Angie's List, Inc.
Form 424B4
May 16, 2012
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Filed Pursuant to Rule 424(b)4
Registration No. 333-181093

PROSPECTUS

8,440,423 Shares

Common Stock

We are selling 703,235 shares of our common stock and the selling stockholders named in this prospectus, including members of our senior management, are selling 7,737,188 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Our common stock is listed on the NASDAQ Global Market under the symbol ANGI. The last reported sale price of our common stock as reported on the NASDAQ Global Market on May 15, 2012 was $13.14 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 10 of this prospectus.

	Per Share	Total
Public offering price	$13.0000	$109,725,499
Underwriting discount	$0.6175	$5,211,961
Proceeds, before expenses, to us	$12.3825	$8,707,807
Proceeds, before expenses, to the selling stockholders	$12.3825	$95,805,730

The underwriters may also exercise their option to purchase up to an additional 1,266,063 shares from certain selling stockholders at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

Mark Britto and Michael S. Maurer, two of our directors, and TRI Investments, LLC, a greater than 5% stockholder and affiliate of one of our directors, have indicated an interest in purchasing up to 38,461, 38,461 and 230,769 shares, respectively, of our common stock in this offering at the offering price. Because these indications of interest are not binding agreements or commitments to purchase, these persons may elect not to purchase shares in this offering. The underwriters will receive the same discount from any shares of our common stock purchased by such persons as they will from any other shares of our common stock sold to the public in this offering. Any shares sold to these persons will be subject to the lock-up agreements described under Shares Eligible for Future Sale Lock-up Agreements.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about May 21, 2012.

BofA Merrill Lynch

Stifel Nicolaus Weisel	**Allen & Company LLC**	**RBC Capital Markets**	**Janney Montgomery Scott**
Oppenheimer & Co.	**CODE Advisors**	**Wells Fargo Securities**	**ThinkEquity LLC**

The date of this prospectus is May 15, 2012.

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We, the selling stockholders and the underwriters have not authorized anyone to provide you with information that is different from that contained in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We, the selling stockholders and the underwriters are not offering to sell, or seeking offers to buy, our common stock in any jurisdiction where such offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless the context requires otherwise, the words Angie s List, the company, we, us and our refer to Angie s List, Inc. For purposes of this prospectus, the term stockholders shall refer to holders of our common stock.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Our Mission

Our mission is to help consumers find the best service providers and promote happy transactions.

Our Company

We operate a consumer-driven solution for our members to research, hire, rate and review local professionals for critical needs, such as home, health care and automotive services. Our ratings and reviews, which are available only to our members, help our members to find the best provider for their local service needs. We currently have more than 1.2 million paid memberships. We allow local service providers who are highly rated by our members to advertise discounts and other promotions to our members.

We help consumers purchase high cost of failure services in an extremely fragmented local marketplace. These services, which include home remodeling, plumbing, roof repair, health care and automobile repair, are typically expensive and carry a high cost to the consumer if performed poorly. Our ratings are based exclusively on reviews from our members and we accept no anonymous reviews. As a result, we believe our reviews are a trusted resource for consumers to find high quality local service providers.

We also help local service providers find quality customers and differentiate themselves in a competitive marketplace. Our members represent an attractive, targeted group of consumers for service providers. Our typical member is between the ages of 35 and 64, is married, owns a home, is college educated and has an annual household income of at least $100,000, based on information derived and interpreted by us as a result of our own analysis from general demographic data provided by LogicLab. In 2011, 36% of our members wrote a review on at least one service provider.

The value proposition we offer to both consumers and local service providers strengthens our position as a trusted resource and allows us to derive revenue from both members and service providers. As more members contribute reviews to our service, we increase the breadth and depth of content offered to members, attracting more members and enhancing the value of our service to reputable local service providers, for whom our members constitute a large pool of qualified customers for their services.

As of March 31, 2012, we offered our service to paying members in 186 local markets in the United States. From December 31, 2008 to March 31, 2012, we grew from approximately 333,000 to approximately 1.2 million paid memberships, representing a compound annual growth rate of more than 49%. Our membership growth has been driven largely by our national advertising strategy, which resulted in our marketing expense of $56.1 million and $17.6 million in 2011 and the three months ended March 31, 2012, respectively. We continue to scale our investment in advertising to grow our membership base. In 2011 and the three months ended March 31, 2012, our revenue was $90.0 million and $31.1 million, respectively. In the same periods, our net loss was $49.0 million and $13.5 million, respectively. We have incurred net losses since inception and had an accumulated deficit of $179.9 million as of March 31, 2012.

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Market Overview

The local services market is large, highly fragmented and inefficient. According to ESRI Business Information Solutions, consumers spent more than $400 billion on local service providers in 2010, including remodeling services, furniture repair and cleaning, movers, appliance repair and pest control. In addition, according to the U.S. Center for Medicare and Medicaid Services, in 2010 U.S. consumers and private health insurers spent more than $425 billion on physician and clinical services, dental services and services performed by other health care professionals. Millions of small businesses and health care professionals vie for those dollars every year.

Despite the size of this market, consumers and local service providers have historically lacked an efficient way to connect. Consumers traditionally have been forced to rely on a variety of inefficient sources to navigate the difficult landscape of the local services marketplace, often turning to friends and neighbors for recommendations of companies to hire. These referrals are usually based on a single interaction, and it can be difficult or impossible for a consumer to confirm a word-of-mouth recommendation before making a purchase decision.

Similarly, local service providers are faced with significant challenges in finding customers who are motivated to purchase and in distinguishing themselves from their competitors on the basis of quality. Historically, local service providers relied upon traditional offline advertising services such as newspapers and the Yellow Pages that do not provide them with the ability to target high quality, motivated customers or to differentiate themselves from their competitors.

While the Internet has transformed the way that information is accessed and shared, profoundly impacting the local services marketplace, it has not by itself solved these problems for either the consumer or the local service provider. Information on the Internet is inherently susceptible to fraud and bias. For example, a single nefarious competitor can embellish its own reputation or tarnish the reputations of its competitors. This can result in consumer uncertainty and doubt, particularly when searching for information regarding high cost of failure services.

We believe that solving these age-old inefficiencies of the local services marketplace requires a trusted intermediary to compile, organize and make available reliable information on local service providers. We offer an efficient way for consumers and reputable service providers to find each other.

The Angie s List Solution

Our solution to the problems of the local services marketplace starts with our unwavering commitment to placing the interests of the consumer first. Our consumer-centric approach provides the following benefits:

For consumers:

A trusted and efficient way to find the best local service provider. Applying the ask-your-neighbor approach across our target markets, we compile a breadth of highly relevant, member-generated ratings and reviews that provide insights consumers cannot obtain on their own.

A robust and convenient resource. Our members reviews span more than 550 categories of high cost of failure services such as home, health care and automotive services, and are accessible by members on the Internet, by smartphone, telephone or text message and in our monthly magazine.

Money-saving benefits from quality local service providers. Member ratings determine which local service providers are eligible to offer promotions to our members, which must take the form of discounts or other money-saving promotions.

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For local service providers:

- *An efficient way to reach target consumers*. Local service providers with high ratings from our members benefit from access to a large, qualified pool of demand.

- *An effective way for reputable local service providers to shine*. Because our membership, not Angie s List, determines which local service providers are eligible to advertise with us based on their reviews, service providers who advertise are known to be reputable.

Our Strengths

Since our inception 17 years ago, we have developed and are leveraging the following key strengths of our business model:

- *Loyal and engaged membership*. Our members renew their subscriptions at high annual rates, which in 2011 ranged from approximately 75% for first-year members to approximately 89% for members who had purchased annual memberships for five years or more. In addition, our membership is highly-engaged, generating more than 65,000 new service provider reviews monthly in 2011.

- *Extensive and reliable database of member-generated content*. Since 1995, we have collected approximately 3.5 million reviews of local service providers from our members. We prohibit anonymous reviews and deploy a variety of resources, including internal audit personnel and fraud detection technology, to ensure the integrity of the information on our service.

- *Strong service provider loyalty*. Our value proposition to local service providers is evidenced by the high retention rate of service providers who participate in service provider promotions. For example, 50% of advertising service providers at the beginning of 2008 were still active advertisers at the beginning of 2012. The contract value for those remaining active service providers as of January 1, 2012 equaled 199% of the contract value for those same service providers as of January 1, 2008.

- *Powerful network effect*. As more members contribute reviews to our service, we increase the breadth and depth of content offered to members, attracting more members and enhancing the value of our service to reputable local service providers, for whom our members constitute a large pool of qualified customers for their services.

- *Scalable and leverageable operations*. From the beginning of 2008 through the end of 2011, we grew our operations from 45 to 186 paid membership markets across the United States, and we have aggressively sought to penetrate these markets. We have replicated our business model in these markets without substantially increasing our operations and support expense.

Our Strategy

Our goal is to establish our service as the go to solution for consumers making purchasing decisions about their most important local services transactions. Our strategy includes the following key components:

- *Increase penetration of our markets*. We plan to continue to invest aggressively in national advertising to further increase market penetration and revenue per paid membership, particularly in our largest potential markets such as New York City and Los Angeles.

Increase number of service providers offering discounts to members. We are growing our service provider sales force and account management personnel to increase our ability to establish and

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cultivate direct relationships with eligible local service providers, expand the number of local service providers offering discounts and other promotions to our members, increase the value of existing service provider relationships and maintain high service provider renewal rates.

Expand into new categories. We started our business focused on home improvement and have expanded to cover other high cost of failure service categories, such as health and wellness services and classic car restoration. We continue to evaluate additional categories for expansion.

New product development. We plan to leverage our position as a trusted resource in the local services marketplace to introduce new products, functionality and features designed to promote local commerce such as prepaid vouchers for discounts on local services. We believe these enhancements will drive increased business to service providers and provide us with new monetization opportunities.

Expand internationally. We believe our business model is readily adaptable to markets outside the United States that have similarly fragmented relationships between customers and local service providers, and are in the initial stages of expanding into new international English-speaking markets.

Risk Factors

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled Risk Factors immediately following this prospectus summary. Some of these risks include:

- We have incurred net losses since inception, and we expect to continue to incur net losses as we continue to invest aggressively to grow and penetrate our markets.

- We have significantly increased, and expect to continue to increase, our investment in membership acquisition. If the revenue generated by new paid memberships differs significantly from our expectations, or if our membership acquisition costs or costs associated with servicing our members increase, we may not be able to recover our membership acquisition costs or generate profits from this investment.

- Our business depends on the strength of our brand, which has been built by the trust of consumers, and the failure to maintain that trust would damage our brand and harm our ability to maintain or expand our base of paid memberships and participating service providers.

- If our efforts to increase the number of our paid memberships, to retain existing paid memberships and to maintain high levels of member engagement are not successful, our growth prospects and revenue will be adversely affected.

- Any failure to convince local service providers of the benefits of advertising with us would harm our business.

- We compete for both members and service providers with a range of established and emerging companies, including traditional offline consumer resources, free to consumer online ratings websites and referral services funded directly by service providers or by service provider advertising. Some of our competitors have significantly greater resources and name recognition than we do. We are and will continue to be faced with many competitive challenges, any of which could adversely affect our prospects, results of operations and financial condition.

If we are unable to replicate our performance in our larger markets, our operating results and financial condition will be harmed.

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Corporate Information

We were organized in the State of Indiana in April 1995 as Brownstone Publishing, LLC. In April 2010, we became a Delaware corporation by way of a merger with and into a wholly-owned subsidiary, with the subsidiary remaining as the surviving corporation, and changed our name to Angie s List, Inc.

Our principal executive offices are located at 1030 E. Washington Street, Indianapolis, Indiana 46202, and our telephone number is (888) 888-5478. Our website is www.AngiesList.com. The information on, or accessible through, our website does not constitute part of and is not incorporated into this prospectus.

Angie s List and other trademarks or service marks of Angie s List appearing in this prospectus are the property of Angie s List. All other service marks, trademarks and trade names referred to in this prospectus are the property of their respective holders.

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THE OFFERING

Common stock offered by Angie s List	703,235 shares
Common stock offered by the selling stockholders	7,737,188 shares
Option to purchase additional shares offered by certain selling stockholders	1,266,063 shares
Common stock to be outstanding after this offering	57,758,516 shares
Use of proceeds	We estimate the net proceeds to us from the sale of the shares of common stock offered by us will be approximately $8.0 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us, at the public offering price of $13.00 per share. We will not receive any proceeds from the sale of our common stock by the selling stockholders. For more information on our selling stockholders, see Principal and Selling Stockholders. The principal purposes of this offering are to facilitate an orderly distribution of shares by the selling stockholders and increase our public float. We anticipate that we will use the net proceeds to us to fund our advertising strategy to drive membership growth and for general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire, invest in or obtain rights to complementary technologies, products, services or businesses. There are no such transactions under consideration at this time. See Use of Proceeds for additional information.
NASDAQ Global Market symbol	ANGI

Mark Britto and Michael S. Maurer, two of our directors, and TRI Investments, LLC, a greater than 5% stockholder and affiliate of one of our directors, have indicated an interest in purchasing up to 38,461, 38,461 and 230,769 shares, respectively, of our common stock in this offering at the offering price. Because these indications of interest are not binding agreements or commitments to purchase, these persons may elect not to purchase shares in this offering. The underwriters will receive the same discount from any shares of our common stock purchased by such persons as they will from any other shares of our common stock sold to the public in this offering. Any shares sold to these persons will be subject to the lock-up agreements described under Shares Eligible for Future Sale Lock-up Agreements.

