Report in any way other than as described in this explanatory note of the Amendment.

Director Independence

The NASDAQ listing standards require that a majority of our board must be composed of “independent directors,” which is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company’s board of directors would interfere with the director’s exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that its members are currently “independent” in accordance with the applicable listing standards of NASDAQ as currently in effect, with the exception of Mr. Rosenschein.

Committees of the Board

The Company’s board of directors has also adopted a written charter for each of the Audit Committee, Compensation Committee and Nominations/ Corporate Governance Committee. Each charter is available on the Company’s website.

Audit Committee. In May 2004, the Company established an Audit Committee of the board of directors. The Audit Committee consists of Mr. Sternlicht, Chairman, Mr. Tebbe and Mr. Segall, each of whom satisfy the current independence standards as promulgated by the SEC and NASDAQ, as such standards apply specifically to members of audit committees. The Audit Committee’s scope of authority, which is specified in our Audit Committee Charter, includes, but is not limited to:

- Reviewing and discussing with management and the independent accountants our annual and quarterly financial statements and discussing with management any earnings guidance provided to the market;
- Directly appointing, compensating, retaining, and overseeing the work of the independent auditor;
- Approving, in advance, the provision by the independent auditor of all audit and permissible non-audit services;
- Establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submissions by the Company’s employees of concerns regarding questionable accounting or auditing matters;
- Retaining independent legal and other advisors as the Audit Committee deems necessary or appropriate;
- Determining and receiving from the Company appropriate funding to compensate the independent accountants and any outside advisors engaged by the Audit Committee; and
- Reviewing reports and disclosure of insider and affiliated party transactions.

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The Audit Committee will at all times be composed exclusively of “super independent directors” who are “financially literate” as defined under the NASDAQ listing standards. The NASDAQ listing standards define “financially literate” as being able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement.

In addition, the Company must certify to NASDAQ that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience that results in the individual's financial sophistication. The board of directors believes that Mr. Sternlicht satisfies NASDAQ's definition of financial sophistication and also qualifies as an "audit committee financial expert," as defined under SEC rules and regulations. For additional information about the Audit Committee, see "Report of the Audit Committee" below.

Compensation Committee. In May 2004, the Company established a Compensation Committee of the board of directors. The Compensation Committee consists of Mr. Tebbe, Chairman, Mr. Kramer and Mr. Beasley. The board of directors has determined that each of the Compensation Committee members is an independent director under the current definition promulgated by NASDAQ. The Compensation Committee reviews and approves the Company's salary and benefits policies, including the compensation of executive officers. The Compensation Committee also administers the Company's stock option plans and recommends and approves grants of stock options and/or other stock-based awards under the plans.

Nominations/Corporate Governance Committee. In May 2004, the Company established a Nominating/Corporate Governance Committee ("Nominating Committee") of the board of directors. The Nominating Committee consists of Mr. Kramer, Chairman, Mr. Tebbe and Mr. Dyal. The board of directors has determined that each of the Nominating Committee members is an independent director under the current definition promulgated by NASDAQ. The purpose of the Nominating Committee is to select, or recommend for the entire board's selection, the individuals to stand for election as directors at the annual meeting of stockholders and to oversee the selection and composition of committees of the board. The committee's duties, which are specified in the Nominating Committee Charter, include, but are not limited to:

- Establishing criteria for the selection of new directors;
- Recommending directors to serve on the committees of the board;
- Considering the adequacy of the Company's corporate governance and proposing amendments accordingly;
- Overseeing and approving management continuity planning process; and
- Reporting regularly to the board matters relating to the committee's duties.

Financing Committee. In July 2005, the Company established a Financing Committee of the board of directors. The Financing Committee consists of Mr. Segall, Chairman, Mr. Sternlicht and Mr. Beasley. Each of the Finance Committee members is an independent director under the current definition promulgated by NASDAQ. The purpose of the Financing Committee is to review and discuss with management financing opportunities that the Company is considering, to evaluate the business merits of all potential mergers and acquisitions and to provide the board of directors with a recommendation as to the terms and conditions of any extraordinary transactions, in consultation with the management team, legal advisors and financial consultants.

