Answers CORP
Form 10-Q
November 06, 2008
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UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2008

o 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	**98-0202855**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
237 West 35th Street, Suite 1101, New York, New York	**10001**
(Address of principal executive offices)	(Zip Code)

(646) 502-4777

(Registrant s telephone number)

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

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

Yes x No o

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 o Accelerated filer x Non-accelerated filer o

Smaller reporting company o

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

Yes o No x

The number of the registrant s shares of common stock outstanding was 7,870,538 as of November 5, 2008.

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ANSWERS CORPORATION

FORM 10-Q

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INTRODUCTORY NOTE

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

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

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PART I - FINANCIAL INFORMATION

Answers Corporation and Subsidiary

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

	September 30 2008 $	December 31 2007 $
Assets		
Current assets:		
Cash and cash equivalents	**9,653**	6,778
Investment securities		700
Accounts receivable	**1,786**	1,448
Prepaid expenses and other current assets	**847**	487
Total current assets	**12,286**	9,413
Long-term deposits (restricted)	**225**	196
Deposits in respect of employee severance obligations	**1,430**	1,232
Property and equipment, net of $1,916 and $1,615 accumulated depreciation as of September 30, 2008 and December 31, 2007, respectively	**1,175**	1,012
Other assets:		
Intangible assets, net of $610 and $2,352 accumulated amortization as of September 30, 2008 and December 31, 2007, respectively	**1,055**	4,766
Goodwill	**437**	437
Prepaid expenses, long-term, and other assets	**274**	275
Deferred charges (Lexico acquisition and public offering)		1,267
Total other assets	**1,766**	6,745
Total assets	**16,882**	18,598
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	**364**	968
Accrued expenses	**717**	1,045
Accrued compensation	**491**	551
Warrant to purchase units of Series B preferred stock and warrants	**5,567**	
Capital lease obligation current portion	**77**	
Deferred revenues	**22**	16
Total current liabilities	**7,238**	2,580
Long-term liabilities:		
Liability in respect of employee severance obligations	**1,622**	1,233

Capital lease obligation, net of current portion	**126**	
Deferred tax liability	**23**	14
Total long-term liabilities	**1,771**	1,247
Commitments and contingencies		
Series A convertible preferred stock: $0.01 par value; stated value and liquidation preference of $100 per share; 6% cumulative annual dividend; 60,000 and 0 shares authorized, 60,000 and 0 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively	**385**	
Stockholders equity:		
Preferred stock: $0.01 par value; 940,000 shares authorized, none issued		
Common stock; $0.001 par value; 100,000,000 and 30,000,000 shares authorized, 7,870,538 and 7,859,890 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively	**8**	8
Additional paid-in capital	**77,014**	73,893
Accumulated other comprehensive loss	**(27)**	(28)
Accumulated deficit	**(69,507)**	(59,102)
Total stockholders equity	**7,488**	14,771
Total liabilities and stockholders equity	**16,882**	18,598

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

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Answers Corporation and Subsidiary

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
	$	$	$	$
Revenues:				
Advertising revenue	**3,539**	2,165	**9,536**	7,777
Answers service licensing	**24**	43	**61**	202
Subscriptions				425
	3,563	2,208	**9,597**	8,404
Costs and expenses:				
Cost of revenue	**945**	1,179	**3,754**	3,643
Research and development	**866**	769	**2,670**	2,239
Sales and marketing	**563**	1,221	**2,258**	3,275
General and administrative	**1,311**	1,058	**3,640**	3,003
Write-off of the Brainboost Answer Engine			**3,138**	
Termination fees and write-off of costs relating to the terminated Lexico acquisition and abandoned follow-on offering			**2,543**	
Total operating expenses	**3,685**	4,227	**18,003**	12,160
Operating loss	**(122)**	(2,019)	**(8,406)**	(3,756)
Interest (expense) income, net	**(43)**	88	**30**	299
Other income (expense), net	**11**		**(38)**	(11)
Loss resulting from fair value adjustment of warrant to purchase units of Series B preferred stock and warrants	**(2,056)**		**(2,056)**	
Loss before income taxes	**(2,210)**	(1,931)	**(10,470)**	(3,468)
Income tax benefit (expense)	**91**	(19)	**65**	(33)
Net loss	**(2,119)**	(1,950)	**(10,405)**	(3,501)
Basic and diluted net loss per common share	**(0.31)**	(0.25)	**(1.37)**	(0.45)
Weighted average shares used in computing basic and diluted net loss per common share	**7,865,263**	7,854,053	**7,861,681**	7,844,900

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

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Answers Corporation and Subsidiary

Consolidated Statements of Cash Flows (unaudited, in thousands)

	Nine months ended September 30 2008 $	2007 $
Cash flows from operating activities:		
Net loss	**(10,405)**	(3,501)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**1,080**	1,356
Deposits in respect of employee severance obligations	**(198)**	(196)
Increase in liability in respect of employee severance obligations	**380**	310
Stock-based compensation to employees and directors	**1,312**	1,698
Write-off of the Brainboost Answers Engine	**3,138**	
Write-off of amounts paid in prior periods, relating to the terminated Lexico acquisition and abandoned follow-on offering	**663**	
Fair value adjustment of warrant to purchase units of Series B preferred stock and warrants	**2,056**	
Loss on disposal of property and equipment	**4**	3
Decrease in deferred tax asset	**9**	33
Gains from exchange rate forward contracts, net	**(46)**	(19)
Exchange rate losses	**38**	11
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	**(339)**	270
Decrease (increase) in prepaid expenses and other assets	**1**	(29)
(Decrease) increase in accounts payable	**(254)**	28
(Decrease) increase in accrued expenses and other current liabilities	**(150)**	57
Increase (decrease) in deferred revenues	**6**	(443)
Net cash used in operating activities	**(2,705)**	(422)
Cash flows from investing activities:		
Capital expenditures	**(435)**	(515)
Increase in long-term deposits	**(28)**	(265)
Deferred charges relating to planned acquisition		(398)
Purchases of investment securities		(4,166)
Proceeds from sales of investment securities	**700**	6,047
Net cash provided by investing activities	**237**	703
Cash flows from financing activities:		
Payment of capital lease obligation	**(36)**	
Redpoint financing, net of $620 thousand issuance costs	**5,380**	
Stock registration costs	**(47)**	
Deferred charges relating to planned financing		(109)
Exercise of common stock options	**10**	145
Net cash provided by financing activities	**5,307**	36
Effect of exchange rate changes on cash and cash equivalents	**36**	
Net increase in cash and cash equivalents	**2,875**	317
Cash and cash equivalents at beginning of period	**6,778**	4,976

Cash and cash equivalents at end of period	**9,653**	5,293
Supplemental disclosures of cash flow information:		
Income taxes paid	**7**	6
Non-cash investing activities:		
Acquisition of assets through capital lease obligation	**239**	
Deferred charges relating to planned acquisition		100
Unrealized net loss from securities		2
Non-cash financing activities:		
Deferred charges relating to planned financing		275
Increase in accrued dividends	**106**	

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

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 - Business

Answers Corporation (the Parent) was founded as a Texas corporation on December 22, 1998, and reorganized as a Delaware corporation in April 1999. On December 27, 1998, the Parent formed a subsidiary based in Israel (the Subsidiary), primarily for the purpose of providing research and development services to the Parent. The Parent and its wholly owned Subsidiary are collectively referred to as the Company. The Parent is a public company and trades on the Nasdaq Capital Market under the symbol ANSW .

As of September 30, 2008, approximately $446 thousand of the Company s net assets were located outside of the United States.

The Company provides answer-based search services to users primarily through its websites, Answers.com and WikiAnswers.com.

On June 16, 2008, the Company raised $6,000,000, before related fees and costs, in a private placement offering. See Note 5 for further details.

In an effort to improve monetization, in the fourth quarter of 2006, the Company began marketing directly to advertisers and generating additional advertising revenue. However, at the end of the second quarter of 2008, the Company decided to abandon that effort, and by the end of the third quarter of 2008, the direct sales staff left the Company. In connection with the winding down of this effort, the Company recorded a charge of $90,000, in the second quarter of 2008, to account for the estimated cost of terminating certain related service contracts and employment agreements.