The number of shares of common stock to be outstanding after this offering is based on 57,055,281 shares outstanding as of March 31, 2012 and excludes:

- 2,850,358 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock at an exercise price of $8.69 per share;

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- 88,240 shares of common stock issuable upon exercise of a warrant at an exercise price of $8.50 per share; and

- 3,932,469 shares of common stock reserved for future issuance under our Amended and Restated Omnibus Incentive Plan, plus annual increases thereunder, as described in the section captioned Executive Compensation Employee Benefit Plan Amended and Restated Omnibus Incentive Plan.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- no exercise by the underwriters of their option to purchase up to 1,266,063 additional shares of our common stock from certain selling stockholders; and

- no exercise of options or warrants outstanding as of March 31, 2012.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize financial and other data regarding our business. You should read the following summary financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. We derived the consolidated statements of operations data for 2009, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the unaudited consolidated statement of operations data for the three months ended March 31, 2011 and 2012 as well as the unaudited consolidated balance sheet data at March 31, 2012 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of results to be expected in any future period, and results for the three months ended March 31, 2012 are not necessarily indicative of results to be expected for the full year.

	Years Ended December 31,			Three Months Ended March 31, (unaudited)	
	(in thousands, except share and per share data)				
	2009	**2010**	**2011**	**2011**	**2012**
Revenue					
Membership	$ 20,434	$ 25,149	$ 33,815	$ 7,033	$ 9,975
Service provider	25,166	33,890	56,228	10,595	21,119
Total revenue	45,600	59,039	90,043	17,628	31,094
Operating expenses					
Operations and support	11,654	12,464	16,417	3,399	5,775
Selling	12,671	16,892	33,815	6,084	12,409
Marketing	16,114	30,237	56,122	11,099	17,606
Technology[(1)]	5,062	6,270	9,109	1,843	3,127
General and administrative[(1)]	8,699	16,302	18,740	3,904	5,171
Operating loss	(8,600)	(23,126)	(44,160)	(8,701)	(12,994)
Interest expense	3,381	3,966	3,004	935	456
Loss on debt extinguishment			1,830		
Loss before income taxes	(11,981)	(27,092)	(48,994)	(9,636)	(13,450)
Income tax expense		154	43		
Net loss	(11,981)	(27,246)	(49,037)	(9,636)	(13,450)
Net loss per common share basic and diluted	(0.45)	(0.99)	(1.60)	(0.34)	(0.24)
Weighted average number of common shares outstanding basic and diluted[(2)]	26,666,918	27,603,927	30,655,532	28,346,204	56,963,649

(1) Includes non-cash stock-based compensation as follows:

	Years Ended December 31,			Three Months Ended March 31, (unaudited)	
			(in thousands)		
	2009	**2010**	**2011**	**2011**	**2012**
Technology	$	$ 496	$ 786	$ 238	$ 146
General and administrative	76	6,203	3,056	355	534

	$	76	$	6,699	$	3,842	$	593	$	680

(2) The weighted average number of common shares for all periods prior to April 30, 2010 is based on member units assuming conversion to common stock at the applicable rates effective upon reorganization as a corporation on April 30, 2010.

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	Years Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
Other Data (unaudited):					
Total paid memberships (end of period)(1)	411,727	602,882	1,074,757	674,490	1,221,387
Gross paid memberships added (in period)(2)	219,140	355,580	716,350	112,761	215,431
Marketing cost per paid membership acquisition (in period)(3)	$ 74	$ 85	$ 78	$ 98	$ 82
First-year membership renewal rate (in period)(4)	67%	70%	75%	71%	73%
Average membership renewal rate (in period)(4)	73%	75%	78%	75%	76%
Participating service providers (end of period)(5)	10,415	15,060	24,095	17,577	27,100
Total service provider contract value (end of period, in thousands)(6)	$ 30,849	$ 43,050	$ 73,609	$ 50,303	$ 87,335

(1) Reflects the number of paid memberships at the end of each period presented. Total paid memberships also includes a de minimis number of complimentary memberships in our paid markets for all periods presented. The number of memberships lost during the periods presented was 140,902, 164,425, 244,475, 41,153 and 68,801 for 2009, 2010, 2011 and the three months ended March 31, 2011 and 2012, respectively.
(2) Reflects the total number of new paid memberships added in a reporting period.
(3) Reflects marketing expense divided by gross paid memberships added in a reporting period.
(4) First-year renewal rate reflects the percentage of paid memberships expiring in the reporting period after the first year of membership that are renewed, and average membership renewal rate reflects the percentage of all paid memberships expiring in the reporting period that are renewed. Renewal rates exclude monthly memberships.
(5) Reflects the total number of service providers under contract for advertising at the end of the period.
(6) Reflects the total contract value of active service provider contracts at the end of the period. Contract value is the total payment obligation of a service provider to us, including amounts already recognized in revenue, over the stated term of the contract.

	As of March 31, 2012	
	Actual	As Adjusted(1)
	(unaudited) (in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 84,570	$ 92,578
Working capital	44,093	52,101
Total assets	113,609	121,617
Total deferred revenue	38,885	38,885
Long-term debt, including accrued interest	14,832	14,832
Common stock and additional paid-in capital	236,711	245,361
Stockholders equity	33,082	41,090

(1) The as adjusted column in the summary consolidated balance sheet data above reflects the effect of our sale of 703,235 shares of our common stock in this offering at the public offering price of $13.00 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Before deciding to invest in our common stock, you should carefully consider each of the following risk factors and all other information set forth in this prospectus and any related free writing prospectus. The following risks and the risks described elsewhere in this prospectus, including in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, could materially harm our business, financial condition, operating results, cash flow and prospects. If that occurs, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

We have incurred net losses since inception, and we expect to continue to incur net losses as we continue to invest aggressively to grow and penetrate our markets.

We have incurred significant net losses and have an accumulated deficit of $179.9 million as of March 31, 2012. As a result, we have funded our operations through equity and debt financings. A key element of our strategy has been to aggressively grow both the number of markets in which we offer our service and our penetration in each of these markets. In addition, we have expanded the number of local service provider categories that we maintain for our members review, launched new products and services for members and local service providers and significantly grown our service provider sales headcount and sales activity. We anticipate that our marketing, selling, operating and support and general and administrative expenses will continue to increase as we continue to invest in growing our paid membership base, increase the number and variety of our service provider categories, increase the number of service providers participating as advertisers, develop new marketing initiatives and enhance our technology platform. In particular, we intend to continue to invest substantial resources in marketing to acquire new paid memberships, in selling to grow our base of participating service providers and in technology to enhance our product offerings. These planned investments will consume a material portion of our cash flow and are expected to result in additional net losses and negative cash flow. We also expect to incur increased operating expenses as we hire additional personnel and invest in our infrastructure to support anticipated future growth and the reporting and compliance obligations to which we are subject as a public company.

In the event that we achieve profitability in the future, we may not be able to sustain or increase profitability on a quarterly or annual basis. If our revenue does not grow or declines, or if our operating expenses exceed our expectations, our results of operations will be adversely affected. In addition, if our future growth and operating performance, or if our negative cash flow or losses resulting from our investment in membership acquisition fail to meet investor or analyst expectations, our operating results, financial condition and stock price could be materially adversely affected.

We have significantly increased, and expect to continue to increase, our investment in membership acquisition. If the revenue generated by new paid memberships differs significantly from our expectations, or if our membership acquisition costs or costs associated with servicing our members increase, we may not be able to recover our membership acquisition costs or generate profits from this investment.

We spent $56.1 million and $17.6 million on marketing to acquire new memberships in 2011 and the three months ended March 31, 2012, respectively, and expect to continue to spend significant amounts to acquire additional memberships, primarily through national advertising. Our decisions regarding investments in membership acquisition are based upon our marginal marketing cost per paid membership acquisition and our analysis of the revenue we have historically generated per paid membership over the expected lifetime of such membership. Our analysis of the revenue that we expect new paid memberships to generate over their lifetimes depends upon several estimates and assumptions, including membership renewal rates, future membership fees and incremental advertising revenue from service providers driven by increased penetration in a particular market. Due to our recent expansion, our experience with long-term financial and operating trends is limited to a

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relatively small proportion of our overall number of paid membership markets. Our experience in markets in which we presently have low penetration rates may differ from our more established markets.

Historically, our membership revenue per paid membership and service provider revenue per paid membership in a geographic market have increased with the maturity and corresponding increased penetration of such market. However, in recent periods we recorded declining total revenue per paid membership overall. This decline reflects a lag in our ability to leverage increased penetration in a market into increased advertising rates as the average advertising contract term as of March 31, 2012 was 13.9 months, and we are only able to increase rates for a given participating service provider upon contract renewal. In addition, the decline reflects rapid membership growth in less penetrated markets where the average membership revenue and service provider revenue per paid membership is lower and our adoption of an unbundled pricing structure in certain of our more established markets.

If our estimates and assumptions regarding the revenue we can generate from new paid memberships prove incorrect, or if the revenue generated by new paid memberships over the periods such members continue to subscribe differs significantly from that of paid memberships acquired in prior periods, we may be unable to recover our membership acquisition costs or generate profits from our investment in acquiring new paid memberships. Moreover, if our membership acquisition costs or the costs associated with servicing our members increase, the return on our investment may be lower than we anticipate irrespective of the revenue generated by new memberships. If we cannot generate profits from this investment, we may need to alter our growth strategy, and our growth rate and results of operations may be adversely affected.

Our business depends on the strength of our brand, which has been built by the trust of consumers, and the failure to maintain that trust would damage our brand and harm our ability to maintain or expand our base of paid memberships and participating service providers.

Trust in the integrity of the Angie s List brand and in the objective, unbiased nature of our ratings and reviews has contributed significantly to our ability to attract new paid memberships and participating service providers. Maintaining consumer trust and enhancing our brand will depend largely on our ability to maintain our commitment to and reputation for placing the interests of the consumer first. If our existing or potential members perceive that we are not focused primarily on helping them make more informed purchasing decisions about local services transactions or that the advertising revenue we receive from service providers interferes with the objective rating of service providers on the basis of member reviews, our reputation and the strength of our brand will be adversely affected. Complaints or negative publicity about our sales and business practices, services, personnel and customer service, irrespective of their validity, and data privacy and security issues could diminish consumers confidence in and the use of our service and adversely impact our brand. Trust in our brand will also suffer if we are not able to maintain the quality and integrity of the ratings and reviews that appear on Angie s List. We collect reviews from both members and non-members and make these reviews available to members on our website, although non-member reviews are not factored into the service providers ratings. While we use various technology-based algorithms and filters to detect fraudulent reviews, and we believe that our prohibition of anonymous reviews provides a degree of traceability and accountability not present in other websites, we cannot guarantee the accuracy of our reviews. Moreover, as our base of paid memberships expands and the number of local service providers rated and reviewed by our members grows, we may see an increase in fraudulent or inaccurate reviews. If fraudulent or inaccurate reviews positive or negative increase on Angie s List and we are unable to effectively identify and remove such reviews, the overall quality of our ratings and reviews would decrease, our reputation as a source of trusted ratings and reviews may be harmed and consumers and local service providers may be deterred from using our products and services. We regularly employ steps designed to ensure that consumer reviews are not inaccurate or fraudulent and that service providers are rated according only to member reviews of them rather than their advertising with us or any other factor. If such steps prove ineffective or if members otherwise believe that we are not objective, we could lose their trust, and our brand and business could be harmed.

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In addition, our brand could be harmed if others use any of our trademarks inappropriately. For example, local service providers may use our trademarks without our permission, including our Super Service Award, which is available only to local service providers that have maintained superior service ratings. We have in the past taken, and will in the future take, action, including initiating litigation, to protect our trademarks and the integrity of our brand. If such efforts are unsuccessful, our brand and our business would be adversely affected.

If our efforts to increase the number of our paid memberships, to retain existing paid memberships and to maintain high levels of member engagement are not successful, our growth prospects and revenue will be adversely affected.

Our ability to grow our business and to generate both membership revenue and service provider revenue depends on attracting new paid memberships, retaining our existing paid membership base and maintaining high levels of member engagement. We must convince prospective members of the benefits of our service and existing members of its continuing value. In addition, we must convince our members to submit reviews of local service providers to our database. We are dependent upon increased penetration and active member engagement in each of our markets to grow our database of reviews of local service providers, and in turn to enhance the value of our service to other members and prospective members in that market and to increase membership revenue per paid membership. We also depend on growing our paid membership base to increase our service provider revenue in that market by driving greater participation by service providers in our advertising programs and higher advertising rates. We cannot assure you that we will be successful in maintaining or expanding our paid membership base, or in increasing our revenue per paid membership.