Vice-Chairman of the Board of Directors and Lead Director. On April 12, 2007, Mark A. Tebbe was appointed Vice-Chairman of the board of directors and Lead Director. In this capacity, Mr. Tebbe is authorized to call meetings of the board, in consultation with the non-employee directors, advise the Chairman as to scheduling board meetings and provide the Chairman with input regarding the agendas for the board meetings, preside at all meetings at which the Chairman is not present including executive sessions of the non-employee directors and apprise the Chairman of the issues considered, be available for consultation and direct communication with the Company's major stockholders and perform such other duties as the board may from time to time delegate.

PART IV

ITEM 15 Exhibits and Financial Statement Schedules

1. Financial Statements.

The financial statements of the Company filed herewith are set forth in Part II, Item 8 of this report.

2. Financial Statement Schedule.

None.

3. Exhibits.

See exhibits Index immediately below.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation, as amended (Previously filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K (File No. 001-32255) filed March 9, 2009, and incorporated herein by reference)
3.1A	Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock of the Registrant (Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-32255) filed June 17, 2008, and incorporated herein by reference)
3.1B	Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series B Convertible Preferred Stock of the Registrant (Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-32255) filed June 15, 2009, and incorporated herein by reference)
3.2	Amended and Restated By-laws of Registrant (Previously filed as Exhibit 3.2 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
4.1	Specimen Common Stock Certificate of the Registrant (Previously filed as Exhibit 4.1 to the Registration Statement on Form SB-2 (File No. 333-115424) filed July 16, 2004, and incorporated herein by reference)
10.1«	1999 Stock Option Plan of Registrant and form of Option Agreement thereunder (Previously filed as Exhibits 4.5B and 4.5A, respectively, to the Registration Statement on Form S-8 (File No. 333-123185) filed March 8, 2005, and incorporated herein by reference)
10.2«	2000 Stock Plan of Registrant and form of Option Agreement thereunder (Previously filed as Exhibits 4.4B and 4.4A, respectively, to the Registration Statement on Form S-8 (File No. 333-123185) filed March 8, 2005, and incorporated herein by reference)
10.3«	2003 Stock Plan (Previously filed as Exhibit 10.1 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
10.3A«	Forms of Stock Option Agreement under the 2003 Stock Plan covering (i) employees of Registrant, and (ii) officers of Registrant (Previously filed as Exhibits 4.3A and 4.3B, respectively, to the Registration Statement on Form S-8 (File No. 333-123185)