In the first quarter of 2008, the Company s planned acquisition of Lexico Publishing Group LLC and the related planned offering of securities were terminated due to unfavorable market conditions. As a result, the Company recorded a charge to its statement of operations, amounting to approximately $2.54 million. See Note 10 (g) for further details.

In the second quarter of 2008, the Company abandoned its use of the Brainboost Answer Engine (see Note 4).

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Answers Corporation and its Subsidiary and are presented in accordance with accounting principles generally accepted in the United States. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements were prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles. All adjustments, which are, in the opinion of management, of a normal recurring nature and are necessary for a fair presentation of the interim financial statements, have been included. Nevertheless, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported results of operations during the reporting periods. Actual results could differ from those estimates.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 2 - Summary of Significant Accounting Policies (cont d)

Revenue Recognition

The Company, through its websites Answers.com and WikiAnswers.com, generates revenues via advertising in the form of sponsored links and image ads. This includes both pay-per-performance ads and paid-for-impression advertising. In the pay-per-performance model, the Company earns revenue based on the number of clicks associated with such ads. In the paid-for-impression model, the Company s revenue is derived from the display of ads.

The majority of the Company s advertising revenue has been obtained through the efforts of third parties and has not been the result of direct contracts with advertisers. The third party is obligated to pay the Company a portion of the revenue it receives from advertisers, as compensation for the Company s sale of promotional space on its Internet properties. Amounts received from such third parties are reflected as revenue in the period in which such advertising services are provided.

The Company also earns revenues from partners that pay the Company for providing them with answer-based services that they then use in their own products, via co-branded web pages.

In 2003, the Company sold lifetime subscriptions to its GuruNet product, which had no defined termination date. Cash received from such lifetime subscriptions was recorded as deferred revenues and amounted to $425,000. In February 2007, in accordance with the Company s rights under the agreements it previously entered into with such lifetime subscribers, the Company terminated its GuruNet service and thereby extinguished its service obligation to such subscribers. Thus, the Company recognized the $425,000 previously deferred, as revenue in the first quarter of 2007.

The Company earned advertising revenue from its two web properties, as follows:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
	$ (in thousands)			

Advertising revenue				
Answers.com	**1,579**	1,861	**4,891**	7,179
WikiAnswers	**1,960**	304	**4,645**	598
	3,539	2,165	**9,536**	7,777

Accounting for Stock-Based Compensation

The fair value of stock options granted to employees and directors, is estimated at the date of grant using the Black-Scholes option-pricing model, which takes into consideration the share price at the date of grant, the exercise price of the option, the expected life of the option, expected interest rates and the expected volatility.

Through December 31, 2006, due to the lack of adequate history of its own stock volatility, the Company estimated its own expected stock volatility based on the historical stock volatility of three other comparable publicly held companies. During 2007, as the Company accumulated its own volatility history over longer periods of time, the Company s assumptions about its stock price volatility were based on a rate that has been derived by taking into consideration the volatility rates of the aforesaid comparable publicly held companies as well as its own historical volatility rates. Beginning in 2008, the Company estimates its expected stock volatility based solely on its own historical stock volatility rates.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 2 - Summary of Significant Accounting Policies (cont d)

Net Loss per Common Share

Basic and diluted net loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share is the same as basic net loss per share as the inclusion of the Company s outstanding common stock equivalents would be anti-dilutive.

The table below presents the computation of basic and diluted net loss per common share:

	Three months ended September 30		Nine months ended September 30	
	2008	**2007**	**2008**	**2007**
	$ (in thousands, except share and per share data)			
Net loss	**(2,119)**	(1,950)	**(10,405)**	(3,501)
Series A Convertible Preferred Stock dividends	(91)		(106)	
Amortization of Series A Convertible Preferred Stock discounts	(239)		(279)	
Net loss attributable to common shares	**(2,449)**	(1,950)	**(10,790)**	(3,501)
Weighted average shares used in computing basic and diluted net loss per common share	**7,865,263**	7,854,053	**7,861,681**	7,844,900
Basic and diluted net loss per common share	**(0.31)**	(0.25)	**(1.37)**	(0.45)

Derivatives and hedging

The Company accounts for derivatives and hedging based on Statement of Financial Accounting Standards 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. If the derivatives meet the definition of a hedge and are so designated, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative s change in fair value is recognized in earnings.

During the nine months ended September 30, 2008 and 2007, the Subsidiary entered into option contracts to hedge certain foreign currency denominated expenses. These derivatives were not designated as hedging instruments under the rules of SFAS 133 and, therefore, the net gains (losses) are recognized in earnings as they occur. Such gains (losses) are included in operating expenses as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2008	**2007**	**2008**	**2007**
	$ (in thousands)			
Cost of revenue	**(3)**	**8**	**6**	**8**
Research and development	**(26)**	**23**	**22**	**23**
Sales and marketing	**(2)**	**22**	**5**	**22**
General and administrative	**(13)**	**16**	**13**	**16**
	(44)	**69**	**46**	**69**

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 2 - Summary of Significant Accounting Policies (cont d)

Recently Issued Accounting Standards

In March 2008, the FASB issued Statement of Financial Accounting Standards 161, *Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 gives financial statement users better information about the reporting entity s hedges by providing for qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of and gains and losses on derivative contracts, and details of credit-risk-related contingent features in their hedged positions. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those years. The Company is currently evaluating the potential impact of the adoption of SFAS 161 on its consolidated financial position, results of operations and cash flows.

On May 9, 2008, the FASB issued FASB Staff Position No. APB 14-1(FSP APB 14-1), *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* . FSP APB 14-1 requires issuers of convertible debt that may be settled wholly or partly in cash when converted to account for the debt and equity components separately. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 and must be applied retrospectively to all periods presented. The Company is currently evaluating the potential impact of the adoption of FSP APB 14-1 on its consolidated financial statements.

Note 3 Capital Leases

In April 2008, the Company entered into several capital lease agreements to purchase equipment for its new co-location server facility (see note 10 (b)). The capitalized leases are included in property and equipment as follows:

	As of September 30	
	2008	**2007**
	$ (in thousands)	
Computer equipment	**239**	
Less: accumulated depreciation	**(38)**	

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Note 4 Brainboost Answer Engine

In December 2005, the Company acquired Brainboost Technology, LLC, developer of the Brainboost Answer Engine (BAE), an artificial intelligence technology enabling natural language question-and-answer search on the Web. As consideration for the acquisition, the Company paid $4.0 million in cash and 439,000 shares of its restricted stock, valued at approximately $5.6 million at the time of the acquisition. In connection with the initial allocation of the purchase price, the Company recorded an intangible asset, with an estimated useful life of six years, of approximately $5.4 million.

In the second quarter of 2008, the Company decided to focus its efforts, in the realm of questions-and-answers, solely on user-generated, questions-and-answers, and effectively abandoned its use of the BAE. This decision was implemented on May 25, 2008, when changes were made to Answers.com, virtually eliminating the use of the BAE, which the Company believes has no further service potential.

As a result of the Company s decision to effectively abandon its use of the BAE, the net book value of the BAE as of May 25, 2008, in the amount of $3,138,000, was written off, and the resulting charge is included in the Company s operating expenses for the nine months ended September 30, 2008.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 5 Redpoint Financing

On June 16, 2008, pursuant to a private placement of the Company s securities, Redpoint Omega, L.P. and Redpoint Omega Associates, LLC (collectively, Redpoint) purchased $6,000,000 of the Company s Series A Convertible Preferred Stock, initially convertible into 1,333,333 shares of common stock at a conversion price of $4.50 per share, and Common Stock Purchase Warrants exercisable for 666,667 shares of common stock at an exercise price of $4.95 per share (Series A Warrants). Redpoint also received a warrant, exercisable until June 16, 2009, to purchase units of up to $7 million of Series B Convertible Preferred Stock and Common Stock Purchase Warrants exercisable for 636,364 shares of common stock (Series B Warrants). The Series B Convertible Preferred Stock is initially convertible into 1,272,727 shares of common stock at a conversion price of $5.50 per share. The Series B Warrants have an exercise price of $6.05 per share. After deducting placement agent fees and legal expenses, the Company s net proceeds from the private placement were approximately $5,380,000. The Series A Convertible Preferred Stock, the Series B Convertible Preferred Stock, the Series A Warrants and the Series B Warrants are collectively referred to as the Redpoint Securities . The warrant to purchase units of Series B Convertible Preferred Stock and Series B Warrants is referred to as the Series B Unit Warrant .