In addition, we have historically relied upon high membership renewal rates and word of mouth referrals from existing members to maintain and grow our paid membership base. If our efforts to satisfy our existing members are not successful, we may not be able to maintain our renewal rates or continue receiving those referrals. Furthermore, although we use our number of paid memberships as one indicator of the growth of our business, some of our members may not actively use our service or submit reviews of local service providers to our database. If member engagement does not meet our expectations, we may lose members or service providers who advertise with us, and our revenue may not increase or may decline.

Our ability to increase the number of our paid memberships and to maintain high levels of member engagement will require us to address a number of challenges, and we may fail to do so successfully. Some of these challenges include:

- continuing to build our database of member-generated ratings and reviews of local service providers;
- increasing the number and variety of local service providers reviewed by our members;
- delivering our members relevant, high-quality discount, coupon and other promotional offers from our participating local service providers; and
- continuing to innovate and keep pace with changes in technology and our competitors.

Our inability to increase the number of our paid memberships and to maintain high levels of member engagement would have an adverse effect on our growth prospects, operating results and financial condition.

Any failure to convince local service providers of the benefits of advertising with us would harm our business.

For 2011 and the three months ended March 31, 2012, we derived 62% and 68%, respectively, of our revenue from the sale of advertising to service providers, and we expect to continue to derive an increasing

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percentage of our revenue from the sale of advertising to service providers in the future. Our ability to attract and retain participating service providers and, ultimately, to generate advertising revenue depends on a number of factors, including:

- increasing the number of paid memberships in our existing markets;
- maintaining high levels of member engagement;
- competing effectively for advertising dollars with other online and offline advertising providers; and
- continuing to develop and diversify our advertising offerings.

Historically, advertising markets for local service providers have been dominated by traditional offline advertising media, such as broadcast and cable television, broadcast radio, newspapers and the Yellow Pages. We offer both offline and online advertising products to eligible local service providers, and our business will depend in part on local service providers willingness to pay for our advertising products. Local service providers may view advertising with us as experimental and its long-term effectiveness as unproven, and may choose not to advertise with us, or may leave us for competing alternatives upon expiration or termination of their agreements with us. Failure to demonstrate the value of our service would result in reduced spending by, or loss of, existing or potential future participating service providers, which would materially harm our revenue and business.

Unlike competitors such as Yellow Pages, we generally do not employ local feet on the street sales forces to sell advertising to service providers and instead rely on call center sales personnel. The resulting lack of a personal connection with local service providers may impede us in growing service provider revenue. As we grow, we will need to recruit, integrate and retain additional skilled and experienced call center sales personnel who can demonstrate our value proposition to service providers and increase the monetization of our membership base. We will be adversely affected if we hire poorly and if sales personnel do not reach levels of effectiveness within a period of time consistent with our historical experience, or if we are unable to convince service providers to advertise with us through our call center model.

Our success depends in part upon our ability to increase our service provider revenue per paid membership as we increase our market penetration.

Historically, our service provider revenue per paid membership in a given market has generally increased with market penetration because we have attracted more service providers and charged higher advertising rates as the pool of members using our service to actively seek local service providers has grown. Because we only increase advertising rates at the time of contract renewal, such rate increases in a given market may trail increases in market penetration. In addition, in certain markets we have not increased our advertising rates in a given market as rapidly as the number of paid memberships has grown. Moreover, trends in market penetration and growth in service provider revenue per paid membership in our larger or less penetrated markets have differed from our experiences in our smaller or more penetrated markets. Accordingly, growth of our membership may not result in service provider revenue increases until future periods, if at all. In addition, we are subject to risks associated with the credit quality of our service providers. If service providers to whom we have provided advertising services are unable to meet their contractual obligations to us, our service provider revenue could decrease, and our results of operations could be harmed.

We are and will continue to be faced with many competitive challenges, any of which could adversely affect our prospects, results of operations and financial condition.

We compete for both members and service providers with a range of established and emerging companies. We compete for members on the basis of a number of factors, including breadth of service provider listings, reliability of our content, breadth, depth and timeliness of information and strength and recognition of our brand. We compete for a share of local service providers advertising budgets on the basis of a number of factors, including return on investment, our high quality membership profile, effectiveness and relevance of our service providers discount offers to our members, our pricing structure and recognition of our brand. Our current competitors for memberships and service providers include a number of traditional offline consumer resources, such as the Yellow Pages and Consumers CHECKBOOK. Many of these competitors also have consumer reviews and information about service providers available online. We also compete with free to consumer online ratings websites and referral services funded directly by service providers or by service provider advertising, such as ServiceMagic, Inc., the Diamond Certified directory operated by American Ratings Corporation, Yelp, Inc., Kudzu, an indirect subsidiary of Cox Enterprises, Inc., and Insider Pages, an indirect subsidiary of IAC/InterActiveCorp. In our Angie s List Health & Wellness categories, we compete for members with other online resources for patients, such as RateMDs, Inc. and Health Grades, Inc. Across all categories, we also compete with established Internet companies who have significantly greater resources and name recognition than we do.

To compete effectively for members, we must continue to invest significant resources in marketing and in the development of our products and services to enhance value for members. To compete effectively for service provider revenue, we must continue to invest significant resources in our sales force, in the development of existing and new advertising products, the acquisition of new paid memberships and the collection of our members reviews of local service providers. Many of our competitors for service providers utilize local sales forces or feet on the street, and we may be at a disadvantage as a result of our call center-based sales model. Failure to compete effectively against our current or future competitors could result in loss of current or potential participating service providers or a reduced share of our participating service providers overall advertising budget, which could adversely affect our pricing and margins, lower our service provider revenue and prevent us from achieving or maintaining profitability. We cannot assure you that we will be able to compete effectively for memberships or service providers in the future against existing or new competitors, and the failure to do so could result in loss of existing or potential paid memberships, reduced membership base and service provider revenue, increased marketing or selling expenses or diminished brand strength, any of which could harm our business.

If we are unable to replicate our performance in our larger markets, our operating results and financial condition will be harmed.

Our penetration rates in a number of our larger geographic markets lag those of our mid-size markets. Many of our largest markets, including New York City, Los Angeles and San Francisco, were converted to paid status beginning in 2006 and 2007, and these markets have produced the largest number of new members in recent years. However, the penetration rate in these larger markets has lagged, on a percentage basis, those of our mid-size markets that converted in the same time frame. We believe that a principal reason for the lower penetration rates in our larger markets is the manner in which we market Angie s List. We have chosen to spend 100% of our marketing dollars on national advertising. We believe that this advertising strategy provides us the most cost-efficient manner of acquiring new paid memberships. However, advertising nationally means we deliver the same volume of advertising regardless of the size of market. Since each market differs in terms of the number of advertising outlets available, the impact of our spending on national advertising varies across markets. In our experience, smaller markets typically have fewer advertising outlets available than larger markets. We believe the same volume of advertising in a smaller market is more effective in building brand awareness and generating new memberships than in larger markets. We expect to continue to allocate our marketing dollars in accordance with our national advertising strategy and accordingly expect to continue to see lower relative penetration rates in the larger markets.

Slower penetration of our larger markets may delay or prevent us from increasing total revenue per paid membership in these markets. If we are unable to replicate the performance we have achieved in our most mature markets in our larger and less penetrated markets, or if growth in larger or less penetrated markets is significantly slower than we anticipate, our operating results and financial condition could be harmed.

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Interruptions or delays in service arising from our own systems or from our third-party data center could impair the delivery of our service and harm our business.

We rely in part upon third-party vendors, including data center, Internet infrastructure and bandwidth providers, to provide our products and services to our members and service providers. We do not control the operation of the third-party facilities, and both our own facilities and the third-party data center facility are vulnerable to damage or interruption from tornadoes, floods, fires, power loss, telecommunications failures and similar events. They also are subject to break-ins, sabotage, intentional acts of vandalism, the failure of physical, administrative, and technical security measures, terrorist acts, human error, the financial insolvency of the third-party provider and other unanticipated problems or events. The occurrence of any of these events could result in interruptions in our service and unauthorized access to, or alteration of, the content and data contained on our systems and the content and data that these third-party vendors store and deliver on our behalf.

We exercise little control over these third-party vendors, which increases our vulnerability to problems with the services they provide. We have experienced, and expect to continue to experience, interruptions and delays in service and availability for such elements. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with our members, our brand and reputation and our ability to attract, retain and serve our members and service providers.

If we fail to effectively manage our growth, our business, operating and financial results may suffer.

We have recently experienced, and expect to continue to experience, significant growth in new and existing markets, which has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. We expect that our growth strategy will require us to commit substantial financial, operational and technical resources, and we expect that our marketing cost per paid membership acquisition may increase in the near term. Continued growth also could strain our ability to maintain reliable service levels for our members and participating service providers, to effectively monetize our membership base, to develop and improve our operational, financial and management controls, to enhance our reporting systems and procedures and to recruit, train and retain highly skilled personnel. As our operations grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure and may determine we need to open additional operational locations, such as call centers, to support our advertising sales, which will require significant expenditures and allocation of valuable management resources. If we fail to maintain the necessary level of discipline and efficiency, or if we fail to allocate limited resources effectively in our organization as it grows, our business, operating results and financial condition may suffer.

We may not maintain our current rate of revenue growth.

Our paid membership base has grown rapidly in recent periods in new and existing markets. As a result, our membership revenue and service provider revenue have increased quickly and substantially. We believe that our continued revenue growth will depend on, among other factors, our ability to:

- improve our penetration of our existing markets by efficiently deploying marketing expenditures to attract new paid memberships and by retaining our existing paid memberships in these markets;
- maintain high levels of member engagement and the quality and integrity of our members reviews of local service providers;
- increase the number and variety of local service providers reviewed by our members and convince highly-rated local service providers to advertise with us;
- retain service providers that currently advertise with us and convince them to increase their advertising spending with us;

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- continue to develop and diversify our product offerings for local service providers;
- recruit, integrate and retain skilled and experienced sales personnel who can demonstrate our value proposition to service providers;
- provide our members and local service providers with superior user experiences;
- react to changes in technology and challenges from existing and new competitors; and
- increase awareness of our brand.

We cannot assure you that our paid membership base or our service provider participation will continue to grow or will not decline as a result of increased competition and the maturation of our business. If our growth rates were to decline significantly or become negative, it could adversely affect our financial condition and results of operations. You should not rely on our historical rate of revenue growth as an indication of our future performance.

Our future growth depends in part on our ability to effectively develop and sell additional products, services and features.

We invest in the development of new products, services and features with the expectation that we will be able to effectively offer them to consumers and local service providers. For example, in 2008 and 2009, respectively, we launched our Angie s List Health & Wellness and Classic Car offerings, to which our members can subscribe for an additional fee or as part of a bundled offering. We also have introduced two e-commerce initiatives, Angie s List Big Deal and Storefront, which give our members the option to receive alerts of deals or search our website for deals. We plan to continue to develop or potentially acquire vertical offerings that address other high cost of failure segments of the market for local services. In addition, we plan to continue to develop and sell additional advertising products to qualified local service providers. Our future growth depends in part on our ability to sell these products and services, as well as additional features and enhancements to our existing offerings. If these efforts are not successful, our business may suffer. Further, many of our current and potential service provider advertisers have modest advertising budgets. Accordingly, we cannot assure you that the successful introduction of new products or services will not adversely affect sales of our current products and services or that service providers that currently advertise with us will increase their aggregate spending as a result of the introduction of new products and services.

We invest in features, functionality and customer support designed to drive traffic and increase engagement with members and service providers; however, these investments may not lead to increased revenue.

Our future growth and profitability will depend in large part on the effectiveness and efficiency of our efforts to convert consumers and local service providers who visit Angie s List into paid memberships and participating service providers, respectively. We have made and will continue to make substantial investments in features and functionality for our website that are designed to drive online traffic and user engagement, and in customer support for local service providers who do not advertise with us. These activities do not directly generate revenue, and we cannot assure you that we will reap any rewards from these investments. If the expenses that we incur in connection with these activities do not result in sufficient growth in paid members and participating service providers to offset their cost, our business, financial condition and results of operations will be adversely affected.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our revenue and operating results vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside our control. As a result, comparing our operating results on a period to period basis may not be meaningful. In addition to other risk factors discussed in this Risk Factors section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to retain our current paid memberships and build our paid membership base;

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- our ability to retain our service providers that currently advertise with us, and convince them to increase their advertising spending with us;
- our revenue mix and any changes we make to our membership fees or other sources of revenue;
- our marketing costs or selling expenses;
- our ability to effectively manage our growth;
- the effects of increased competition in our business;
- our ability to keep pace with changes in technology and our competitors;
- costs associated with defending any litigation or enforcing our intellectual property rights;
- the impact of economic conditions in the United States on our revenue and expenses; and
- changes in government regulation affecting our business.

Seasonal variations in the behavior of our members and service providers also may cause fluctuations in our financial results. For example, we expect to experience some effects of seasonal trends in member and service provider behavior due to decreased demand for home improvement services in winter months. In addition, advertising expenditures by local service providers tend to be discretionary in nature and may be sporadic, reflecting overall economic conditions, the economic prospects of specific local service providers or industries, budgeting constraints and buying patterns and a variety of other factors, many of which are outside our control. While we believe seasonal trends have affected and will continue to affect our quarterly results, our trajectory of rapid growth may have overshadowed these effects to date. We believe that our business will be subject to seasonality in the future, which may result in fluctuations in our financial results.

