

Answers CORP  
Form S-3/A  
March 21, 2006

As filed with the Securities and Exchange Commission on March 21, 2006  
Registration Number 333-131108

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**AMENDMENT NO. 1**

**TO**

**FORM S-3**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**ANSWERS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

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

Jerusalem Technology Park  
The Tower  
Jerusalem, Israel 91481  
+972-2-649-5000

(Address, including zip code, and telephone number,  
including area code of registrant's principal executive offices)

Robert S. Rosenschein  
Chief Executive Officer, President and Chairman of the Board  
Jerusalem Technology Park  
The Tower  
Jerusalem, Israel 91481  
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(Name, address, including zip code, and telephone number, including area code of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this  
Registration Statement.

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If the only securities being registered on this form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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## CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities To Be Registered	Amount To Be Registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
Common Stock, par value \$0.001 per share	(2) 439,000	(3) \$ 12.00	\$ 5,268,000	(4) \$ 564.00
Common Stock, par value \$0.001 per share	(4) 26,422	(5) \$ 17.27	\$ 456,308	\$ 49.00
Total	465,422		\$ 5,724,308	\$ 613.00 <sup>(6)</sup>

(1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), this registration statement shall also cover any additional shares of common stock that shall become issuable by reason of any stock dividend, stock split, recapitalization or other similar transaction.

(2) Represents 439,000 shares issued in connection with our acquisition of Brainboost Technology, LLC.

(3) Estimated in accordance with Rule 457(c) of the Securities Act, based on the average of the high and low prices as reported on The Nasdaq National Market on January 11, 2006.

(4) Represents 26,422 shares of common stock issuable upon the exercise of warrants issued by us in February 2005 to a certain holder of bridge warrants issued by us in January and February 2004.

(5) Pursuant to Rule 457(g) under the Securities Act, the maximum offering price per security represents the exercise price of the warrants.

(6) Previously paid \$2,991.71 on January 18, 2006.

**The registrant hereby amends this registration statement on such date or date(s) as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.**

## EXPLANATORY NOTE

**PURSUANT TO RULE 429 UNDER THE SECURITIES ACT, IN ADDITION TO THE 465,422 SHARES OF COMMON STOCK INCLUDED IN THIS REGISTRATION STATEMENT, THE PROSPECTUS CONTAINED HEREIN IS A COMBINED PROSPECTUS WHICH ALSO INCLUDES (i) 1,013,039 SHARES OF COMMON STOCK BEING CARRIED FORWARD FROM THE REGISTRANT'S REGISTRATION STATEMENT NO. 333-123906 (AS TO WHICH THE REGISTRANT PAID FILING FEES OF \$2,059.18 WITH RESPECT TO SUCH SHARES) AND (ii) 404,813 SHARES OF COMMON STOCK BEING CARRIED FORWARD FROM THE REGISTRANT'S REGISTRATION STATEMENT NO. 333-115424 (AS TO WHICH THE REGISTRANT PAID FILING FEES OF \$343.06.)**

The information in this prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED MARCH 21, 2006**

**PROSPECTUS**

**ANSWERS CORPORATION**

1,883,274 Shares of Common Stock

(of which 1,013,039 were previously registered pursuant to Registration Statement No. 333-123906 and 404,813 shares of common stock were previously registered in Registration Statement No. 333-115424)

This prospectus relates to 1,883,274 shares of our common stock, par value \$.001 per share, for sale from time to time by the selling stockholders identified in this prospectus. Of these shares, 1,013,039 shares of common stock were previously registered in Registration Statement No. 333-123906, 404,813 shares of common stock were previously registered in Registration Statement No. 333-115424, 439,000 shares were issued in December 2005 as part of the consideration in connection with our acquisition of Brainboost Technology, LLC and 26,422 shares are issuable upon the exercise of outstanding warrants issued to a certain holder of bridge warrants we issued in a bridge financing transaction in January and February 2004..

We will not receive any of the proceeds from the sale of the shares sold pursuant to this prospectus, other than the exercise price, if any, to be received upon exercise of certain warrants and options included above. We will bear all expenses in connection with the registration of the shares, other than underwriting discounts and selling commissions.

Our common stock currently trades on The Nasdaq National Market under the symbol "ANSW." On March 15, 2006, the last reported sale price for our common stock on The Nasdaq National Market was \$10.46 per share.

**The securities offered in this prospectus involve a high degree of risk. See "Risk Factors" beginning on page 3 of this prospectus to read about factors you should consider before buying shares of our common stock.**

The selling stockholders are offering these shares of common stock. The selling stockholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling stockholders will receive all proceeds from the sale of the common stock. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution."