The Series A Convertible Preferred Stock has the rights and preferences set forth in the Company s Certificate of Designations, which amended the Company s Amended and Restated Certificate of Incorporation as of its date of filing on June 16, 2008 (see Note 7). The Series B Convertible Preferred Stock, if purchased by Redpoint pursuant to its Series B Unit Warrant, will have similar rights and preferences as the Series A Convertible Preferred Stock.

In connection with the private placement the Company entered into a registration rights agreement with Redpoint, pursuant to which the Company agreed to register with the SEC for resale the common stock underlying the Redpoint Securities. In connection with the registration rights agreement, the Company agreed to pay a penalty of 1.0% per month, on a daily pro rata basis, up to a maximum of 8.0%, of the aggregate purchase price, as partial liquidated damages, for certain default events and subject to certain circumstances. The partial liquidated damages may trigger if the registration statement, which the Company filed on July 30, 2008, and which was declared effective by the SEC on September 16, 2008, ceases to remain continuously effective. The Company also agreed to use its reasonable best efforts to obtain all required stockholder approval for the authorization and issuance of the common stock underlying the Redpoint Securities by September 15, 2008, and such approval was obtained on September 9, 2008.

In connection with the private placement, Redpoint received the right to appoint an individual to serve as a voting member of the Company s board of directors. If Redpoint exercises the Series B Unit Warrant and meets certain ownership requirements, it will be entitled to appoint a second member to the Company s board of directors.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 5 Redpoint Financing (cont d)

Accounting

The $6,000,000 of proceeds from the Redpoint Financing were first allocated to the Series B Unit Warrant, which was classified as a liability, based on its fair value, and the residual amount was allocated among the Series A Convertible Preferred Stock and the Series A Warrants based on their relative fair values, all in accordance with the guidance in SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* , and EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock* . The Series A Convertible Preferred Stock has been classified as temporary equity, in accordance with the guidance in EITF D-98, *Classification and Measurement of Redeemable Securities* , and the Series A Warrants have been classified in permanent equity.

In recording the effects of the transaction, the Company allocated the consideration from the purchase of the Redpoint Securities as follows:

	Series A Convertible Preferred Stock	Series A Warrants	Series B Unit Warrant	Total
		$ (in thousands)		
Allocated amount	1,972	517	3,511	6,000
Less: Transaction costs	(204)	(53)	(363)	(620)
	1,768	464	3,148	5,380

Transaction costs were allocated on a pro rated basis, based on the amounts allocated to each of the components of the transaction. Transaction costs relating to the Series A Convertible Preferred Stock and Series A Warrants have been reflected as a reduction to the proceeds from the issuance of such instruments. Transaction costs relating to the Series B Unit Warrant have been deferred and are being amortized to interest expense over one year, which is the life of the warrant.

Series A Convertible Preferred Stock

In accordance with guidance in EITF D-98, *Classification and Measurement of Redeemable Securities* and other accounting literature, the Series A Convertible Preferred Stock has been recorded at its initial relative fair value and classified in temporary equity. Subsequent changes to its fair value will not be recognized as long as the stock continues to be classified as temporary equity and not as a liability.

Series A Warrants

The relative fair value of the Series A Warrants, as explained above, has been recorded and classified as additional paid in capital in permanent equity, as described above, with a corresponding discount to the Series A Convertible Preferred Stock. Such discount is amortized to paid-in capital through the earliest redemption date of the stock, which is six years after the date of issuance. As of September 30, 2008, approximately $22,000 of such discount has been amortized.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 5 Redpoint Financing (cont d)

Series B Unit Warrant

The Series B Unit Warrant has been recorded as a liability, with a corresponding discount to the Series A Convertible Preferred Stock. Such discount is amortized against paid-in capital through the earliest redemption date of the stock, which is six years after the date of issuance. As of September 30, 2008, approximately $171,000 of such discount has been amortized.

The Series B Unit Warrant is revalued each reporting date. The Company assessed the value of the Series B Unit Warrant as of September 30, 2008, as compared to its value, as reported, as of June 30, 2008. The change in the amount of $2,056,000 has been included in the statement of operations as loss resulting from fair value adjustment of warrant to purchase units of Series B preferred stock and warrants for the three and nine months ended September 30, 2008.

Beneficial Conversion Feature

The effective conversion rate of the Series A Convertible Preferred Stock, after allocation of the proceeds as described above, as compared to the fair market value of the Company s common stock on the date of issuance, represents an additional beneficial conversion value. Thus, the Company recorded an additional discount to the Series A Convertible Preferred Stock, with a corresponding increase in paid-in capital, of $1,768,000, reducing the Series A Convertible Preferred Stock to zero. In accordance with EITF 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, the aforesaid discount is amortized to paid-in capital over six years from the date of issuance, the earliest redemption date of the stock. As of September 30, 2008, approximately $86,000 of such discount has been amortized.

There are additional features of the Series A Convertible Preferred Stock which represent contingent beneficial conversion features, to be reevaluated in the future. In the event that the facts and circumstances indicate that a contingency is removed, at that point the beneficial conversion feature, if any, will be recorded.

Dividends

The Series A Convertible Preferred Stock accrues cumulative dividends at a rate of 6% per annum whether or not dividends have been declared by the Company s Board of Directors and whether or not there are profits, surplus or other funds available for the payment of such dividends. Due to the Company s decision to pay such dividends in the form of shares of common stock, the dividend accrual is reflected as an increase in the stated value of the Series A Convertible Preferred Stock with a corresponding decrease in the additional paid-in capital.

Note 6 Fair Value Measurements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards 157, *Fair Value Measurements* , (SFAS 157), except as it applies to the nonfinancial assets and nonfinancial liabilities subject to FASB Staff Position No. 157-2. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measures its cash equivalents, foreign currency derivative contracts, deposits in respect of employee severance pay and Warrant to purchase units of Series B preferred stock and warrant, at fair value. In accordance with SFAS 157, the Company s cash equivalents, foreign currency derivative contracts and deposits in respect of employee severance pay are classified within Level 1 or Level 2. This is because the cash equivalents, foreign currency derivative contracts and deposits in respect of employee severance pay are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. The Warrant to purchase units of Series B preferred stock and warrants is classified within Level 3 because it is valued using a combination of Monte-Carlo simulation and Black-Scholes model. Some of the inputs to this valuation are unobservable in the market and are significant.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 6 Fair Value Measurements (cont d)

Assets and liabilities measured at fair value are summarized below:

Description	**September 30, 2008**	**Fair value measurement at reporting date using: Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		$ (in thousands)		
Assets				
Cash Equivalents				
Money Market Funds	8,264	8,264		
Foreign currency derivative contracts	11		11	
Deposits in respect of employee severance pay	1,430	1,430		
Total Assets	9,705	9,694	11	
Liabilities				
Warrant to purchase units of Series B preferred stock and warrants	5,567			5,567

The following table presents the Company s assets measured at fair value using significant unobservable inputs (Level 3) as defined in SFAS 157, as of September 30, 2008:

	Level 3 $ (in thousands)
Balance at December 31, 2007	
Initial valuation of warrant to purchase units of Series B preferred stock and warrants	3,511
Loss resulting from fair value, included in statement of operations for the three and nine months ended September 30, 2008	2,056
Balance at September 30, 2008	**5,567**

Note 7 - Series A Convertible Preferred Stock

The following table summarizes the changes in the Series A Convertible Preferred Stock resulting from issuance through September 30, 2008:

	$ (in thousands)
Gross proceeds	**6,000**
Issuance costs	(204)
Discount resulting from the issuance of the Series A Warrants	(517)
Discount resulting from the issuance of the Series B Unit Warrant	(3,511)
Discount resulting from the Beneficial Conversion Feature	(1,768)
Amortizations of discounts from closing through September 30, 2008	279
Accrued dividends	106
	385

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 7 - Series A Convertible Preferred Stock (cont d)

As a result of the Redpoint Financing (see note 5), the Company s Amended and Restated Certificate of Incorporation has been amended to provide for the issuance of up to 60,000 shares of Series A Convertible Preferred Stock with a stated value of $100 per share (the Stated Value) pursuant to the Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock filed with the State of Delaware on June 16, 2008 (the Certificate of Designations).