Our revenue may be negatively affected if we are required to pay sales tax or other transaction taxes on all or a portion of our past and future sales in jurisdictions where we are currently not collecting and reporting tax.

We currently only pay sales or other transaction taxes in certain jurisdictions in which we do business. We do not separately collect sales or other transaction taxes. A successful assertion by any state, local jurisdiction or country in which we do not pay such taxes that we should be paying sales or other transaction taxes on the sale of our products or services, or the imposition of new laws requiring the payment of sales or other transaction taxes on the sale of our products or services, could result in substantial tax liabilities related to past sales, create increased administrative burdens or costs, discourage consumers and service providers from purchasing products or services from us, decrease our ability to compete or otherwise substantially harm our business and results of operations.

We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

We believe that our future success depends in part upon the continued service of key members of our management team as well as our ability to attract and retain highly skilled and experienced sales, technical and other personnel. Our co-founders, William S. Oesterle and Angie Hicks, are critical to our overall management as well as the development of our culture and strategic direction. In particular, the reputation, popularity and talent of Ms. Hicks is an important factor in public perceptions of Angie s List, and the loss of her services or any repeated or sustained shifts in public perceptions of her could adversely affect our business.

In addition, qualified individuals are in high demand in the Internet sector, and we may incur significant costs to attract them. Competition for these personnel is intense, and we may not be successful in attracting and retaining qualified personnel. Many of the companies with which we compete for experienced personnel have greater resources than us. In addition, in making employment decisions, particularly in the technology sector, job candidates often consider the value of the stock options they are to receive in connection with their employment.

We have historically relied primarily on cash, rather than equity, compensation for the majority of our workforce. As such, we may have difficulty competing on a national scale for candidates focused on equity incentives. If we are unable to attract and retain executive officers and key personnel to our headquarters in Indianapolis, Indiana, or integrate recently hired executive officers and key personnel, our business, operating results and financial condition could be harmed.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork and focus that contribute crucially to our business.

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. We have invested substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and the pursuit of common goals. As we continue to develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain personnel, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, operating results and financial condition may be harmed.

We may require additional capital to operate or expand our business. In addition, some of the strategic initiatives we have in early stages of development may require substantial additional capital resources before they begin to generate revenue. Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. For example, the loan and security agreement governing our term loan and revolving credit facility contains various restrictive covenants, including restrictions on our ability to dispose of assets, make acquisitions or investments, incur debt or liens, make distributions to our stockholders or enter into certain types of related party transactions, and any debt financing secured by us in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and pursue business opportunities. If we raise additional funds through the issuance of equity or convertible securities, the percentage ownership of holders of our common stock could be significantly diluted and these newly issued securities may have rights, preferences or privileges senior to those of holders of our common stock. Furthermore, volatility in the credit or equity markets may have an adverse effect on our ability to obtain debt or equity financing or the cost of such financing. If we do not have funds available to enhance our solutions, maintain the competitiveness of our technology and pursue business opportunities, we may not be able to service our existing members, acquire new members or attract or retain participating service providers, which could have an adverse effect on our business, operating results and financial condition.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which would adversely affect our business and our stock price.

Ensuring that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be reevaluated frequently. We have in the past discovered, and may in the future discover, areas of our internal financial and accounting controls and procedures that need improvement. For example, in connection with the preparation of our financial statements as of and for the year ended December 31, 2010, our independent registered public accounting firm identified a material weakness in internal control over financial reporting with

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respect to: (i) the period of time over which initiation fees were recognized; (ii) the amortization period associated with data acquisition costs; (iii) expenses related to warrants issued in connection with our 2008 debt facility; and (iv) the recognition of sales tax expense in certain states, and in each case we adjusted the results of prior periods. We did not identify any material weaknesses in connection with the preparation of our financial statements as of and for the year ended December 31, 2011. However, material weaknesses may be identified in connection with future audits. In addition, the rapid growth of our operations and our initial public offering have created a need for additional resources within the accounting and finance functions in order to produce timely financial information and to ensure the level of segregation of duties customary for public company.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. general accepted accounting principles. Our management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.

In addition, pursuant to Section 404 of the Sarbanes Oxley Act, we will be required to furnish a report by management on the effectiveness of our internal controls over financial reporting, and our auditors will be required to attest, and report on, the assessment made by our management internal controls over financial reporting starting with our annual report for 2012. This assessment will need to include disclosure of any material weaknesses in our internal control over financial reporting identified by our management, as well as our auditors attestation report on our internal controls over financial reporting. We are in the process of completing the system and processing documentation needed to comply with such requirements. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. If we identify one or more material weaknesses in our internal control over financial reporting during the evaluation and testing process, we will be unable to assert that our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on the price of our common stock.

Because we recognize membership revenue over the term of the membership and recognize service provider revenue ratably over the relevant contract period, downturns or upturns in membership or in service provider advertising may not be immediately reflected in our operating results.

We recognize membership revenue ratably over the term of a paid subscription and recognize service provider revenue ratably over the time period during which the advertisements are run. Because approximately 89% of our members subscribed on an annual or multi-year basis as of March 31, 2012, a large portion of our membership revenue for each quarter reflects deferred revenue from memberships purchased in previous quarters. Similarly, because our service provider contracts in effect as of March 31, 2012 run for an average of more than 13.9 months, a large portion of our service provider revenue each quarter reflects purchasing decisions made in prior periods. Therefore, an increase or decrease in new or renewed memberships or new or renewed service provider contracts in any one quarter will not necessarily be fully reflected in our revenue for that quarter but will affect our revenue in future quarters. Accordingly, the effect of significant downturns or upturns in membership or advertising sales may not fully impact our results of operations until future periods.

We may suffer liability as a result of the ratings or reviews posted on our website.

Our terms of use specifically require members and non-members submitting reviews to represent that their ratings and reviews are based on their actual first-hand experiences and are accurate, truthful and complete in all respects, and that they have the right and authority to grant us a license to publish their reviews. However,

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we do not have the ability to verify the accuracy of these representations on a case-by-case basis. There is a risk that a review may be considered defamatory or otherwise offensive, objectionable or illegal under applicable law. Therefore, there is a risk that publication on our website of our ratings and reviews may give rise to a suit against us for defamation, civil rights infringement, negligence, copyright or trademark infringement, invasion of privacy, personal injury, product liability, breach of contract, unfair competition, discrimination, antitrust or other legal claims. From time to time, we are involved in claims and lawsuits based on the contents of the ratings and reviews posted on our website, including claims of defamation. To date, we have not suffered a material loss due to a claim of defamation. We expect that we will be subject to similar claims in the future, which may result in costly and time-consuming litigation, liability for money damages and injury to our reputation.

If local service providers rated on our website do not meet the expectations of our members, or engage in unethical or illegal conduct, we may suffer reputational harm or liability as a result.

Our business depends on our reputation for quality and integrity, which may be harmed by actions taken by local service providers that are outside our control. Because our members use our service to gather information about projects that carry a high risk of failure if they are performed incompetently, poor performance by local service providers that are rated highly by our members could undermine our reputation. We cannot be certain that highly-rated local service providers will perform to the satisfaction of our members. In addition, unethical or illegal conduct by local service providers rated on our website could damage our reputation, or expose us to liability arising from claims made by or on behalf of those harmed by such conduct.

Failure to comply with federal and state laws and regulations relating to privacy and security of personal information, including personal health information, could result in liability to us, damage our reputation and harm our business.

A variety of federal and state laws and regulations govern the collection, use, retention, sharing and security of personal information. We collect and utilize demographic and other information from and about our members as they interact with our service. We also may collect information from our members when they provide ratings and reviews of local service providers, participate in polls or contests or sign up to receive email newsletters. Further, we use tracking technologies, including cookies, to help us manage and track our members interactions with our service and deliver relevant advertising. Claims or allegations that we have violated laws and regulations related to privacy and data security could in the future result in negative publicity and a loss of confidence in us by our members and our participating service providers, and may subject us to fines by credit card companies and the loss of our ability to accept credit and debit card payments. In addition, we have posted privacy policies and practices concerning the collection, use and disclosure of member data on our websites and mobile applications. Several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices.

In rating and reviewing health care or wellness providers, our members may post personal health information about themselves or others, and the health care or wellness providers reviewed by members may submit responses that contain private or confidential health information about reviewing members or others. While we strive to comply with applicable privacy and security laws and regulations regarding personal health information, as well as our own posted privacy policies, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, or could cause us to lose members and participating service providers, which could adversely affect our business.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols for personal information, including personal health information, imposed by law, regulation, self-regulatory bodies, industry standards and contractual obligations. However, such laws and regulations are evolving and subject to potentially differing interpretations, and federal and state legislative and regulatory bodies may expand current or enact new laws or regulations regarding privacy matters. We are unable to predict what additional legislation or regulation in the area of privacy of personal information could be enacted or its effect on our operations and business.

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If our security measures are breached and unauthorized access is obtained to our members data, our service may be perceived as not being secure and members and service providers may curtail or terminate their use of our service.

Our service involves the storage and transmission of our members proprietary information, such as credit card and bank account numbers, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. Our payment services may be susceptible to credit card and other payment fraud schemes, including unauthorized use of credit cards, debit cards or bank account information, identity theft or merchant fraud.

If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and as a result, someone obtains unauthorized access to our members data, our reputation may be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security occurs, the public perception of the effectiveness of our security measures could be harmed and we could lose members and service providers, which could adversely affect our business.

We are subject to a number of risks related to accepting credit card and debit card payments.

We accept payments from our members primarily through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our service, which could cause us to lose members and membership revenue, or suffer an increase in our operating expenses, either of which could adversely affect our operating results.

If we or any of our processing vendors have problems with our billing software, or if the billing software malfunctions, it could have an adverse effect on our member satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our members credit cards on a timely basis or at all, we could lose membership revenue, which could harm our operating results.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard, or PCI DSS, a security standard with which companies that collect, store or transmit certain data regarding credit and debit cards, credit and debit card holders, and credit and debit card transactions are required to comply. Our failure to comply fully with the PCI DSS may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors and merchant banks. Such failure to comply fully also may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. In addition, there is no guarantee that PCI DSS compliance will prevent illegal or improper use of our payment systems or the theft, loss or misuse of data pertaining to credit and debit cards, credit and debit card holders and credit and debit card transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card-related costs, each of which could adversely affect our business, financial condition and results of operations.

If we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or our fees for many or all categories of credit and debit card transactions, credit card companies and debit card issuers may increase our fees or terminate their relationship with us. Any increases in our credit card and debit card fees could adversely affect our results of operations, particularly if we elect not to raise our rates for our service to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

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As we develop and sell new products, services and features, we may be subject to additional and unexpected regulations, which could increase our costs or otherwise harm our business.

As we develop and sell products and services that address new segments of the market for local services and expand our advertising services, we may become subject to additional laws and regulations, which could create unexpected liabilities for us, cause us to incur additional costs or restrict our operations. For example, our Angie s List Health & Wellness offerings may become subject to complex federal and state health care laws and regulations, the application of which to specific products and services is unclear. Many existing health care laws and regulations, when enacted, did not anticipate the online health and wellness information and advertising products and services that we provide; nevertheless, they may be applied to our products and services.

We have begun to introduce new e-commerce offerings, such as Angie s List Big Deal and Storefront, that allow our members to purchase services or products from our service providers. Transactions between members and local service providers in connection with these offerings may be subject to regulation, in whole or in part, by federal, state and local authorities.

In addition, the application of certain laws and regulations to some of our promotions are uncertain. These include laws and regulations such as the Credit Card Accountability Responsibility and Disclosure Act of 2009, or the CARD Act, and unclaimed and abandoned property laws. If these promotions were subject to the CARD Act or any similar state or foreign law or regulation, we may be required to record liabilities with respect to unredeemed promotions and we may be subject to additional fines and penalties.

From time to time, we may be notified of additional laws and regulations which governmental organizations or others may claim should be applicable to our business. Our failure to accurately anticipate the application of these laws and regulations, or other failure to comply, could create liability for us, result in adverse publicity or cause us to alter our business practices, which could cause our revenue to decrease, our costs to increase or our business otherwise to be harmed.

Our business depends on our ability to maintain and scale the network infrastructure necessary to operate our websites and applications.

Our members access reviews and other information through our websites and applications. Our reputation and ability to acquire, retain and serve our members and service providers are dependent upon the reliable performance of our websites and applications and the underlying network infrastructure. As our membership base and the amount of information shared on our websites and applications continue to grow, we will need an increasing amount of network capacity and computing power. We have made, and expect to continue to make, substantial investments in data centers, equipment and related network infrastructure to handle the traffic on our websites and the data submitted to us by our members. The operation of these systems is expensive and complex and could result in operational failures. In the event that our membership base or the amount of traffic on our websites and applications grows more quickly than anticipated, we may be required to incur significant additional costs. If we do not maintain or expand our network infrastructure successfully, or if we experience operational failures, our reputation could be harmed and we could lose current and potential members and participating service providers, which could harm our operating results and financial condition.

We may not be able to successfully prevent other companies, including copycat websites, from misappropriating our data in the future.