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	filed March 8, 2005, and incorporated herein by reference)
10.4«	2004 Stock Plan (Previously filed as Exhibit 10.2 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
10.4A«	Forms of Stock Option Agreement under the 2004 Stock Plan covering (i) employees of Registrant, and (ii) officers of Registrant (Previously filed as Exhibits 4.2A and 4.2B, respectively, to the Registration Statement on Form S-8 (File No. 333-123185) filed March 8, 2005, and incorporated herein by reference)
10.5«	2005 Incentive Compensation Plan (Previously filed as Annex B to the Registrant's Definitive Proxy Statement filed May 31, 2005, and incorporated herein by reference)
10.5A «	Amendment to 2005 Incentive Compensation Plan approved by the Registrant's stockholders on June 21, 2006 (Previously filed within the Registrant's Definitive Proxy Statement filed May 1, 2006, and incorporated herein by reference)
10.5B«	Amendment to 2005 Incentive Compensation Plan approved by the Registrant's stockholders on September 9, 2008 (Previously filed within the Registrant's Definitive Proxy Statement filed July 28, 2008, and incorporated herein by reference)
10.5C	Amendment to 2005 Incentive Compensation Plan approved by the Registrant's stockholders on September 9, 2009 (Previously filed within the Registrant's Definitive Proxy Statement filed July 22, 2009, and incorporated herein by reference)
10.5D«	Form of Stock Option Agreement under the 2005 Incentive Compensation Plan covering Israel-based employees (Previously filed as Exhibit 10.5A to the Registrant's Annual Report on Form 10-KSB (File No. 001-32255) filed March 20, 2006, and incorporated herein by reference)
10.5E«	Form of Stock Option Agreement under the 2005 Incentive Compensation Plan covering U.S.-based employees (Previously filed as Exhibit 10.5B to the Registrant's Annual Report on Form 10-KSB (File No. 001-32255) filed March 20, 2006, and incorporated herein by reference)
10.6«	Robert S. Rosenschein Employment Agreement (Previously filed as Exhibit 10.6 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
10.7«	Steven Steinberg Employment Agreement (Previously filed as Exhibit 10.7 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated here by reference)
10.8«	Jeff Schneiderman Employment Agreement (Previously filed as Exhibit 10.8 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
10.9«	Bruce D. Smith Employment Agreement (Previously filed as Exhibit 10.10 to the annual report on Form 10-KSB (File No. 001-32255) filed March 20, 2006, and incorporated herein by reference)
10.10	Form of Warrants issued in connection with the Bridge Financing (Previously filed as Exhibit 10.5 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
10.11	Form of Warrants issued in connection with exercise of Bridge Warrants (Previously filed as Exhibit 99.2 to the Current Report on Form 8-K/A (File No. 001-32255) filed February 7, 2005, and incorporated herein by reference)
10.12+	Google Services Agreement ("GSA"), GSA Order Form and GSA Order Form Terms and Conditions, all dated January 28, 2005 (Previously filed as Exhibit 10.19 to the Registrant's Annual Report on Amendment No. 3 to Form 10-KSB (File No. 001-32255) filed June 7, 2006, and incorporated herein by reference)
10.13+	

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	Amendment No. 1 to Google Order Form and GSA, dated December 20, 2005 (Previously filed as Exhibit 10.20 to the Registrant's Annual Report on Amendment No. 2 to Form 10-KSB (File No. 001-32255) filed May 19, 2006, and incorporated herein by reference)
10.14+	Amendment No. 2 to Google Order Form, dated January 31, 2006 (Previously filed as Exhibit 10.21 to the Registrant's Annual Report on Amendment No. 2 to Form 10-KSB (File No. 001-32255) filed May 19, 2006, and incorporated herein by reference)
10.15+	API Agreement with Shopping.com, Inc. dated May 2, 2005 (Previously filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-KSB (File No. 001-32255) filed March 20, 2006, and incorporated herein by reference)
10.16	Lease Agreement with 35th Street Associates to lease office space in the building known as 237 West 35th Street in New York, NY, dated April 29, 2005 (Previously filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-32255) filed May 4, 2005, and incorporated herein by reference)
10.17	Supplemental agreement to operating lease agreement between GuruNet Israel Ltd., Answers Corporation's wholly-owned subsidiary ("Subsidiary") and Jerusalem Technology Park Ltd. dated July 26, 2005 in connection with Subsidiary's relocation to new office space (a summary of the principal terms of this lease was previously filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-32255) filed July 28, 2005, and incorporated herein by reference)
10.18«	Amendment to Robert S. Rosenschein's Amended and Restated Employment Agreement, dated as of November 27, 2006 (Previously filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-32255) filed November 29, 2006, and incorporated herein by reference)
10.19 +	Amendment No. 5 to Google Order Form, dated September 21, 2007 (Previously filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed November 9, 2007, and incorporated herein by reference)
10.20+	Amendment No. 7 to Google Order Form and Google Services Agreement, dated October 13, 2009 (Previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed November 9, 2009, and incorporated herein by reference)
10.21«	Amendment to Robert S. Rosenschein's Amended and Restated Employment Agreement, dated as of November 6, 2007 (Previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed November 9, 2007, and incorporated herein by reference)
10.22«	Amendment to Steve Steinberg's Employment Agreement, dated as of November 6, 2007 (Previously filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed November 9, 2007, and incorporated herein by reference)
10.23«	Amendment to Jeff Schneiderman's Employment Agreement, dated as of November 6, 2007 (Previously filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed November 9, 2007, and incorporated herein by reference)
10.24«	Amendment to Bruce Smith's Employment Agreement, dated as of November 6, 2007 (Previously filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed November 9, 2007, and incorporated herein by reference)
10.25 «	Amendment to Robert S. Rosenschein's Amended and Restated Employment Agreement, dated as of July 30, 2008 (Previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-32255) filed August 4, 2008, and incorporated herein by reference)
10.26	Securities Purchase Agreement dated June 16, 2008 between Answers Corporation and Redpoint Omega, L.P. and Redpoint Omega Associates, LLC (Previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-32255) filed