The Certificate of Designations provides for the following rights and preferences:

Dividends

The Series A Convertible Preferred Stock will accrue cumulative dividends at a rate of 6% per annum whether or not dividends have been declared by the Board of Directors and whether or not there are profits, surplus or other funds available for the payment of such dividends. Dividends may be payable in kind at the option of the Company upon satisfaction of certain conditions.

Voting Rights

The Series A Convertible Preferred Stock shall vote on an as converted basis with the Company s common stock. So long as any shares of Series A Convertible Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the shares of the Series A Convertible Preferred Stock then outstanding (each holder of Series A Convertible Preferred Stock, a Holder and collectively, the Holders) , (a) alter or change adversely the powers, preferences or rights given to the Series A Convertible Preferred Stock or alter or amend the Certificate of Designations (whether by merger, consolidation or otherwise), (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a Liquidation senior to or otherwise pari passu with the Series A Convertible Preferred Stock, except for any series of Preferred Stock issued to the Holders, (c) amend its certificate of incorporation or other charter documents (whether by merger, consolidation or otherwise) so as to affect adversely any rights of the Holders, (d) increase or decrease the authorized number of shares of Series A Convertible Preferred Stock, or (e) enter into any agreement with respect to the foregoing.

Liquidation

Upon an event of liquidation, as defined in the Certificate of Designations (a Liquidation), the Holders shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series A Convertible Preferred Stock an amount equal to greater of (i) the Stated Value per share plus any accrued and unpaid dividends thereon and any other fees or liquidated damages owing thereon before any distribution or payment shall be made to the holders of any junior securities or (ii) such amount per share as would have been payable had all shares of Series A Convertible Preferred Stock been upon any such Liquidation converted to common stock immediately prior to such Liquidation, in any case, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be distributed to the Holders shall be distributed among the Holders ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

Conversions at Option of Holder

Each share of Series A Convertible Preferred Stock shall be convertible into that number of shares of common stock (Common Stock) determined by dividing the Stated Value plus any accrued but unpaid dividends thereon (to the extent not already included in the Stated Value) of such share of Series A Convertible Preferred Stock by $4.50 (the Conversion Price), at the option of the Holder, at any time and from time to time.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 7 - Series A Convertible Preferred Stock (cont d)

Mandatory Conversion

Beginning December 16, 2009, provided certain conditions are satisfied, if the closing price of the Common Stock equals an average of $13.50 (subject to adjustment for stock splits, reclassifications, combinations and similar adjustments) per share for the 45 consecutive trading days immediately prior to the Automatic Conversion Notice Date (as defined below), and average daily volume of the Common Stock on The Nasdaq Capital Market averages at least $1,000,000 during such measurement period, unless the Holder is prohibited from converting the Series A Convertible Preferred Stock pursuant to certain limitations set forth in the Certificate of Designations, the Company shall have the right to deliver a notice to the Holder (an Automatic Conversion Notice, and the date such notice is received by the Holder, the Automatic Conversion Notice Date), to convert any portion of the shares of Series A Convertible Preferred Stock then held by the holder into shares of Common Stock at the then-effective Conversion Price.

Redemption

At anytime on or after June 16, 2014, upon written request by the majority of the Holders, the Company shall redeem all or any portion of the then outstanding Series A Convertible Preferred Stock, for an amount in cash equal to the sum of (i) 100% of the aggregate Stated Value then outstanding and (ii) accrued but unpaid dividends (to the extent not already included in Stated Value) and (iii) all liquidated damages and other amounts due in respect of the Series A Convertible Preferred Stock.

Subsequent Equity Sales

If the Company, at any time while Series A Convertible Preferred Stock is outstanding, shall sell or grant any option to purchase or otherwise dispose of or issue any Common Stock or Common Stock equivalents entitling any person to acquire shares of Common Stock, at an effective price per share less than the then effective Conversion Price, then, the Conversion Price shall be adjusted on a broad weighted average basis.

Participation Rights

At any time while Series A Convertible Preferred Stock is outstanding (or the Common Stock issuable or issued upon conversion thereof) and the Holders or their affiliates collectively hold a majority of the outstanding Series A Convertible Preferred Stock (or the Common Stock issuable or issued upon conversion thereof) purchased by the Holders, each Holder shall have a right to participate pro rata with respect to the issuance or possible issuance by the Company of any future equity or equity-linked securities or debt which is convertible into or exercisable or exchangeable for equity or in which there is an equity component on the same terms and conditions as offered by the Company to the other purchasers of such securities.

Note 8 Stockholders Equity

General

The following table summarizes the changes in the Company s stockholders equity during the nine-month period ending September 30, 2008:

	$ (in thousands)
December 31, 2007	**14,771**
Stock-based compensation	1,312
Discount resulting from the issuance of the Series A Warrants	464
Discount resulting from the Beneficial Conversion Feature	1,768
Amortizations of discounts from closing through September 30, 2008	(279)
Accrued dividends	(106)
Stock registration costs	(47)
Exercise of stock options	10
Net loss for the period	(10,405)
September 30, 2008	**7,488**

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 8 Stockholders Equity (cont d)

Common Stock

At the stockholders annual meeting which was held on September 9, 2008, the stockholders of the Company agreed to amend the Company s Amended and Restated Certificate of Incorporation to increase the authorized common stock to 100,000,000 shares from 30,000,000 shares;

Stock Warrants

As of September 30, 2008, there were 1,824,430 outstanding stock warrants with a weighted average exercise price of $12.09. All warrants are exercisable immediately. No warrants were exercised during the nine months ended September 30, 2008.

Stock Options

During the nine months ended September 30, 2008, the Company granted a total of 410,150 stock options to its employees and officers at an average exercise price of $4.17 per option. Additionally, during the same period, 10,648 stock options were exercised and 198,324 stock options were forfeited.

The total fair value of stock options vested during the nine months ended September 30, 2008, amounted to $1,312 thousand and was recorded as stock-based compensation expense.

At the stockholders annual meeting which was held on September 9, 2008, the stockholders of the Company agreed to amend the Company s 2005 Incentive Compensation Plan to increase the number of shares available for grant under such plan from 1,100,000 shares to 1,350,000 shares. As of September 30, 2008, 240,515 and 17,850 options were available for grant under the 2005 Plan and the 2004 Stock Plan, respectively. All Prior Option Plans are closed for future grants.

Note 9 Income Taxes

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As of September 30, 2008 and December 31, 2007, the Company s unrecognized tax benefits, including associated estimated interest and penalties which were not material, were $70 thousand and $263 thousand, respectively. Of the total unrecognized tax benefits at September 30, 2008 and December 31, 2007, approximately $68 thousand and $114 thousand, if recognized, would impact the effective tax rate in those respective periods.

In September 2008, the Israeli income tax authorities completed its audit of the Subsidiary for the tax years 2004 through 2006, resulting in no adjustments, pending final approval. As a result of the findings of such audit, the Company reversed previously accrued tax provisions.

Note 10 - Commitments and Contingencies

(a) Future minimum lease payments under non-cancelable operating leases for office space and cars, as of September 30, 2008, are as follows:

Year ending December 31	$ (in thousands)
2008 (three months ending December 31, 2008)	142
2009	507
2010	309
2011	11
	969

Rental expense for operating leases for the three months ended September 30, 2008 and 2007 was approximately $158,000, and $126,000, respectively. Rental expense for operating leases for the nine months ended September 30, 2008 and 2007 was approximately $456,000, and $370,000, respectively.

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ANSWERS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 10 Commitments and Contingencies (cont d)

(b) Future minimum lease payments under non-cancelable capital leases for computer equipment, as of September 30, 2008, are as follows:

Year ending December 31	Principal	Interest
	$ (in thousands)	
2008 (three months ending December 31, 2008)	19	2
2009	78	8
2010	82	3
2011	24	1
	203	14

(c) A bank guarantee given to the Subsidiary s landlord, is secured by a restricted long-term deposit of $139,000 and collateralized by some of the Subsidiary s bank deposits (as of September 30, 2008, such deposits amounted to $361,000).

(d) In the ordinary course of business, the Company enters into various arrangements with vendors and other business partners, principally for content, web-hosting, marketing and various consulting arrangements. As of September 30, 2008, the total future commitments under these arrangements amount to approximately $711,000.