From time to time, third parties have attempted to misappropriate our member-generated ratings and reviews and other data regarding our service providers through website scraping, search robots or other means. We have deployed several technologies designed to detect and prevent such efforts. However, we may not be able to successfully detect and prevent all such efforts in a timely manner or assure that no misuse of our data occurs.

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In addition, third parties operating copycat websites have attempted to misappropriate data from our network and to imitate our brand or the functionality of our website. When we have become aware of such efforts by other companies, we have employed technological or legal measures in an attempt to halt their operations. However, we may not be able to detect all such efforts in a timely manner, or at all, and even if we could, the technological and legal measures available to us may be insufficient to stop their operations. In some cases, particularly in the case of companies operating outside of the United States, our available remedies may not be adequate to protect us against the damage to our business caused by such websites. Regardless of whether we can successfully enforce our rights against the operation of these websites, any measures that we may take could require us to expend significant financial or other resources and have a significantly adverse effect on our brand.

Failure to adequately protect our intellectual property could substantially harm our business and operating results.

We rely on a combination of intellectual property rights, including trade secrets, copyrights and trademarks, as well as contractual restrictions, to safeguard our intellectual property. We do not have any patents or pending patent applications. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy our digital content, aspects of our solutions for members and service providers, our technology, software, branding and functionality, or obtain and use information that we consider proprietary. Moreover, policing our proprietary rights is difficult and may not always be effective. As we expand internationally, we may need to enforce our rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States.

Our digital content is not protected by any registered copyrights or other registered intellectual property. Rather, our digital content is protected by statutory and common law rights, user agreements that limit access to and use of our data and by technological measures. Compliance with use restrictions is difficult to monitor, and our proprietary rights in our digital content databases may be more difficult to enforce than other forms of intellectual property rights.

As of March 31, 2012, we have registered 22 trademarks in the United States, including Angie s List, two pending trademark applications in the United States and one registered trademark and one pending trademark application in Canada. Some of our trade names may not be eligible to receive trademark protection. Trademark protection may also not be available, or sought by us, in every country in which our service may become available online. Competitors may adopt service names similar to ours, or purchase our trademarks and confusingly similar terms as keywords in Internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly confusing consumers and local service providers. Moreover, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate marks similar to our trademarks. In addition, in the past, some local service providers have used our trademarks inappropriately or without our permission, including our Super Service Award, which is available only to local service providers that have maintained superior service ratings. We have taken in the past and may in the future take action, including initiating litigation, to protect our intellectual property rights and the integrity of our brand, but these efforts may prove costly, ineffective or both.

We currently hold the Angie s List Internet domain name and various other related domain names. Domain names generally are regulated by Internet regulatory bodies. If we lose the ability to use a domain name in the United States or any other country, we would be forced to incur significant additional expense to market our solutions, including the development of a new brand and the creation of new promotional materials, which could substantially harm our business and operating results. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize the Angie s List name in all of the countries in which we currently intend to conduct business.

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In order to protect our trade secrets and other confidential information, we rely in part on confidentiality agreements with our personnel, consultants and third parties with whom we have relationships. These agreements may not effectively prevent disclosure of trade secrets and other confidential information, and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets and other confidential information. In addition, others may independently discover trade secrets and confidential information, and in such cases, we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions, and failure to obtain or maintain trade secret protection, or our competitors being able to obtain our trade secrets or to independently develop technology similar to ours or competing technologies, could adversely affect our competitive business position.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights, to protect our domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective, could result in substantial costs and diversion of resources and could substantially harm our operating results.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

Internet, technology and media companies are frequently subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. Some Internet, technology and media companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us. Third parties may in the future assert that we have infringed, misappropriated or otherwise violated their intellectual property rights, and as we face increasing competition, the possibility of intellectual property rights claims against us grows. We cannot assure you that we are not infringing or violating any third-party intellectual property rights.

We cannot predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business and operating results. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys fees, if we are found to have willfully infringed a party s patent or copyright rights; cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content or materials; and to indemnify our partners and other third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. Any of these events could seriously harm our business, operating results and financial condition. In addition, any lawsuits regarding intellectual property rights, regardless of their success, could be expensive to resolve and would divert the time and attention of our management and technical personnel.

Some of our services and technologies may use open source software, which may restrict how we use or distribute our services or require that we release the source code of certain services subject to those licenses.

Some of our services and technologies may incorporate software licensed under so-called open source licenses, including, but not limited to, the GNU General Public License and the GNU Lesser General Public License. Such open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. These open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, becomes subject to the open source license. If we combine our proprietary software with open source software, we could be required to release the source code of our proprietary software.

We take steps to ensure that our proprietary software is not combined with, nor incorporates, open source software in ways that would require our proprietary software to be subject to an open source license. However, few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. Additionally, we rely on multiple software programmers to design our proprietary technologies, and although we take steps to prevent our programmers from including open source software in the technologies and software code that they design, write and modify, we do not exercise complete control over the development efforts of our programmers, and we cannot be certain that our programmers have not incorporated open source software into our proprietary products and technologies or that they will not do so in the future. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our services and technologies and materially and adversely affect our business, results of operations and prospects.

We rely on third parties to provide software and related services necessary for the operation of our business.

We incorporate and include third-party software into and with our product and service offerings and expect to continue to do so. The operation of our product and service offerings could be impaired if errors occur in the third-party software that we use. It may be more difficult for us to correct any defects in third-party software because the development and maintenance of the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. We cannot assure you that any third-party licensors will continue to make their software available to us on acceptable terms, or at all, or to invest the appropriate levels of resources in their software to maintain and enhance its capabilities or to remain in business. Any impairment in our relationships with these third-party licensors could have an adverse effect on our business, results of operations, cash flow and financial condition. These third-party in-licenses may expose us to increased risk, including risks associated with the assimilation of new technology sufficient to offset associated acquisition and maintenance costs. The inability to obtain any of these licenses could result in delays in development of solutions until equivalent technology can be identified and integrated. Any such delays in services could cause our business, operating results and financial condition to suffer.

Covenants in the loan and security agreement governing our term loan and revolving credit facility may restrict our operations, and if we do not effectively manage our business to comply with these covenants, our financial condition could be adversely affected.

The loan and security agreement governing our term loan and revolving credit facility contains various restrictive covenants, including restrictions on our ability to dispose of assets, make acquisitions or investments, incur debt or liens, make distributions to our stockholders or enter into certain types of related party transactions. We are also required to maintain certain financial covenants. On March 14, 2011, we obtained a waiver of events of default under our prior secured term loan facility and our prior senior subordinated note related to our noncompliance with certain financial covenants as of December 31, 2010. We also entered into an amendment to the note purchase agreement related to the prior senior subordinated note providing for an adjustment to the financial covenants therein. In addition, in June 2011 we obtained waivers under our prior secured term loan facility and our prior senior subordinated note relating to the untimely delivery of our financial statements. On August 31, 2011, we entered into a new loan and security agreement and paid off our prior debt agreement in full. Our new loan and security agreement contains restrictive covenants similar to those of our prior agreements.

Our ability to meet these restrictive covenants can be affected by events beyond our control, and we may be unable to do so. In addition, our failure to maintain effective internal controls to measure compliance with our financial covenants could affect our ability to take corrective actions on a timely basis and could result

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in our being in breach of these covenants. Our loan and security agreement provides that our breach or failure to satisfy certain covenants constitutes an event of default. Upon the occurrence of an event of default, our lenders could elect to declare all amounts outstanding under one or more of our debt agreements to be immediately due and payable. If we are unable to repay those amounts, our financial condition could be adversely affected.

Because we generate substantially all of our revenue in the United States, a decline in aggregate demand for local services in the United States could cause our revenue to decline.

Substantially all of our revenue is from members and participating service providers in the United States. Consequently, a decline in consumer demand for local services, particularly in the home improvement and health and wellness segments, or for consumer ratings and reviews could have a disproportionately greater impact on our revenue than if our geographic mix of revenue was less concentrated. In addition, because expenditures by service providers generally tend to reflect overall economic conditions, to the extent that economic growth in the United States remains slow, reductions in advertising by local service providers could have a serious impact on our service provider revenue and negatively impact our business.

If use of the Internet does not continue to increase, our growth prospects will be harmed.

Our future success is substantially dependent upon the continued use of the Internet as an effective medium of business and communication by consumers. Internet use may not continue to develop at historical rates, and consumers may not continue to use the Internet to research and hire local service providers. In addition, the Internet may not be accepted as a viable resource for a number of reasons, including:

- actual or perceived lack of security of information or privacy protection;
- possible disruptions, computer viruses or other damage to Internet servers or to users computers; and
- excessive governmental regulation.

Our success will depend, in large part, upon third parties maintaining the Internet infrastructure to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services. Our growth prospects are also significantly dependent upon the availability and adoption of broadband Internet access and other high-speed Internet connectivity technologies.

We face many risks associated with our long-term plan to expand our operations outside of the United States.

Expanding our operations into international markets is an element of our long-term strategy. However, offering our products and services outside of the United States involves numerous risks and challenges. Most importantly, acquiring paid memberships in foreign countries and convincing foreign service providers to advertise with us would require substantial investment by us in local advertising and marketing, and there can be no assurance that we would succeed or achieve any return on this investment. In addition, international expansion would expose us to other risks such as:

- the need to modify our technology and sell our products and services in non-English speaking countries;
- the need to localize our products and services to the preferences and customs of foreign consumers and local service providers;
- difficulties in managing operations due to language barriers, distance, staffing, cultural differences and business infrastructure constraints;

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- our lack of experience in marketing, and encouraging viral marketing, in foreign countries;
- application of foreign laws and regulations to us, including more stringent consumer and data protection laws;
- fluctuations in currency exchange rates;
- risk of member or local service provider fraud;
- reduced or ineffective protection of our intellectual property rights in some countries; and
- potential adverse tax consequences associated with foreign operations and revenue.

As a result of these obstacles, we may find it impossible or prohibitively expensive to enter foreign markets, or entry into foreign markets could be delayed, which could harm our business, operating results and financial condition.

We may acquire other companies or technologies, which could divert our management s attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

Our success will depend, in part, on our ability to expand our product and service offerings and grow our business in response to changing technologies, member and service provider demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses or technologies rather than through internal development. We have limited experience acquiring other businesses and technologies. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. Furthermore, even if we successfully acquire additional businesses or technologies, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business or technology. In addition, we may unknowingly inherit liabilities from future acquisitions that arise after the acquisition and are not adequately covered by indemnities. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. If an acquired business or technology fails to meet our expectations, our operating results, business and financial condition may suffer.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

At December 31, 2011 we had federal net operating loss carryforwards of approximately $69.5 million and state net operating loss carryforwards of approximately $62.7 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an ownership change, the corporation s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an ownership change generally occurs if there is a cumulative change in our ownership by 5-percent shareholders that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We may have experienced an ownership change in the past and may experience ownership changes in the future as a result of this offering or future transactions in our stock, some of which may be outside our control. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards, or other pre-change tax attributes, to offset United States federal and state taxable income and taxes may be subject to limitations.

Our business is subject to the risks of tornadoes, floods, fires and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our systems and operations are vulnerable to damage or interruption from tornadoes, floods, fires, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins or similar

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events. For example, a significant natural disaster, such as a tornado, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage may be insufficient to compensate us for such losses that may occur. In addition, acts of terrorism could cause disruptions in our business or the economy as a whole. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential customer data. We currently have limited disaster recovery capability, and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems and the Internet to conduct our business and provide high quality service to our members and service providers, such disruptions could negatively impact our ability to run our business, which could have an adverse effect on our operating results and financial condition.

Risks Related to this Offering and Owning Our Common Stock

Our stock price may be volatile, and the value of an investment in our common stock may decline.

The trading price of our common stock has been, and is likely to continue to be volatile, and could decline substantially within a short period of time. For example, since shares of our common stock were sold in our initial public offering in November 2011 at a price of $13.00 per share, our trading price has ranged from $10.77 to $19.82. The trading price of our common stock may be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this Risk Factors section and elsewhere in this prospectus, these factors include:

- our operating performance and the operating performance of similar companies;
- the overall performance of the equity markets;
- the number of shares of our common stock publicly owned and available for trading;
- threatened or actual litigation;
- changes in laws or regulations relating to our solutions;
- any major change in our board of directors or management;
- publication of research reports about us or our industry or changes in recommendations or withdrawal of research coverage by securities analysts;
- large volumes of sales of shares of our common stock by existing stockholders; and
- general political and economic conditions.

In addition, the stock market has experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of listed companies. In addition, the recent distress in the financial markets has also resulted in extreme volatility in securities prices. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company s securities. This litigation, if instituted against us, could result in very substantial costs, divert our management s attention and resources and harm our business, operating results and financial condition.

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Future sales of our common stock by stockholders could depress the market price of our common stock.

Upon completion of this offering, we will have 57,758,516 outstanding shares of our common stock. The shares of our common stock that we and the selling stockholders are selling in this offering may be resold immediately in the public market. In addition, as of the lock-up termination date of May 15, 2012 with respect to our initial public offering, all shares of our common stock will be freely transferable without restriction or registration under the Securities Act, except for shares held by our affiliates, which remain subject to the restrictions in Rule 144 under the Securities Act, and as set forth in the following paragraph. In addition, Mark Britto and Michael S. Maurer, two of our directors, and TRI Investments, LLC, a greater than 5% stockholder and affiliate of one of our directors, have indicated an interest in purchasing up to 38,461, 38,461 and 230,769 shares, respectively, of our common stock in this offering at the offering price. Any shares purchased by these persons will be subject to the lock-up agreements described in the paragraph below.