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

The date of this Prospectus is \_\_\_\_\_, 2006



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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

## SUMMARY

*This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including, the section entitled "Risk Factors" before deciding to invest in our common stock. Answers Corporation is referred to throughout this prospectus as "Answers," "we" or "us."*

We operate an answer-based service that provides computer users with content covering millions of topics, through our Web site, Answers.com, our optional downloadable applications and distribution channels. Our technology aggregates and presents information from disparate sources and delivers results to users' queries in a single consolidated view - a snapshot of multi-faceted definitions and explanations from attributable reference sources. As a result of our intelligent aggregation of multiple sources of content, our Answers.com topic pages (called an AnswerPage) often appear among the top links on search results pages of Internet search engines. Further, we also obtain traffic from users who visit [www.answers.com](http://www.answers.com) directly to research topics. We seek to differentiate ourselves by providing our users with relevant information that can be helpful alongside results achieved through traditional search engines. Answers.com also includes other related information in various formats, such as charts, graphs and maps, and provides pointers to relevant sites, blogs and other external search resources.

On January 3, 2005, we announced the release of Answers.com, a free-access website that had been launched in August 2004 in beta version. Prior to January 2005, we were primarily in the business of selling subscriptions for access to our answer-based product.

In conjunction with Answers.com, we also released 1-Click Answers™, a software tool that facilitates more efficient access to Answers.com. 1-Click Answers™ allows users working in almost *any* application, such as e-mail, spreadsheet, word processing, database or other program to click on a word or phrase within a document and access Answers.com's online library and its display of information about that word or phrase in a web browser or pop-up window. While Web users enjoy our integrated reference information, our basic Web site does not provide the "1-Click" functionality and context analysis that we include in our supplemental 1-Click Answers™ software version. 1-Click Answers™ is available for users of both Microsoft Windows® (via the "alt-click" combination) and Apple's Macintosh OS X (by selecting the text and applying the Cmd-Shift-G keys). For example, when clicking on the word "Ford" appearing in the context of Ford Motor Company, Harrison Ford or Francis Ford Coppola, the system will process and recognize the context and deliver information on vehicles, movie stars and film directors, respectively. In Windows, 1-Click Answers™ also includes a downloaded toolbar for query lookup while using Microsoft Internet Explorer for Windows® as well as a docked AnswerBar utility.

Our primary revenue source for monetizing Answers.com traffic is advertising. Most of our ad revenue is earned from sponsored text-based links and image ads, either as pay-per-performance ads or paid-for-impression advertising. In the pay-for performance model, we earn revenue based on the number of clicks associated with such ads; in the paid-for-impression model, our revenues are derived from the display of ads.

In addition to Answers.com organic traffic, we partner with third-party sites that deliver our services to their users. The fees we pay to our distribution channels are often calculated as a percentage of the revenue we earn by delivering services to their users. When a third-party site monetizes our content using their own revenue mechanism, we are paid by that partner. These arrangements are based on various formulas, including a percentage of the revenues they earn by delivering our services to their users, fees based on the number of user queries and fixed periodic fees.

Answers.com's collection of over three million answers is drawn from over sixty titles from brand-name publishers, as well as original content created by Answers.com's own editorial team. Among the titles we currently license from third-party sources are:

· AccuWeather

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- All Media Guide
- The American Heritage Dictionary (Fourth Edition); from Houghton Mifflin
- CIA World Factbook 2005, prepared by the Central Intelligence Agency
  - Columbia University Electronic Encyclopedia (Sixth Edition)
    - Computer Desktop Encyclopedia
    - Gale Encyclopedia of Cancer
  - The History of Science and Technology, from Houghton Mifflin
    - MarketWatch, Inc. (from Dow Jones)
  - Taylor's Dictionary for Gardeners, from Houghton Mifflin
    - West's Encyclopedia of American Law (First Edition)
    - Wikipedia

By attributing the data source of each piece of our information on each web page, we enable our users to make an independent evaluation as to the credibility of our data.



## Corporate Information

We were incorporated as a Texas corporation in December 1998, and reorganized as a Delaware corporation in April 1999. In January 2004, we changed our name from Atomica Corporation to GuruNet Corporation. On October 17, 2005, we changed our name from GuruNet Corporation to Answers Corporation. Our principal executive office is located at Jerusalem Technology Park, The Tower, Jerusalem 91481, Israel, and our telephone number is +972-2-649-5000. Our U.S. office is located at 237 West 35<sup>th</sup> Street, Suite 1101, New York, NY 10001, telephone: 646-502-4777. Our executive officer in charge of investor relations is a resident of the U.S. office. Our corporate Website is located at <http://www.answers.com>. Information contained in our Website shall not be deemed to be a part of this prospectus.