(e) In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of its breach of agreements, services to be provided by it, or from intellectual property infringement claims made by third parties. Additionally, the Company, through its operating agreement, has indemnified its members, officers, employees, and agents serving at the request of the Company to the fullest extent permitted by applicable law. It is not possible to determine the maximum potential amount of liability under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. To date, the Company has not incurred costs as a result of obligations under these agreements and has not accrued any liabilities related to such indemnification obligations in its accompanying financial statements.

(f) From time to time, the Company receives various legal claims incidental to its normal business activities, such as intellectual property infringement claims and claims of defamation and invasion of privacy. Although the results of claims cannot be predicted with certainty, the Company believes the final outcome of such matters will not have a material adverse effect on its financial position, results of operations, or cash flows.

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ANSWERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 10 - Commitments and Contingencies (cont d)

(g) On July 13, 2007, the Company entered into a Purchase Agreement to acquire all of the outstanding limited liability interests of Lexico Publishing Group, LLC for an aggregate purchase price of $100 million in cash, subject to adjustments for closing net working capital. Consummation of the acquisition of Lexico was subject to the Company s ability to secure financing for the acquisition.

On July 17, 2007, the Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission which was declared effective on August 6, 2007. The registration statement covers up to an aggregate of $140,000,000 of common stock, preferred stock, warrants, debt securities, units or any combination thereof. The Company filed various prospectus supplements for a proposed public offering, the latest of which was filed on February 8, 2008. On February 13, 2008 the Company canceled its proposed public offering due to unfavorable market conditions.

On March 1, 2008, the members of Lexico terminated the purchase agreement, due to the Company s inability to finance the acquisition. As a result of the termination of the purchase agreement, the Company reimbursed $500,000 of the sellers transaction-related legal and accounting expenses, as provided for in the Purchase Agreement.

Additionally, in connection with the Lexico transaction, on January 15, 2008, the Company entered into a Securities Purchase Agreement with an institutional investor, or the senior notes investor, for the optional purchase and sale of $8.5 million aggregate principal amount of its senior secured convertible notes due 2010, or the senior secured convertible notes. The Company s intent was to close the senior secured convertible notes financing in conjunction with its follow-on offering, if it needed such funds to close the Lexico acquisition. Since the Company s purchase agreement with Lexico was terminated, the Securities Purchase Agreement was also terminated and the Company paid the senior secured convertible notes investor a termination fee of $425 thousand, as provided for in the Securities Purchase Agreement.

In addition to the payments to Lexico and the senior notes investor, aggregating $925,000, the Company incurred approximately $1,270,000 and $348,000 of costs, including legal, accounting, banking, consulting and travel costs, in 2007 and in the first quarter of 2008, respectively, in connection with the proposed acquisition of Lexico and follow-on offering. The payments to Lexico, to the senior notes investor, and the additional costs, collectively $2,543,000, are included in the operating expenses on the Company s statement of operations for the nine months ended September 30, 2008.

Note 11 Risks and Uncertainties

Practically all of the Company s advertising revenue was generated through the efforts of third party suppliers (the Monetization Partners). During the three months ending September 30, 2008, the Company earned approximately 82% of its advertising revenue through one of its Monetization Partners, Google Inc., compared to 69% of advertising revenue from Google during the third quarter of 2007. During the nine months ending September 30, 2008, the Company earned approximately 79% of its advertising revenue through Google, compared to 71% of advertising revenue during the same period in 2007.

Search engines serve as origination Web properties for users in search of information, and the Company s Websites topic pages often appear as one of the top links on the pages returned by search engines in response to users search queries. Thus, in addition to the ads the Company receives through Google, its traffic is mostly driven by search engine traffic, mostly from the Google search engine. For the three months ended September 30, 2008, according to the Company s internal estimates, search engine traffic represented approximately 77% of traffic. Search engines, at any time and for any reason, could change their algorithms that direct queries to the Company s Web properties or could restrict the flow of users visiting the Company s Web properties specifically. In fact, on occasion the Company s Web properties have experienced decreases in traffic, and consequently in revenue, due to these search engine actions. The Company cannot guarantee that it will successfully react to these actions in the future and recover lost traffic. Accordingly, a change in algorithms that search engines use to identify Web pages towards which traffic will ultimately be directed, or a restriction on the flow of users visiting the Company s Web properties from search engines, could cause a significant decrease in traffic and revenues.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, our financial statements (and notes related thereto) and other more detailed financial information appearing elsewhere in this report. Consequently, you should read the following discussion and analysis of our financial condition and results of operations together with such financial statements and other financial data included elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the Risk Factors section of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. See also Risk Factors in Part II, Item 1A, of this report.

Overview

We own and operate two leading Web properties dedicated to providing useful answers in thousands of categories. Our award-winning reference site, Answers.com®, includes content on 5 million topics from over 180 licensed sources. WikiAnswers.com is a community-generated social knowledge Q&A platform, leveraging wiki-based technologies. Through the contributions of WikiAnswers user-community and dedicated supervisors, answers to the site s growing database of questions are improved and updated over time. According to comScore, our Web properties had approximately 22.2 million unique visitors in September 2008, which ranks Answers Corporation number 40 in the top U.S. Web properties. Our goal is to become the leading online provider of answers about anything and the best place for people to share knowledge.

Recent Events

On September 29, 2008, the listing of our common stock was transferred from The NASDAQ Global Market to The NASDAQ Capital Market. Our trading symbol was not impacted and remains ANSW .

Redpoint Financing

On June 16, 2008, pursuant to a private placement of our securities, Redpoint Omega, L.P. and Redpoint Omega Associates, LLC (collectively, Redpoint) purchased $6,000,000 of our Series A Convertible Preferred Stock, initially convertible into 1,333,333 shares of common stock at a conversion price of $4.50 per share, along with Common Stock Purchase Warrants exercisable for 666,667 shares of common stock at an exercise price of $4.95 per share (Series A Purchase Warrants). In conjunction therewith, Redpoint also received a warrant, exercisable until June 16, 2009, to purchase units of up to $7 million of Series B Convertible Preferred Stock and Common Stock Purchase Warrants exercisable for 636,364 shares of common stock (Series B Purchase Warrants). The warrant to purchase units of Series B Convertible Preferred Stock and Series B Purchase Warrants is referred to as the Series B Unit Warrant . The Series B Convertible Preferred Stock is initially convertible into 1,272,727 shares of common stock at a conversion price of $5.50 per share. The Series B Purchase Warrants have an exercise price of $6.05 per share. After deducting placement agent fees and legal expenses, our net proceeds from the private placement were $5,380 thousand. The aforesaid transaction is collectively referred to as the Redpoint Financing . The Series A Convertible Preferred Stock, the Series B Convertible

Preferred Stock, the Series A Warrants and the Series B Warrants are collectively referred to as the Redpoint Securities .

The Series A Convertible Preferred Stock has the rights and preferences set forth in our Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock, which amended our Amended and Restated Certificate of Incorporation as of its date of filing on June 16, 2008. The Series B Convertible Preferred Stock, if purchased by Redpoint pursuant to the Series B Unit Warrant, will have similar rights and preferences as the Series A Convertible Preferred Stock. For a detailed description of the rights and preferences of the Series A Convertible Preferred Stock, we refer you to note 6 to the financial statements included in this quarterly report.

In connection with the Redpoint Financing, Redpoint received the right to appoint an individual to serve as a voting member of our board of directors. If Redpoint exercises the Series B Unit Warrant and meets certain ownership requirements, it will be entitled to appoint a second member to our board.

In connection with the private placement, we entered into a registration rights agreement with Redpoint, pursuant to which we agreed to register with the SEC for resale the common stock underlying the Redpoint Securities. In connection with the registration rights agreement, we agreed to pay a penalty of 1.0% per month, on a daily pro rata basis, up to a maximum of 8.0%, of the aggregate purchase price, as partial liquidated damages, for certain default events and subject to certain circumstances. The partial liquidated damages will trigger if the registration statement filed with the SEC on July 30, 2008 and declared effective on September 16, 2008 ceases to remain continuously effective. We also agreed to use our reasonable best efforts to obtain all required stockholder approval for the authorization and issuance of the common stock underlying the Redpoint Securities by September 15, 2008. On July 30, 2008, we filed the registration statement with the SEC, registering the common stock underlying the Redpoint Securities, and it was declared effective by the SEC on September 16, 2008 and approved by the Company s stockholders at our annual meeting of stockholders held on September 9, 2008.