Subject to certain exceptions described under the caption Underwriting, in connection with this offering, we, our directors and executive officers and the selling stockholders, who will hold in aggregate approximately 25,160,424 shares, or 43.6%, of our common stock after giving effect to this offering, not including any shares purchased by Mark Britto, Michael S. Maurer and TRI Investments, LLC as described under Underwriting, have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of our common stock without the permission of Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 90 days from the date of this prospectus. When the 90-day lock-up period expires, we and our locked-up stockholders will be able to sell our shares in the public market, subject to prior registration or qualification for an exemption from registration including, the case of shares held by affiliates, compliance with the volume limitation, manner of sale and notice provisions of Rule 144. In addition, the underwriters may, in their sole discretion, release all or some portion of the shares subject to lock-up agreements prior to expiration of the lock-up period. See Shares Eligible for Future Sale elsewhere in this prospectus. Sales of a substantial number of shares upon the expiration, or early release, of the lock-up agreements entered into in connection with our initial public offering or our proposed follow-on offering (or the perception that such sales may occur) could cause our share price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Holders of approximately 39,060,256 shares, or 67.6%, of our common stock after giving effect to this offering, not including any shares purchased by Mark Britto, Michael S. Maurer and TRI Investments, LLC as described under Underwriting, and 2,938,598 shares of common stock issuable upon the exercise of outstanding options and warrants as of March 31, 2012 or their transferees will have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Subject to certain exceptions described under the caption Underwriting, in connection with this offering, holders of approximately 25,160,424 shares, or 43.6%, of our common stock after giving effect to this offering, not including any shares purchased by Mark Britto, Michael S. Maurer and TRI Investments, LLC as described under Underwriting, have agreed not to exercise their registration rights for a period of 90 days from the date of this prospectus. In addition, in November 2011 and March 2012, we filed registration statements on Form S-8 under the Securities Act to register an aggregate of 6,784,827 shares of our common stock for issuance under our amended and restated omnibus incentive plan. This plan also provides for automatic increases in the shares reserved for issuance under the plan. These shares may be sold in the public market upon issuance and once vested, subject to the 90-day lock-up period and other restrictions provided under the terms of the applicable plan or award agreement. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

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We have incurred and will continue to incur increased costs as a result of becoming a reporting company.

We have faced and will continue to face increased legal, accounting, administrative and other costs as a result of becoming a reporting company. In addition to Section 404 discussed above, rules implemented by the SEC and the Public Company Accounting Oversight Board have required changes in the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make legal, accounting and administrative activities more time-consuming and costly. For example, we expect to add independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We are also incurring substantially higher costs to obtain directors and officers insurance than in prior periods. In addition, as we gain experience with the costs associated with being a reporting company, we may identify and incur additional overhead costs.

If securities or industry analysts publish inaccurate or unfavorable research about our business, cease coverage of our company or make projections that exceed our actual results, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Furthermore, such analysts publish their own projections regarding our actual results. These projections may vary widely from one another and may not accurately predict the results we actually achieve. Our stock price may decline if we fail to meet securities and analysts projections.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management generally will have broad discretion to use the net proceeds to us from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply the net proceeds from this offering in ways that increase the value of your investment. We expect that we will use the net proceeds of this offering to fund increased advertising to achieve membership growth, development of our products and services and for general corporate purposes, including working capital, selling and marketing activities, general and administrative matters and capital expenditures. We may also use a portion of the net proceeds for the acquisition of businesses and assets that we believe are complementary to our own; however, we do not have any agreements or commitments for any specific acquisitions at this time. We have not otherwise allocated the net proceeds from this offering for any specific purposes. Until we use the net proceeds to us from this offering, we plan to invest them, and these investments may not yield a favorable rate of return. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Concentration of ownership among our officers, directors, large stockholders and their affiliates may prevent new investors, including purchasers in this offering from influencing corporate decisions.

Our officers, directors and their affiliated funds and certain of our pre-IPO stockholders beneficially own or control, directly or indirectly, a majority of the outstanding shares of common stock, assuming no exercise of the underwriters option to purchase additional shares and not including any shares purchased by Mark Britto, Michael S. Maurer, and TRI Investments, LLC as described under Underwriting. As a result, if some of these persons or entities act together, they will have significant influence over the outcome of matters submitted to our stockholders for approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of

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ownership could limit the ability of other stockholders to influence corporate matters and may have the effect of delaying or preventing an acquisition or cause the market price of our stock to decline. Some of these persons or entities may have interests different from yours. For example, because many of these stockholders purchased their shares at prices substantially below the price at which shares are being sold in this offering and have held their shares for a relatively longer period, they may be more interested in selling the company to an acquiror than other investors or may want us to pursue strategies that are different from the wishes of other investors.

Certain provisions in our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors, including, among other things:

- a classified board of directors with three year staggered terms, which could delay the ability of stockholders to replace a majority of our board of directors;

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;

- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- the requirement that a special meeting of stockholders may be called only by a majority vote of our Board of Directors, the Chairman of our Board of Directors, our Chief Executive Officer, our President or our Secretary, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

- the requirement for the affirmative vote of holders of at least 66 $^{2}/3$% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquiror to amend our amended and restated certificate of incorporation or amended and restated bylaws to facilitate a hostile acquisition;

- the ability of our board of directors, by majority vote, to amend our amended and restated bylaws, which may allow our board of directors to take additional actions to prevent a hostile acquisition and inhibit the ability of an acquiror to amend our amended and restated bylaws to facilitate a hostile acquisition; and

- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror s own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under the General Corporation Law of the State of Delaware, or the DGCL. Under Section 203 of the DGCL, a corporation may not, in general, engage in a

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business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or (i) our board of directors approves the transaction prior to the stockholder acquiring the 15% ownership position, (ii) upon consummation of the transaction that resulted in the stockholder acquiring the 15% ownership position, the stockholder owns at least 85% of the outstanding voting stock (excluding shares owned by directors or officers and shares owned by certain employee stock plans) or (iii) the transaction is approved by the board of directors and by the stockholders at an annual or special meeting by a vote of 66 $^{2}/3$% of the outstanding voting stock (excluding shares held or controlled by the interested stockholder). These provisions in our amended and restated certificate of incorporation and amended and restated bylaws and under Delaware law could discourage potential takeover attempts.

We do not intend to pay dividends for the foreseeable future.

We never have declared or paid any cash dividends on our capital stock and do not intend to pay any cash dividends in the foreseeable future. In addition, our debt agreements restrict our ability to make distributions to our stockholders. We anticipate that we will retain any future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their shares of common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements, other than statements of historical fact, included in this prospectus regarding our strategy, future operations, future financial position, future net sales, projected expenses, prospects and plans and objectives of management are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by the forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

- our financial performance, including our revenue, operating expenses and ability to achieve or sustain profitability;
- our ability to accurately measure and predict revenue per paid membership, membership acquisition costs or costs associated with servicing our members;
- our ability to protect our brand and maintain our reputation among consumers and local service providers;
- our efforts to increase the number of our paid memberships, retain existing paid memberships and maintain high member engagement;
- our ability to convince local service providers to advertise on our service;
- our ability to increase our pricing on memberships and service provider contracts as we increase our market penetration;
- our ability to compete for members and advertising spending with existing and future competitors;
- our ability to replicate our business model in our less penetrated markets;
- our capacity to effectively develop and sell additional products, services and features;
- our success in converting consumers and local service providers into paid memberships and participating service providers;
- our ability to maintain the integrity of our member-generated content;
- our ability to retain and hire necessary personnel;
- our long-term international expansion plans;

our ability to stay abreast of modified or new laws and regulations applying to our business, including those regarding sales or transaction taxes and privacy regulation;

our ability to adequately protect our intellectual property; and

economic conditions in the United States and their impact on consumer and advertising spending.

In some cases, you can identify forward-looking statements by terms such as anticipate, believe, estimate, expect, intend, may, might, project, will, would, should, could, can, predict, potential, continue, objective, or the negative of these terms, and similar expr

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identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements reflect our current views about future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management s beliefs and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We are under no duty to update any of these forward-looking statements after the date of this prospectus to conform our prior statements to actual results or revised expectations, except as required by law.

Some of the industry and market data contained in this prospectus are based on data collected by third parties, including LogicLab LLC and ESRI Business Information Solutions (ESRI) or other publicly available information. This information involves a number of assumptions and limitations. Although we believe that each source is reliable as of its respective date, neither we nor the underwriters have independently verified the accuracy or completeness of this information. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled Risk Factors. These and other factors could cause results to differ materially from those expressed in these publications. We qualify all of our forward-looking statements by these cautionary statements.

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USE OF PROCEEDS

The net proceeds to us from the sale of the shares of common stock offered by us will be approximately $8.0 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us at the public offering price of $13.00 per share. We will not receive any proceeds from the sale of our common stock by the selling stockholders.

The principal purposes of this offering are to facilitate an orderly distribution of shares by the selling stockholders and increase our public float. We anticipate that we will use the net proceeds to us to fund our advertising strategy to drive membership growth and for general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire, invest in or obtain rights to complementary technologies, products, services or businesses. There are no such transactions under consideration at this time. Our management will have broad discretion over the use of the net proceeds to us from this offering. Pending these uses, we intend to invest the net proceeds to us from this offering in short-term, interest-bearing investment-grade securities or guaranteed obligations of the United States.

PRICE RANGE OF COMMON STOCK

Our common stock has been listed on the NASDAQ Global Market under the symbol ANGI since our initial public offering on November 17, 2011. Prior to this time, there was no public market for our common stock. The following table shows the high and low sale prices per share of our common stock as reported on the NASDAQ Global Market for the periods indicated:

	High	Low
Fiscal Year 2011		
Fourth Quarter (from November 17, 2011)	$ 18.75	$ 10.77
Fiscal Year 2012		
First Quarter	$ 19.82	$ 12.81

On May 15, 2012, the last sale price of our common stock reported by the NASDAQ Global Market was $13.14 per share. As of May 14, 2012, there were approximately 54 stockholders of record of our common stock. The number of beneficial stockholders is substantially greater than the number of holders of record because a large portion of our common stock is held through brokerage firms.

DIVIDEND POLICY

We never have declared or paid any cash dividends on our capital stock. Currently, we anticipate that we will retain all available funds for use in the operation and expansion of our business and do not anticipate paying any cash dividends after the offering and for the foreseeable future. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on our future earnings, capital requirements, financial condition, prospects, applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits, and other factors that our board of directors deems relevant. In addition, our loan and security agreement restricts our ability to pay dividends. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of March 31, 2012:

- on an actual basis; and
- on an as adjusted basis, giving effect to our receipt of the net proceeds from the sale by us in this offering of shares of common stock at the public offering price of $13.00 per share after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The information below is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual public offering price. You should read the following table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Capital Stock, and the consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of March 31, 2012	
	Actual	As Adjusted
	(in thousands, except share data)	
Cash and cash equivalents	$ 84,570	$ 92,578
Current and long-term debt	14,832	14,832
Stockholders (deficit) equity:		
Preferred stock, $0.001 par value per share: 10,000,000 shares authorized no shares issued and outstanding, actual and as adjusted		
Common stock, $0.001 par value per share, 300,000,000 shares authorized, 65,613,993 shares issued, 57,055,281 shares outstanding, actual; 300,000,000 shares authorized, 66,317,228 shares issued, 57,758,516 shares outstanding, as adjusted	66	66
Additional paid-in capital	236,645	245,295
Treasury stock, at cost: 8,558,712 shares of common stock, actual; 8,558,712 shares of common stock, as adjusted	(23,719)	(23,719)
Accumulated deficit	(179,910)	(180,552)
Total stockholders equity	33,082	41,090
Total capitalization	$ 47,914	$ 55,922

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The number of shares of common stock to be outstanding after this offering is based on 57,055,281 shares outstanding as of March 31, 2012 and excludes:

- 2,850,358 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock at a weighted average exercise price of \$8.69 per share;

- 88,240 shares of common stock issuable upon exercise of a warrant at an exercise price of \$8.50 per share; and

- 3,932,469 shares of common stock reserved for future issuance under our Amended and Restated Omnibus Incentive Plan, plus annual increases thereunder, as described in the section captioned Executive Compensation Employee Benefit Plan Amended and Restated Omnibus Incentive Plan.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated financial and other data regarding our business should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. We derived the consolidated statement of operations data for 2009, 2010 and 2011, as well as the consolidated balance sheet data at December 31, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the consolidated statement of operations data for 2008 from our audited consolidated financial statements not included in this prospectus. We derived the unaudited consolidated statement of operations data for 2007 as well as the unaudited consolidated balance sheet data at December 31, 2007 and 2008 from our unaudited consolidated financial statements not included in this prospectus. We derived the unaudited consolidated statement of operations data for the three months ended March 31, 2011 and 2012 as well as the unaudited consolidated balance sheet data at March 31, 2012 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of results to be expected in any future period, and results for the three months ended March 31, 2012 are not necessarily indicative of results to be expected for the full year.