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June 17, 2008, and incorporated herein by reference)

10.27	Form of Common Stock Purchase Warrant granted to Redpoint Omega, L.P. and Redpoint Omega Associates, LLC on June 16, 2008 (Previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-32255) filed June 17, 2008, and incorporated herein by reference)
10.28	Warrant Agreement dated as of June 16, 2008 between Answers Corporation and Redpoint Omega, L.P. and Redpoint Omega Associates, LLC (Previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-32255) filed June 17, 2008, and incorporated herein by reference)
10.29	Registration Rights Agreement dated as of June 16, 2008 between Answers Corporation and Redpoint Omega, L.P. and Redpoint Omega Associates, LLC (Previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-32255) filed June 17, 2008, and incorporated herein by reference)
10.30+	Master Services Agreement and Statement of Work with C7 Data Centers, Inc. dated March 31, 2009 (Previously filed as Exhibit 10.30 to the Registrant's Annual Report on Amendment No. 1 to Form 10-K (File No. 001-32255) filed May 11, 2010, and incorporated herein by reference)
10.31+	Network Access and data Center Services Agreement, Service Order, Network SLA and Facility Availability SLA with Net Access Corporation dated April 9, 2008 (Previously filed as Exhibit 10.31 to the Registrant's Annual Report on Amendment No. 1 to Form 10-K (File No. 001-32255) filed May 11, 2010, and incorporated herein by reference)
14.1	Code of Ethics and Business Conduct (Previously filed as Exhibit 14.1 to the Registration Statement on Form SB-2 (File No. 333-115424) filed May 12, 2004, and incorporated herein by reference)
21.1**	List of Subsidiaries
23.1**	Consent of KPMG Somekh Chaikin, Independent Registered Public Accounting Firm
31.1*	Certification of Principal Executive Officer required under Rule 13a-14(a) or Rule 15(d)-14(a) of the Securities and Exchange Act of 1934, as amended
31.2*	Certification of Principal Financial Officer required under Rule 13a-14(a) or Rule 15(d)-14(a) of the Securities and Exchange Act of 1934, as amended
32.1***^	Certification of Principal Executive Officer required under Rule 13a-14(a) or Rule 15(d)-14(a) of the Securities and Exchange Act of 1934, as amended and 18 U.S.C. Section 1350
32.2***^	Certification of Principal Financial Officer required under Rule 13a-14(a) or Rule 15(d)-14(a) of the Securities and Exchange Act of 1934, as amended and 18 U.S.C. Section 1350

* Filed herewith.

** Previously filed

+ Portions of this exhibit were omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to a request for confidential treatment.

^ The certifications attached as Exhibit 32 accompany this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" by Answers Corporation for purposes of Section 18 of the Exchange Act.

« Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Answers Corporation

By *
Robert S.
Rosenschein
Chief
Executive
Officer

Date: August
30, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Capacity	Date
* Robert S. Rosenschein	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	August 30, 2010
/s/ Steven Steinberg Steven Steinberg	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 30, 2010
* Mark A. Tebbe	Director	August 30, 2010
* Yehuda Sternlicht	Director	August 30, 2010
* Mark B. Segall	Director	August 30, 2010

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*
Lawrence S. Kramer

Director

August 30, 2010

*
W. Allen Beasley

Director

August 30, 2010

*
R. Thomas Dyal

Director

August 30, 2010

*By: /s/ Steven Steinberg

Steven Steinberg
Attorney-in-Fact