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Revenue

Traffic

Our revenue is primarily driven by the traffic generated by our Web properties and our ability to effectively monetize that traffic. Our current sources of traffic include the following:

- Search engines: Users submit queries and algorithm search engines respond by generating a list of Web pages that they deem likely to offer the most relevant content. When our pages rank high in the algorithmic systems of search engines, our results are more likely to be accessed by users. For the third quarter of 2008, according to our internal estimates, this source of traffic represented approximately 77% of our traffic.

- Direct users: Users visiting and returning to our home pages, and to a far lesser extent, arriving from Web properties that send us traffic, or via 1-Click Answers and AnswerTips. For the third quarter of 2008, according to our internal estimates, direct users represented approximately 17% of our traffic.

- Google s definition link: We have an informal, non-contractual relationship with Google under which Google links certain search results related to definitional queries to Answers.com. For the third quarter of 2008, according to our internal estimates, this source of traffic represented approximately 6% of our traffic.

Since most of our traffic originates from search engines, we expend considerable resources improving the volume and optimizing the monetization of this traffic. The industry commonly refers to such efforts as search engine optimization, or SEO. Our Web properties have at times experienced decreases in traffic, and consequently decreases in revenue, due to search engine actions, including actions by Google. In July 2007, a search engine algorithm adjustment by Google led to a drop in Google directed traffic to Answers.com. This adjustment reduced our overall traffic by approximately 28% based on the average traffic directed to Answers.com from Google for the week prior to the adjustment as compared to the week after. As a result, our revenue also declined proportionately.

We continuously seek to improve the user experience of visitors to our Web properties, which we believe leads to increased pages per visit, or stickiness, and return visits, or user-retention. We seek to increase stickiness and user-retention by adding new features, enhancing user interfaces and adding new content to our Web properties.

Monetization

Advertising Revenue. We earn practically all of our revenue from advertising. There are two primary categories of Internet advertising: pay-per-performance, or most commonly cost per click, or CPC, and pay-per-impression, or cost per 1,000 impressions, or CPM. In the pay-for-performance model we earn revenue based on the number of clicks associated with an ad; in the paid-for-impression model we derive revenue from the display of ads. We work with third party ad networks that we believe optimize the average amount of revenue we earn per page view. Third party ad networks generally compensate us by paying us a portion of the revenue they earn from advertisers for our provision of promotional space on our Web properties.

We gauge the effectiveness of our monetization efforts and trends by measuring our revenue per thousand page views, or RPM. Throughout this quarterly report, we refer to estimates of traffic, or page views. In our Management s Discussion and Analysis of Financial Condition and Results of Operations prior to our quarterly report on Form 10-Q for the quarterly period ended June 30, 2008, we tracked the traffic on our Answers.com and WikiAnswers Web properties using two separate systems:

(a) Our Answers.com traffic was measured using our internally developed server-side, log-based system (Internal Data Warehouse). This system was designed to identify traffic from search engine robots and other known Web robots, commonly referred to as Web spiders or Web crawlers, as well as from suspected automated spidering scripts. Traffic from these sources was excluded from the traffic activity measurements.

(b) WikiAnswers traffic was tracked using HBX Analytics, a tag-based web analytics system offered by Omniture, Inc. (formerly offered by WebSideStory). Traffic measurements from this system are generated by our placement of tags on our WikiAnswers Web pages. The HBX Analytics system then independently generates traffic metrics. WikiAnswers community-related statistics, including total number of questions, answers and users, are generated from the WikiAnswers Web property.

Beginning with the Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our quarterly report on Form 10-Q for the quarterly period ended June 30, 2008, all traffic measurements (including measurements previously reported in past filings using our Internal Data Warehouse) for Answers.com are also presented based on the HBX Analytics data. We estimate that the historical page views for Answers.com pursuant to HBX Analytics data, as set forth in our quarterly reports beginning with our quarterly report on Form 10-Q for the quarterly period ended June 30, 2008, are approximately 11% lower than the traffic measurements reported in previous filings. Consequently, our Answers.com RPMs, as reported in those quarterly reports, are higher than previous filings.

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We also use Google, Inc. s Google Analytics measurement services and Google AdSense data for various internal analyses. Our breakdown of our traffic sources, noted above, is based on such data. Google Analytics measurements are generated by our placement of tags on our Web properties pages, which Google Analytics uses to count and report audience metrics independently.

Third party services measuring traffic audiences may provide different estimates than the estimates reported by other external services and the estimates reported by internal tracking. These discrepancies may result from differences in methodologies applied or the sampling approaches used by each measuring service.

Our primary third party ad network, Google AdSense, accounted for approximately 82% of our total revenue in the third quarter of 2008 as compared to approximately 69% of our total revenue in the third quarter of 2007. Google AdSense accounted for approximately 79% of our total revenue in the first nine months of 2008 as compared to approximately 71% of our total revenue in the first nine months of 2007. In addition to Google, we utilize the services of other third party ad networks that provide us with ads. Although there are many companies that provide third party ad networks, the loss of Google as a third party ad network could have a material adverse impact on our financial condition, as we may not succeed in receiving terms and ad services as favorable as those provided under our Google Services Agreement (GSA). The GSA was last renewed for an additional two years, through January 31, 2010.

Direct Ad Sales. In an effort to improve monetization, in the fourth quarter of 2006, we began marketing directly to advertisers and generating additional advertising revenue through an in-house team of direct ads salespeople. However, at the end of the second quarter of 2008 we decided to suspend this business initiative, and by the end of the third quarter of 2008 we no longer employ a sales staff. We initially saw promise in this area, with the belief that our Web properties would see RPM increases as a result of direct ad sales. In the fourth quarter of 2007, the sales force generated $575 thousand of direct ad revenue. However, direct ad revenue in 2008 was disappointing, with Q1 at $231 thousand and Q2 at $200 thousand. At the end of the second quarter we came to the belief that the horizontal, educational, reference nature of made direct ads less compelling for this Web property. While we viewed WikiAnswers as having the potential to successfully implement a direct ad sales strategy, we decided not to pursue that strategy and to instead focus on selling ads through advertising networks, primarily Google AdSense. This decision will allow us to focus on our core competency growing the WikiAnswers community, growing traffic to our Web properties and monetizing via Google and other ad networks.

Licensing Revenue. We also earn a very minor portion of our revenues from partners that pay us for providing them with our answer-based services that they then use in their own products, via co-branded Web pages. Revenue from these arrangements are based on various formulas, including fees based on the number of user queries and fixed periodic fees.

Costs and Expenses

Cost of Revenue

Cost of revenue consists of fees to third party providers of content, Web search service fees, ad serving fees, amortization of the cost of acquired software used in our products, data center costs including depreciation of information technology assets, contractual revenue sharing fees to various Web property operators for visitors directed to our Web properties, or traffic acquisition costs, as well as the compensation, travel and overhead costs relating to personnel who are responsible for content editing and integration, production operations and customer support. As revenues increase, we expect our cost of revenue as a percentage of revenue to decrease, since many of its components, such as content licensing, are not directly tied to revenue.

Research and Development Expenses

Research and development expenses consist of compensation, travel and overhead costs of personnel conducting research and development of our products and services, and consulting costs. Our research and development team works primarily on projects to improve and enhance quality, performance, user interface, product functionality, and monetization. We generally expect that our research and development expenses will decline as a percentage of revenue as we grow our revenue.

Sales and Marketing Expenses

Sales and marketing expenses consist of compensation, travel and overhead costs of personnel in-charge of WikiAnswers community management, product management and sales and marketing; and public relations, marketing and market information services, and advertising and promotional costs. We generally expect that our sales and marketing expenses will decline as a percentage of revenue as we grow our revenue.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation, travel and overhead costs for financial, legal and administrative personnel, insurance fees, professional services, including investor relations, legal, accounting and other consulting fees, amortization of domain names, and other general corporate expenses. We generally expect that our general and administrative expenses will decline as a percentage of revenue as we grow our revenue.

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Overhead costs

Overhead costs consist primarily of rent, telecommunications, utilities and depreciation expenses.

Stock-Based Compensation

New employees typically receive stock option awards within three months of their start date. We also grant additional stock option awards to existing employees and directors, usually once a year. We account for stock-based awards under SFAS No. 123 (revised 2004), *Share-Based Payments*, or SFAS 123R, which requires measurement of compensation cost for all stock-based awards at fair value on date of grant and recognition of compensation over the service period awards are expected to vest. Costs resulting from stock-based compensation are part of our compensation expense and are included in the operating expense categories in our Statement of Operations.