	Years Ended December 31,					Three Months Ended March 31,	
	2007 (unaudited)	2008	2009	2010	2011	2011	2012
						(unaudited)	
	(in thousands, except share and per share data)						
Revenue							
Membership	$ 10,800	$ 15,935	$ 20,434	$ 25,149	$ 33,815	$ 7,033	$ 9,975
Service provider	12,299	17,929	25,166	33,890	56,228	10,595	21,119
Total revenue	23,099	33,864	45,600	59,039	90,043	17,628	31,094
Operating expenses							
Operations and support	8,931	12,164	11,654	12,464	16,417	3,399	5,775
Selling	8,553	10,098	12,671	16,892	33,815	6,084	12,409
Marketing	8,841	14,941	16,114	30,237	56,122	11,099	17,606
Technology[1]	2,377	4,610	5,062	6,270	9,109	1,843	3,127
General and administrative[1]	7,141	8,773	8,699	16,302	18,740	3,904	5,171
Operating loss	(12,744)	(16,722)	(8,600)	(23,126)	(44,160)	(8,701)	(12,994)
Interest expense	2,949	3,126	3,381	3,966	3,004	935	456
Loss on debt extinguishment		469			1,830		
Loss before income taxes	(15,693)	(20,317)	(11,981)	(27,092)	(48,994)	(9,636)	(13,450)
Income tax expense				154	43		
Net loss	$ (15,693)	$ (20,317)	$ (11,981)	$ (27,246)	$ (49,037)	$ (9,636)	$ (13,450)
Net loss per common share basic and diluted		$ (0.75)	$ (0.45)	$ (0.99)	$ (1.60)	$ (0.34)	$ (0.24)
Weighted average number of common shares outstanding basic and diluted[2]		26,935,785	26,666,918	27,603,927	30,655,532	28,346,204	56,963,649

(1) Includes non-cash stock-based compensation as follows:

	Years Ended December 31,					Three Months Ended March 31,	
	2007 (unaudited)	2008	2009	2010	2011	2011	2012
						(unaudited)	
	(in thousands)						
Technology	$	$	$	$ 496	$ 786	$ 238	$ 146

General and administrative	55	77	76	6,203	3,056	355	534
	$ 55	$ 77	$ 76	$ 6,699	$ 3,842	$ 593	$ 680

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(2) The weighted average number of common shares for all periods prior to April 30, 2010 is based on member units assuming conversion to common stock at the applicable rates effective upon reorganization as a corporation on April 30, 2010.

	Years Ended December 31,					Three Months Ended March 31,	
	2007	2008	2009	2010	2011	2011	2012
Other Data (unaudited):							
Total paid memberships (end of period)[1]	234,879	333,489	411,727	602,882	1,074,757	674,490	1,221,387
Gross paid memberships added (in period)[2]	134,586	193,011	219,140	355,580	716,350	112,761	215,431
Marketing cost per paid membership acquisition (in period)[3]	$ 66	$ 77	$ 74	$ 85	$ 78	$ 98	$ 82
First-year membership renewal rate (in period)[4]	65%	62%	67%	70%	75%	71%	73%
Average membership renewal rate (in period)[4]	73%	70%	73%	75%	78%	75%	76%
Participating service providers (end of period)[5]	6,437	7,960	10,415	15,060	24,095	17,577	27,100
Total service provider contract value (end of period, in thousands)[6]	$ 15,268	$ 22,489	$ 30,849	$ 43,050	$ 73,609	$ 50,303	$ 87,335

(1) Reflects the number of paid memberships at the end of each period presented. Total paid memberships also includes a de minimis number of complimentary memberships in our paid markets for all periods presented. The number of memberships lost during the periods presented was 51,817, 94,401, 140,902, 164,425, 244,475, 41,153 and 68,801 for 2007, 2008, 2009, 2010, 2011 and the three months ended March 31, 2011 and 2012, respectively.
(2) Reflects the total number of new paid memberships added in a reporting period.
(3) Reflects marketing expense divided by gross paid memberships added in a reporting period.
(4) First-year renewal rate reflects the percentage of paid memberships expiring in the reporting period after the first year of membership that are renewed, and average membership renewal rate reflects the percentage of all paid memberships expiring in the reporting period that are renewed. Renewal rates exclude monthly memberships.
(5) Reflects the total number of service providers under contract for advertising at the end of the period.
(6) Reflects the total contract value of active service provider contracts at the end of the period. Contract value is the total payment obligation, including amounts already recognized in revenue, of a service provider to us over the stated term of the contract.

	As of December 31,					As of March 31,
	2007	2008	2009	2010	2011	2012
	(unaudited)					(unaudited)
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$	$ 7,786	$ 2,016	$ 9,209	$ 88,607	$ 84,570
Working capital	(22,592)	(3,924)	(15,331)	(18,378)	58,085	44,093
Total assets	6,896	18,737	12,299	22,601	111,398	113,609
Total deferred revenue	10,100	14,380	18,024	23,261	34,786	38,885
Long-term debt, including accrued interest	6,316	22,987	22,503	16,463	14,820	14,832
Convertible preferred stock				2		
Common stock and additional paid-in capital				85,486	236,015	236,711
Stockholders equity (deficit)	(25,306)	(24,677)	(36,268)	(33,757)	45,836	33,082

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in the Risk Factors section.

Overview

We operate a consumer-driven solution for our members to research, hire, rate and review local professionals for critical needs, such as home, health care and automotive services. Our ratings and reviews, which are available only to our members, help our members to find the best provider for their local service needs. We currently have more than 1.2 million paid memberships. We allow local service providers who are highly rated by our members to advertise discounts and other promotions to our members.

We generate revenue from both our members and our service providers. We derive membership revenue from subscription fees and, in certain cases, non-refundable initiation fees for monthly, annual and multi-year memberships. These fees typically are charged in advance and recognized ratably over the subscription period and the expected life of the membership, respectively. As of March 31, 2012, approximately 89% of our total membership base had purchased annual or multi-year memberships. These subscription fees represent a significant source of our working capital and have provided a relatively predictable revenue stream.

We derive service provider revenue principally from term-based sales of advertising to local service providers. Our members grade local service providers on an A to F scale, and we invite local service providers with an average grade of B or better and at least two reviews submitted in the last three years to advertise to our members through any or all of our website, email promotions, monthly magazine and call center. As of March 31, 2012, approximately 243,000 of the 947,000 service providers reviewed on Angie s List were eligible to advertise with us. Approximately 11% of these eligible service providers were participating as advertisers at March 31, 2012.

Service provider contracts in effect as of March 31, 2012 had an average term of 13.9 months, can be prepaid or invoiced monthly at the option of the service provider and carry an early termination penalty. We recognize service provider revenue ratably over the period in which an advertising campaign is run. Since 2008, service provider revenue has comprised a majority of our total revenue, and we expect service provider revenue to increase as a percentage of total revenue in the future. We are expanding our service provider sales force to continue to drive increased service provider revenue. Our high service provider renewal rates, both in number of service providers renewing and as a percentage of initial contract value renewed, have provided us with a relatively predictable revenue stream.

To establish a new market, we begin by offering free memberships and actively soliciting members reviews of local service providers. As the number of members and the number of reviews of service providers grow, we begin charging membership fees and offering advertising opportunities to eligible local service providers. Historically, we have begun to convert most markets to paid membership status within 24 months after launch. From January 1, 2008 through March 31, 2012, we grew our operations from 45 to 186 paid membership markets across the United States.

Increasing new paid memberships is our key growth strategy. Increased penetration in a market results in more member reviews of local service providers, which increases the value of our service to consumers and drives further membership growth in that market. Increased penetration in a market also drives increased

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advertising sales to service providers and supports higher advertising rates as the pool of members actively seeking to hire service providers grows. However, our ability to increase advertising rates tends to lag increased penetration of our markets due to our inability to increase rates under existing service provider contracts prior to renewal. Our primary strategy for new member acquisition is national offline and online advertising. In 2011 and the three months ended March 31, 2012, our marketing expense was $56.1 million and $17.6 million, respectively. We expect marketing expense to increase in future periods as we accelerate our advertising spending to acquire new paid memberships.

As described further in Market Cohort Analysis below, we believe that our estimated penetration rate and average revenue per market will increase as markets mature, and over the long term we believe that these increased revenues will more than offset our operating expenses. In addition, our advertising spending, which is our single largest operating expense, is related to the acquisition of new members, rather than the maintenance of existing members. Because our advertising contracts typically are short-term, we can rapidly adjust marketing expense, and thus decrease total operating expenses to reduce cash used in operations or generate cash and profits from operations should we begin to experience adverse trends in marketing cost per paid membership acquisition or wish to optimize for profitability at the expense of rapid growth. We believe that our high membership renewal rates and word of mouth referrals from existing members, combined with effective purchasing of lower volumes of advertising, would enable us to maintain and potentially grow the size of our paid membership base at a lower level of overall advertising spending.

From our inception in 1995 through 2000, we operated primarily as a call center service in mid-sized markets such as Indianapolis, Charlotte, Cleveland and Tampa. In February 2001, we launched our website, www.AngiesList.com, in all 10 of our then-established markets, and almost immediately www.AngiesList.com became our primary service platform. In 2006, we set out to expand our operations to cover all major U.S. metropolitan markets and establish a national footprint, and as of March 31, 2012 Angie s List was operating in 186 paid membership markets across the country.

Market Cohort Analysis

To analyze our progress in executing our expansion plan, we compile certain financial and operating data regarding markets we have entered grouped by the years in which the markets transitioned to paid membership status. The table below summarizes this data for twelve month period ended March 31, 2012 by the following cohorts. The pre-2003 cohort includes our ten most established markets, where we initially built out our business model. The markets in this cohort include several mid-sized urban markets in the Midwest as well as Chicago and Boston. The 2003 through 2007 cohort includes the first major subset of markets, including many of our largest potential markets, that we targeted in our national expansion strategy. The markets in these cohorts have begun to achieve penetration rates that allow us to transition beyond introductory membership and advertising rates. The 2008-2010 and post-2010 cohorts include markets that have most recently converted to paid status and that still have predominantly introductory membership and advertising rates. The markets in these cohorts generally are smaller markets that we entered to fill out our national presence.

Cohort	# of Markets	Avg. Revenue/ Market(1)	Membership Revenue/Paid Membership(2)	Service Provider Revenue/Paid Membership(3)	Avg. Marketing Expense/ Market(4)	Total Paid Memberships(5)	Estimated Penetration Rate(6)	Annual Membership Growth Rate(7)
Pre-2003	10	$ 3,621,617	$ 50.78	$ 109.02	$ 995,174	271,800	6.8%	50%
2003-2007	35	1,736,684	43.21	76.01	1,022,888	655,982	4.6%	80%
2008-2010	103	59,506	15.36	14.81	145,424	278,193	4.6%	117%
Post 2010	38	5,871	11.63	15.12	49,935	15,412	2.0%	*
Total	186					1,221,387		

* Not meaningful.

(1) Average revenue per market is calculated by dividing the revenue recognized for the markets in a given cohort by the number of markets in the cohort at period end.

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(2) Membership revenue per paid membership is calculated as our membership revenue in the cohort divided by the average number of paid memberships in the cohort. We calculate this average per market to facilitate comparisons among cohorts, but it is not intended to represent typical characteristics of actual markets within the cohort.
(3) Service provider revenue per paid membership is calculated as service provider revenue in the cohort divided by the average number of paid memberships in the cohort.
(4) Average marketing expense per market is calculated first by allocating marketing expense to each cohort based on the percentage of our total target demographic for all markets in such cohort, as determined by third-party data, and then dividing the allocated cohort marketing expense by the number of markets in the cohort at period end. We calculate this average per market to facilitate comparisons among cohorts, but it is not intended to represent typical characteristics of actual markets within the cohort. According to a February 2012 demographic study by LogicLab LLC that we commissioned, there were approximately 29 million households in the United States in our target demographic, which consists of homeowners aged 35 to 64 with an annual household income of at least $75,000. Approximately 25 million of these households were in our markets. The average number of households per market in our demographic target was 400,000, 410,000, 60,000 and 20,000 for the pre-2003, 2003-2007, 2008-2010 and post-2010 cohorts, respectively.
(5) Includes total paid memberships as of March 31, 2012. Total paid memberships in each cohort includes a de minimis number of complimentary memberships in our paid markets for the period presented. All revenue and paid memberships relating to locations that were not identified as part of a specific market are included in the 2008-2010 cohort.
(6) Estimated penetration rate is calculated by dividing the number of paid memberships in a given cohort as of March 31, 2012 by the number of households meeting our target demographic criteria in such cohort.
(7) Annual membership growth rate is the rate of increase in the total number of paid memberships in the cohort between March 31, 2011 and March 31, 2012.