Impact of Currency Fluctuations

The dollar cost of our operations in Israel is heavily influenced by changes in the value of the dollar in relation to the New Israel Shekel (NIS), mostly due to the NIS-based salaries of our Israel-based employees. In the three months ended September 30, 2008, the average value of the dollar declined approximately 17%, as compared to its value during the same period in 2007. In the nine months ended September 30, 2008, the average value of the dollar declined approximately 16%, as compared to its value during the same period in 2007. During the three and nine months ending September 30, 2008, approximately $1.6 million and $4.9 million of our expenses, respectively, were NIS-based, thus the devaluation noted above, significantly influenced our operating expenses. While hedging activities somewhat reduced the impact of the devaluation of the dollar during those periods, we absorbed most of the devaluation.

Write-off of the Brainboost Answer Engine

In December 2005, we acquired Brainboost Technology, LLC, developer of the Brainboost Answer Engine, or the BAE, an artificial intelligence technology enabling natural language question-and-answer search on the Web. As consideration for the acquisition, we paid $4.0 million in cash and 439,000 shares of its restricted stock, valued at approximately $5.6 million at the time of the acquisition. In connection with the initial allocation of the purchase price, we recorded an intangible asset, the BAE, with an estimated useful life of six years, of approximately $5.4 million. Since the acquisition, through the first quarter of 2008, we spent time further developing the BAE and integrating it into our Answers.com Web property.

In November 2006, we acquired a Web property, then known as www.faqfarm.com, and subsequently rebranded as WikiAnswers.com, a dynamic, user-generated, questions and answers website. Although handled in different ways, BAE and WikiAnswers are effectively focused on similar areas, answering complex natural language questions. Since its acquisition, WikiAnswers has grown significantly, each quarter, both in terms of traffic and revenue. Conversely, during that period, Answers.com traffic and revenue has generally declined each quarter. Detailed information regarding these trends is provided in the revenue discussion in this quarterly report. As a result of this continued trend, and the success of user-generated questions and answers as compared to the technology-driven answers presented by the BAE, we made a strategic decision in the second quarter of 2008 to focus our efforts, in the realm of questions-and-answers, on user-generated questions and answers, and effectively abandoned our use of the BAE. This strategic decision was reflected in a change we made to Answers.com on May 25, 2008. Prior to that date, users asking a question on Answers.com caused the site to access the BAE in an attempt to locate an answer on the Web. The BAE results were then presented on the Answers.com result page. Beginning May 25, 2008, users no longer receive BAE-derived result pages, rather they are instead encouraged to post their question to WikiAnswers, and in a less pronounced fashion, offered a link to another page for purposes of accessing BAE should they wish to do so. This user-interface change virtually eliminated the use of the BAE as demonstrated by the elimination of virtually all BAE-derived page views.

As a result of our decision to effectively abandon our use of the BAE, the net book value of the BAE, as of May 25, 2008, in the amount of $3.138 million, was written off during the three months ended June 30, 2008.

Termination fees and write-off of cost relating to the terminated Lexico acquisition and abandoned follow-on offering

In the first quarter of 2008, we recorded a charge of $2,543 thousand consisting of $1,618 thousand of accounting, legal, banking, consulting and travel costs we incurred in 2007 and in the first quarter of 2008, in connection with the abandoned acquisition of Lexico and follow-on offering of securities, and $925 thousand relating to termination fees we paid as a result of the termination of the acquisition and a Securities Purchase Agreement with an institutional investor, for the optional purchase and sale of $8.5 million of our senior secured convertible notes. A summary of the events that led to the termination of the acquisition and financing follows:

On July 13, 2007, we entered into a Purchase Agreement that we subsequently amended on July 31, 2007 and November 12, 2007, and on January 15, 2008 we entered into an Amended and Restated Purchase Agreement, which we subsequently amended on February 8, 2008, to acquire all of the outstanding limited liability interests of Lexico Publishing Group, LLC for an aggregate purchase price of $100 million in cash, subject to adjustments for closing net working capital. Consummation of the acquisition of Lexico was subject to our ability to secure financing for the acquisition.

On July 17, 2007, we filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission which was

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declared effective on August 6, 2007. The registration statement covers up to an aggregate of $140 million of common stock, preferred stock, warrants, debt securities, units or any combination thereof. On January 16, 2008, we filed a prospectus supplement for a proposed public offering which we later amended on February 8, 2008. On February 13, 2008 we canceled our proposed public offering due to unfavorable market conditions. On March 1, 2008, the members of Lexico terminated the purchase agreement, due to our inability to finance the acquisition. Additionally, in connection with the Lexico transaction, on January 15, 2008, we entered into a Securities Purchase Agreement with an institutional investor, or the senior notes investor, for the optional purchase and sale of $8.5 million of our senior secured convertible notes. Our intent was to close the senior secured convertible notes financing in conjunction with our follow-on offering, if we needed such funds to close the Lexico acquisition. Since our purchase agreement with Lexico was terminated, the Securities Purchase Agreement also terminated.

Interest Income (Expense), Net

Interest income, net, is comprised of interest income earned on cash, cash equivalent and an investment security balances, and amortization of deferred costs we incurred in connection with the issuance of the Series B Unit Warrant.

Other Income (Expenses), Net

Other income (expenses), net, consists primarily of foreign currency exchange gains and losses.

Loss Resulting from Fair Value Adjustment of Warrant to Purchase Units of Series B Preferred Stock and Warrants Discuss

The Series B Unit Warrant is revalued each reporting date. Any change to its fair value is recorded in the statement of operations.

Income Tax Expense

Our effective tax rate differs from the statutory federal rate due to differences between income and expense recognition prescribed by income tax regulations and Generally Accepted Accounting Principles. We utilize different methods and useful lives for depreciating and amortizing property, equipment and intangible assets and different methods and timing for calculating and recording stock compensation expense and other accruals. Furthermore, permanent differences arise from certain income and expense items recorded for financial reporting purposes but not recognizable for income tax purposes. In addition, our income tax expense has been adjusted for the effect of state and local taxes and foreign income from our wholly owned subsidiary. Our deferred tax assets are primarily offset by a valuation allowance because realization depends on generating future taxable income, which, in our estimation, is not more likely than not to transpire.

Our Israeli subsidiary had income in the three and nine months ended September 30, 2008 and 2007, resulting from the services agreement we entered into with such Israeli subsidiary. Pursuant to this agreement, the Israeli subsidiary charges us for research and development services it provides us, plus a profit margin not more than 12.5%. However, the subsidiary is an approved enterprise under Israeli law, which means that income arising from the subsidiary s approved activities, is subject to zero tax under the alternative benefit path for a period of ten years. Currently, the subsidiary operates under two separate approved enterprise plans, ending December 31, 2009 and December 31, 2014, respectively. In the event of distributions by the subsidiary to the parent, the subsidiary would have to pay a 10% corporate tax on the amount distributed, and the recipient would have to pay a 15% tax to be withheld at source on the amounts of such distribution received. At present, we do not plan on having the subsidiary distribute a dividend to Answers Corporation.

Three Months and Nine Months Ended September 30, 2008 and 2007

Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	Change	2008	2007	Change
	($ - in thousands)			($ - in thousands)		
Answers.com advertising revenue	1,579	1,861	(282)	4,891	7,179	(2,288)
WikiAnswers advertising revenue	1,960	304	1,656	4,645	598	4,047
Answers services licensing revenue	24	43	(19)	61	202	(141)
Subscription revenue					425	(425)
	3,563	2,208	1,355	9,597	8,404	1,193

Revenue increased $1,355 thousand, or 61%, to $3,563 thousand for the three months ended September 30, 2008 from $2,208 thousand for the three months ended September 30, 2007.

Answers.com advertising revenue for the three months ended September 30, 2008 decreased $282 thousand compared to the three months ended September 30, 2007. The decrease was the result of decreased traffic, which was only partially mitigated by very moderate improvement

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in RPM. Answers.com average daily page views in the three months ended September 30, 2008 were 2,666,000, a decline of 19% compared to the average daily page views of 3,276,000 in the three months ended September 30, 2007. The decline in traffic is primarily due to the July 2007 Google algorithm change that significantly impacted Answers.com traffic, reducing our overall traffic by approximately 28% based on the average traffic directed to Answers.com from Google for the week prior to the adjustment as compared to the week after. As a result, our revenue also declined proportionately. The Answers.com RPM in the three months ended September 30, 2008 was $6.44, an increase of 4% compared to the RPM of $6.17 in the three months ended September 30, 2007. We have found that this metric often moves up or down moderately due to many factors including how we are evaluated by our advertising partners.