Our average revenue per market, membership revenue per paid membership and service provider revenue per paid membership generally increase with the maturity and corresponding increased penetration of our markets. However we expect total revenue per paid membership to fluctuate from period to period and in recent periods we generally recorded declining total revenue per paid membership overall. This decline reflects a lag in our ability to leverage increased penetration in a market into increased advertising rates as our average advertising contract term in effect as of March 31, 2012 was 13.9 months and we are only able to increase rates for a given participating service provider upon contract renewal. In addition, the decline reflects rapid membership growth in less penetrated markets where the average membership and service provider revenue per paid member is lower than in more penetrated markets.

We also have adopted a dynamic pricing model in 61 of our mature markets to offer members the opportunity to purchase only those segments of Angie s List that are most relevant to them, which includes the original Angie s List, which covers 320 categories, including home, lawn, car and pets, Angie s List Health & Wellness or Angie s List Classic Cars. These segments continue to be offered in all other markets as a single bundle. We anticipate unbundling our offerings in more of our markets as market penetration increases and the number and categories of local service providers reviewed by members in such markets grow. We believe this pricing model will enable us to offer a better value proposition to our members and preserve cross-selling opportunities as members needs evolve. Although we expect that this strategy may result in lower average membership fees per paid membership overall, we believe the new members generated by this pricing model should ultimately produce increased service provider revenue per paid membership.

As a market matures, our penetration rate typically increases. Historically, while the absolute number of paid members may grow faster in large markets, our small and medium markets have often achieved greater penetration over a shorter time period than our larger markets. We believe that a principal reason for our lower penetration rates in large markets is the manner in which we market Angie s List to our target demographic in such markets. We have chosen to spend 100% of our marketing dollars on national advertising. We believe that this advertising strategy provides us the most cost-efficient manner of acquiring new paid memberships. However, advertising nationally means we deliver the same volume of advertising regardless of the size of the market. Since each market differs in terms of the number of advertising outlets available, the impact of our spending on national advertising varies across markets. In our experience, smaller markets typically have fewer advertising outlets than larger markets. We believe the same volume of advertising in a smaller market is more effective in building brand awareness and generating new memberships than in larger markets. We expect to

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continue to see lower relative penetration rates in our larger markets for these reasons. Because several of these larger markets are in the 2003-2007 cohort, over time our penetration rate in this cohort may lag other cohorts.

Key Operating Metrics

In addition to the line items in our financial statements, we regularly review a number of other operating metrics related to our membership and service provider bases to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe information on these metrics is useful for investors and analysts to understand the underlying trends in our business. The following table summarizes our key operating metrics, which are unaudited, for the years ended December 31, 2009, 2010 and 2011 and the first three months of 2011 and 2012:

	Years Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
Total paid memberships (end of period)	411,727	602,882	1,074,757	674,490	1,221,387
Gross paid memberships added (in period)	219,140	355,580	716,350	112,761	215,431
Marketing cost per paid membership acquisition (in period)	$ 74	$ 85	$ 78	$ 98	$ 82
First-year membership renewal rate (in period)	67%	70%	75%	71%	73%
Average membership renewal rate (in period)	73%	75%	78%	75%	76%
Participating service providers (end of period)	10,415	15,060	24,095	17,577	27,100
Total service provider contract value (end of period, in thousands)	$ 30,849	$ 43,050	$ 73,609	$ 50,303	$ 87,335

Total paid memberships. Total paid memberships reflects the number of paid memberships at the end of each period presented. Total paid memberships also includes a de minimis number of complimentary memberships in our paid markets for all periods presented. Our number of total paid memberships increased 81% for the first three months of 2012 over the first three months of 2011, 78% for 2011 over 2010 and 46% for 2010 over 2009. We generally expect that there will be one membership per household and, as such, each membership may actually represent multiple individual consumers.

Gross paid memberships added. Gross paid memberships added reflects the total number of new paid memberships added in a reporting period. Gross paid memberships added increased substantially in each period presented, which we believe has been driven by our increasing investment in national advertising spend and, to a lesser extent, by word of mouth referrals from our existing members.

Marketing cost per paid membership acquisition. We calculate marketing cost per paid membership acquisition in a reporting period as marketing expense divided by gross paid memberships added in that period. Because we advertise in national media, some of our marketing expense also increases the number of unpaid memberships. On a comparative basis, marketing cost per paid membership acquisition can reflect our success in generating word of mouth referrals and experimentation and adjustments to our marketing expense to focus on more effective advertising outlets for membership acquisition. We typically have higher marketing expense and marketing cost per paid membership acquisition in the second and third quarters of the year in order to attract consumers during the periods when we have found they are most actively seeking Angie s List services. Our marketing expense and marketing cost per paid membership acquisition is normally reduced in the fourth quarter, reflecting reduced consumer activity in the service sector and higher advertising rates generally due to holiday promotional activity.

Membership renewal rates. First-year membership renewal rate reflects the percentage of paid memberships expiring in the reporting period after the first year of membership that are renewed. Average membership renewal rate reflects the percentage of all paid memberships expiring in the reporting period that are renewed. Renewal rates do not include monthly memberships, which comprised 11% of our total membership base as of March 31, 2012. Given the correlation between increased penetration and higher total revenue per paid membership, we view first-year membership renewal rate and average membership renewal rate as key indicators of expected operating results in future periods.

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Participating service providers. We include in participating service providers the total number of service providers under contract for advertising at the end of the period. Our number of participating service providers increased 54% for the first three months of 2012 over the first three months of 2011, 60% for 2011 over 2010 and 45% for 2010 over 2009.

Total service provider contract value. We calculate service provider contract value as the total contract value of active service provider contracts at the end of the period. Contract value is the total payment obligation of a service provider to us, including amounts already recognized in revenue, over the stated term of the contract.

In addition, we have recently begun tracking contract value backlog as a key metric. Contract value backlog consists of the portion of service provider contract value at the stated date which has not yet been recognized as revenue. Our contract value backlog was $46.2 million at December 31, 2011 and $55.1 million at March 31, 2012.

Basis of Presentation and Recent Trends

Revenue

Membership revenue. Our members sign up for monthly, annual or multi-year subscriptions to our service. Membership revenue includes subscription fees and, in certain cases, non-refundable initiation fees charged to new members. We charge the full price of membership at the commencement of the subscription period and at each renewal date (whether monthly, annual or multi-year), unless the member chooses not to renew the membership before the renewal date. Our members prepay their membership fees at the commencement of the subscription period. We record prepaid membership fees as deferred revenue and recognize the fees as revenue over the subscription period. We charge a non-refundable initiation fee in connection with monthly memberships and the lowest cost annual memberships in less penetrated markets. We recognize revenue from non-refundable initiation fees over the expected life of the membership, which we estimate to be 13 months for monthly memberships and 60 months for annual and multi-year memberships, based on our historical experience.

Service provider revenue. We generate revenue from service providers in two ways: through advertisements and service providers sales of e-commerce vouchers to our members. Local service providers generally pay for advertisements in advance on a monthly or annual basis. The average term of our service provider contracts was 13.9 months as of December 31, 2009, 14.0 months as of December 31, 2010, 14.1 months as of December 31, 2011 and 13.9 months as of March 31, 2012. We believe that the average term of service provider contracts through mid-2011 grew principally due to incentives established by our commission structure. In 2009, 2010 and the first quarter of 2011, we compensated our service provider sales force based on the total value of service provider contracts over their terms. In the second quarter of 2011, we redesigned our commission structure to emphasize twelve month contracts and decrease compensation tied to service provider contract value that was realized over more than twelve months. As a result, the average term of our service provider contracts has decreased. While longer term service provider contracts provide a predictable stream of revenue, by shortening the average term of our service provider contracts we are able to more frequently adjust advertising rates as our penetration of a given market increases.

We recognize revenue from the sale of website and call center advertising ratably over the time period in which the advertisements run. We recognize revenue from the sale of advertising placement in *Angie s List Magazine* in the month the advertisement is published and distributed. As our penetration of a given market increases, we are typically able to charge higher rates for advertising because service providers are able to reach a larger base of potential customers. However, because we only increase advertising rates at the time of contract renewal, increases in service provider revenue in a given market may trail increases in market penetration.

Service provider revenue also includes revenue for sales of e-commerce vouchers to our members. We recognize revenue from e-commerce transactions when the vouchers have been electronically delivered to the

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purchaser. When we sell a voucher, we retain a portion of the proceeds and remit the remainder of the proceeds to the service provider. We record the net amount retained from these vouchers as revenue. We record revenue on a net basis because we are acting as an agent on behalf of the merchant in the transaction.

Operating expenses

Operations and support. Operations and support expense consists primarily of costs associated with publishing *Angie s List Magazine*, operating our call center and providing support to our members and service providers, including wages and other employee benefits, credit card processing fees for member enrollment service provider advertising and other transactions on our website, report transcription and data entry, and amortization of the cost of acquired data. Operations and support expense does not include the cost of maintaining our website, which is included in technology expense. As a result of the recent growth of our membership, we expanded our call center staff to maintain high levels of customer service and encourage high renewal rates. Between January 1, 2011 and March 31, 2012, we increased headcount in our call center by 64, to 126 personnel. We are also increasing our use of third-party marketing research firms to enable our members to submit reviews by telephone to enrich the content available to our members and expand the number of service providers eligible to advertise with us. We expect our operations and support expense to increase in absolute dollars in the future as we continue to grow our membership and scale our operations.

Selling. Selling expense consists primarily of commissions, wages and other employee benefits for personnel focused on selling advertising to eligible service providers. We pay substantially higher commissions to our service provider sales force for contracts with first-time participating service providers than we pay for renewals of advertising contracts, with effective commission rates of approximately 64% for new service provider contracts compared to 10% for renewals. Selling expense also includes the cost of service provider marketing efforts, facilities related to sales personnel, supplies and sales force training, as well as personnel-related costs for account management personnel. Because selling expense primarily consists of commissions, we generally expect it to fluctuate with service provider revenue over time.

Commission expense is paid in the month after the commission is earned but is deferred for financial reporting and recognized as the related revenue is recognized. Sales personnel are paid a minimum draw, and to the extent the draw exceeds commissions earned, we expense the excess draw as salary in the period the draw is paid. Because new sales personnel require time to attain full productivity, most of our draws expensed as salary are for newly hired sales personnel. As a result, in periods of rapid expansion of our sales force such as 2011, our selling expense as a percentage of revenue may increase. As of March 31, 2012, 191 of our service provider sales personnel out of 408 had been hired within the past six months. Because we plan to continue to invest in expanding our sales force for new contracts, we expect selling expense to increase in absolute dollars and as a percentage of revenue in future periods.

Marketing. Marketing expense consists of national television, radio and print, as well as online advertising for the purpose of acquiring new paid memberships. Because the vast majority of our advertising spending is related to our growth strategy and our advertising contracts typically are short-term, we can rapidly adjust marketing expense. For example, in 2009, we reduced the rate of growth in our advertising spending in view of economic conditions in the United States. We have significantly increased, and expect to continue to increase, our investment in membership acquisition. Such increased marketing expense will consume material amounts of our cash, and is expected to result in additional losses and negative cash flow.

Technology. Technology expense consists primarily of personnel-related costs, including wages, employee benefits and expenditures for professional services and facilities, all of which are related to maintenance of our website and product development. Technology expense also includes stock-based compensation expense relating to our technology personnel. Our technology expense has increased during the periods presented primarily as a result of the addition of technology personnel and enhancement of our technology platform. We expect technology expense to continue to increase in absolute dollars in future periods to support the growth in our members, service providers and personnel.

General and administrative. General and administrative expense consists primarily of personnel-related costs, including wages, benefits and expenditures for executive, legal, finance, human resources and corporate communications personnel, as well as professional fees, facilities expense, insurance premiums, amortization of certain intangibles, depreciation of leasehold improvements and other corporate expenses. General and administrative expense also includes stock-based compensation expense relating to our general and administrative personnel. Our general and administrative expense has increased substantially since 2009, and we expect general and administrative expenses, with the exception of stock-based compensation, to continue to increase in absolute dollars in future periods as we support our growing organization and incur costs related to operating as a public company.

Conversion to Corporation and Additional Stock-based Compensation

In April 2010, we converted from an Indiana limited liability company to a Delaware corporation. In connection with this conversion, unexercised options and unvested restricted membership units in the limited liability company held by certain of our personnel were cancelled. In the fourth quarter of 2010, we granted stock options and issued restricted stock in the Delaware corporation to certain of our personnel as a subsequent acknowledgement of interests in the limited liability company that had been cancelled in connection with the conversion. Principally as a result of these grants, we recorded an aggregate of $6.7 million in stock-based compensation expense in 2010, of which $6.2 million was recorded as general and administrative expense and $0.5 million was recorded as technology expense. We will continue to record expense related to these issuances as they vest through 2013, other than approximately $1.1 million in restricted stock vesting and expense which accelerated upon our initial public offering.

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Results of Operations

The following tables set forth our results of operations for the periods presented in absolute dollars and as a percentage of our revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Years Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(in thousands)		
Revenue					
Membership	$ 20,434	$ 25,149	$ 33,815	$ 7,033	$ 9,975
Service provider	25,166	33,890	56,228	10,595	21,119
Total revenue	45,600	59,039	90,043	17,628	31,094
Operating expenses					
Operations and support	11,654	12,464	16,417	3,399	5,775
Selling	12,671	16,892	33,815	6,084	12,409
Marketing	16,114	30,237			