Answers.com advertising revenue for the nine months ended September 30, 2008 decreased $2,288 thousand compared to the nine months ended September 30, 2007, mostly due to decreases in traffic. Answers.com average daily page views in the nine months ended September 30, 2008 were 2,844,000, a decline of 33% compared to the average daily page views of 4,221,000 in the nine months ended September 30, 2007. The decline in traffic is primarily due to the July 2007 Google algorithm change that significantly impacted Answers.com traffic, reducing our overall traffic by approximately 28% based on the average traffic directed to Answers.com from Google for the week prior to the adjustment as compared to the week after. As a result, our revenue also declined proportionately. The Answers.com RPM in the nine months ended September 30, 2008 was $6.28, an increase of 1% compared to the RPM of $6.23 in the nine months ended September 30, 2007.

Since the Google adjustment, we suspended our Answers.com strategy of licensing new content, and, consequently, we have generally experienced quarterly declines in Answers.com traffic. Historically, we operated on the premise that adding rich unique content to Answers.com positively impacted the site s traffic growth, guided by the principle that rich unique content was not only appreciated by the human user, rather, it was also highly valued by the search engines and their content indexing programs. While Answers.com receives significant SEO traffic to its rich content pages, the Google algorithm change caused us to doubt whether licensing additional content would yield a positive return. In recent months we made certain changes to and ran certain tests on Answers.com that have led us to believe that adding content may, once again, be a viable way to grow traffic. While we intend to rejuvenate the Answers.com content strategy,, there is no assurance we will succeed in achieving renewed growth for Answers.com.

WikiAnswers.com advertising revenue for the three months ended September 30, 2008 increased $1,656 thousand compared to the three months ended September 30, 2007, due to increases in traffic, and to a lesser extent, due to improvement in RPM. WikiAnswers.com average daily page views in the three months ended September 30, 2008 were 3,094,000, an increase of 384% compared to the average daily page views of 639,000 in the three months ended September 30, 2007. We believe that the dramatic growth that WikiAnswers has experienced since we acquired it, in November 2006, is primarily due to the unique dynamics of the site. As our database of questions and answers grows, we draw new traffic, primarily from SEO, which in turn results in the creation of new questions and answers, or new content, which in turn drives additional growth. This is a self-perpetuating growth model. The WikiAnswers.com RPM during those periods rose from $5.17 to $6.89, primarily due to the inclusion of WikiAnswers under our Google Services Agreement, replacing the standard AdSense terms that governed the site prior to our acquisition of WikiAnswers.

WikiAnswers.com advertising revenue for the nine months ended September 30, 2008 increased $4,047 thousand compared to the nine months ended September 30, 2007, due to increases in traffic, and to a lesser extent, due to improvement in RPM. WikiAnswers.com average daily page views in the nine months ended September 30, 2008 were 2,432,000, an increase of 432% compared to the average daily page views of 457,000 in the nine months ended September 30, 2007. We believe that the dramatic growth that WikiAnswers has experienced since we acquired it, in November 2006, is primarily due to the unique dynamics of the site. As our database of questions and answers grows, we draw new traffic, primarily from SEO, which in turn results in the creation of new questions and answers, or new content, which in turn drives additional growth. This is a self-perpetuating growth model. The WikiAnswers.com RPM during those periods rose from $4.78 to $6.97, primarily due to the inclusion of WikiAnswers under our Google Services Agreement, replacing the standard Adsense agreement that was entered into prior to our acquisition of WikiAnswers.

Approximately $187 thousand and $256 thousand of our advertising revenue in the three months ended September 30, 2008 and 2007, respectively, resulted from the efforts of our direct ad sales force. Approximately $618 thousand and $415 thousand of our advertising revenue in the nine months ended September 30, 2008 and 2007, respectively, resulted from the efforts of our direct ad sales force. In an effort to improve monetization, in the fourth quarter of 2006, we began marketing directly to advertisers and generating additional advertising revenue. However, at the end of the second quarter of 2008 we decided to abandon that effort, and by the end of the third quarter of 2008, all of our direct sales staff left the Company. The direct ad revenue earned in the third quarter of 2008 relates mostly to campaigns that commenced before we decided to terminate our direct ad sales efforts.

Subscription revenue in the nine months ended September 30, 2007 of $425 thousand resulted from the recognition of revenue from the sale of lifetime subscriptions to our GuruNet service prior to December 2003. As of December 31, 2006, we had approximately $425 thousand of deferred revenue relating to these subscriptions. Prior to 2007, we did not recognize any revenue from the lifetime subscriptions to our GuruNet service because the subscriptions had no defined term. On February 2, 2007, in accordance with our rights under the agreements we entered into with such subscribers, we terminated the GuruNet service and thereby extinguished our service obligations to our subscribers. As a result, we recognized the entire $425 thousand previously deferred, as revenue, in the first quarter of 2007. After the launch of Answers.com in January 2005, we ceased offering new subscriptions to GuruNet.

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Revenue Trends by Web Property

The following table illustrates the historical trends of our two Web properties average daily traffic, revenues and RPMs, by quarter, beginning the first quarter of 2007:

	2007				2008		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Ad Revenue ($ - in thousands)							
Answers.com	2,768	2,551	1,861	2,270	1,828	1,485	1,579
WikiAnswers	116	177	304	704	1,185	1,500	1,960
Total	**2,884**	**2,728**	**2,165**	**2,974**	**3,013**	**2,985**	**3,539**
Answers.com	96%	94%	86%	76%	61%	50%	45%
WikiAnswers	4%	6%	14%	24%	39%	50%	55%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Traffic							
Answers.com	4,945,000	4,441,000	3,276,000	3,447,000	3,225,000	2,641,000	2,666,000
WikiAnswers	293,000	440,000	639,000	1,152,000	1,885,000	2,318,000	3,094,000
Total	**5,238,000**	**4,881,000**	**3,915,000**	**4,599,000**	**5,110,000**	**4,959,000**	**5,760,000**

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Exhibit No.	Description	Location
4(b)	Stockholder Rights Agreement dated as of July 18, 2007, between Core Molding Technologies, Inc. and American Stock Transfer & Trust Company	Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed July 19, 2007
10(a)	Supply Agreement, dated August 4, 2014 between Core Molding Technologies, Inc. and Core Composites Corporation and Navistar, Inc.[2]	Filed Herein
11	Computation of Net Income per Share	Exhibit 11 omitted because the required information is Included in Notes to Financial Statement
31(a)	Section 302 Certification by Kevin L. Barnett, President, Chief Executive Officer, and Director	Filed Herein
31(b)	Section 302 Certification by John P. Zimmer, Vice President, Secretary, Treasurer, and Chief Financial Officer	Filed Herein
32(a)	Certification of Kevin L. Barnett, Chief Executive Officer of Core Molding Technologies, Inc., dated November 10, 2014, pursuant to 18 U.S.C. Section 1350	Filed Herein
32(b)	Certification of John P. Zimmer, Chief Financial Officer of Core Molding Technologies, Inc., dated November 10, 2014, pursuant to 18 U.S.C. Section 1350	Filed Herein
101.INS	XBRL Instance Document	Filed Herein
101.SCH	XBRL Taxonomy Extension Schema Document	Filed Herein
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed Herein
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed Herein
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed Herein
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed Herein

1. The Asset Purchase Agreement, as filed with the Securities and Exchange Commission as Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809), omits the exhibits (including the Buyer Note, Special Warranty Deed, Supply Agreement, Registration Rights Agreement and Transition Services Agreement identified in the Asset Purchase Agreement) and schedules (including those identified in Sections 1, 3, 4, 5, 6, 8 and 30 of the Asset Purchase Agreement). Core Molding Technologies, Inc. will provide any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

2.

Certain portions of this Exhibit have been omitted intentionally subject to a confidentiality treatment request. A complete version of the Exhibit has been filed separately with the Securities and Exchange Commission.

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