## Recent Developments

On December 1, 2005 pursuant to a Purchase Agreement among us, Brainboost Partnership, a New York general partnership Assaf Rozenblatt, Edo Segal and Jon Medved, we purchased the entire limited liability interests of Brainboost Technology, LLC, a Delaware limited liability company (“Brainboost”). As a result of the acquisition, we took title to and possession of those certain assets owned by Brainboost, including, among other things, all intellectual property rights associated with a functionality known as the Brainboost Answer Engine, a cutting-edge Artificial Intelligence technology targeting natural language search on the World-Wide-Web. Pursuant to the Purchase Agreement, we paid Brainboost Partnership an aggregate of \$4,000,000 in cash and 439,000 shares of our common stock. The common stock issued is subject to a lock-up agreement until December 1, 2006 except for certain leak-out provisions over the one-year period. In addition, in the event that the average price of our common stock for the 20 consecutive trading days immediately preceding December 1, 2006 (the “Average Closing Price”) is less than \$10.2575 per share, we will either repurchase the common stock held by Brainboost Partnership and/or its partners at \$10.2575 per share or pay Brainboost Partnership the difference between \$10.2575 per share and the Average Closing Price subject to certain conditions set forth in the Purchase Agreement. In the event the Average Closing Price is below \$10.2575 on December 1, 2006 and the sellers have not sold a significant amount of the common stock issued to them, we may be obligated to pay the sellers a significant amount of cash in excess of the \$4 million already paid in December 2005. Even in the event of a significant decrease in our stock price, we believe we have sufficient cash to pay the sellers of Brainboost the amount which may be owed to them as described above, and continue to meet our cash operating needs.

In connection with the acquisition of Brainboost, we also entered into an employment agreement with Mr. Rozenblatt, the developer of the Brainboost Answer Engine (“BAE”). Since December 2005, Mr. Rozenblatt has been serving as our Director of Natural Language Research. During 2006, we expect to hire a number of engineers and other technical staff to assist Mr. Rozenblatt with the integration and further development of the BAE within our systems and proprietary products. We believe that the addition of Mr. Rozenblatt and such additional staff will add approximately \$400,000 to our compensation expense, on an annualized basis, above and beyond approximately \$4.2 million of deferred compensation expense relating to Mr. Rozenblatt’s employment that was recorded as a contra equity account on our balance sheet on the acquisition date and is being amortized and charged to expense over the six-month period ending June 1, 2006. The \$4.2 million of compensation stems from the terms of the Brainboost acquisition. 50% and 25% of the stock consideration are in escrow for three and six months, respectively, after the acquisition date. Release from escrow is contingent upon the continued employment of Mr. Rozenblatt with us.

The BAE, which will be incorporated into Answers.com, delivers answers to end-user generated natural language questions by identifying pages on the web that contain sentences or phrases that appear to answer such specific questions. In contrast, Answers.com in its current state is topic-based, much as an encyclopedia is built of entries that the reader looks up by name. We generally only need to scour our own database of licensed content topics to get the user the “answer” he or she seeks. As the Brainboost-type queries will require us to scour the web, we believe that the cost per query, for such queries, will be higher than our current costs per query.

We have also agreed with Brainboost Partnership to file a registration statement with respect to the 439,000 shares of common stock issued to them by February 14, 2006 and to use our reasonable best efforts to cause the registration statement to be declared effective by March 31, 2006. In the event the registration statement is not filed or declared effective within such time periods, Brainboost Partnership will be entitled to partial liquidated damages in the amount of \$100,000 for every 30-day period that the registration statement has not been filed or declared effective.

## RISK FACTORS

*An investment in our shares involves a high degree of risk. Before making an investment decision, you should carefully consider all of the risks described in this prospectus. If any of the risks discussed in this prospectus actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the price of our shares could decline significantly and you may lose all or a part of your investment. Our forward-looking statements in this prospectus are subject to the following risks and uncertainties. Our actual results could differ materially from those anticipated by our forward-looking statements as a result of the risk factors below. See "Forward-Looking Statements." Note that the risks and uncertainties described below are not the only ones facing us.*

### RISKS RELATED TO OUR BUSINESS

**Our current business model, based on increasing visitor traffic to our Website, and monetizing such traffic, through sponsored links and paid advertisements, was initiated in the beginning of January 2005 and is still in a relatively early stage. Our limited experience executing on our new business model and the relatively short history of metrics available to us, make it difficult to evaluate our future prospects and the risk of success or failure of our business.**

Implementation of our current business model, announced on January 3, 2005, is in a relatively early stage. Under the new model, introduced approximately one year ago, we are focused on increasing our visitor traffic and monetizing such traffic by utilizing sponsored links and advertisements to generate revenues. This model is still based on limited operating history on which to evaluate potential for future success. Additionally, at the present we have limited experience in growing our traffic and effectively monetizing Answers.com. The combination of the foregoing factors makes it difficult to evaluate the potential for success or failure of our business.

**We have experienced significant and continuing net losses since our inception. If such losses continue, the value of your entire investment could decline significantly.**

We incurred net losses of \$6,013,502, and \$6,590,519 for the years ended December 31, 2005 and 2004, respectively. As of December 31, 2005, we had an accumulated deficit of \$46,609,619. We cannot assure you that we will be able to achieve net income on a quarterly or annual basis. If our revenues do not increase, or if our operating expenses exceed expectations or cannot be reduced, we will continue to suffer substantial losses which could have an adverse effect on our business and adversely affect your investment in our company. In addition, in connection with the acquisition of Brainboost Technology, LLC, we will experience additional expenses relating to the assets we purchased, including, without limitation, depreciation and compensation. Further, we plan to expand our engineering team in order to expedite the Brainboost technology's integration into our products and technologies and are investing in certain hardware in order to accommodate the usage of the new technology. This expansion and investment will continue to place a significant strain on our operational and financial resources.

**If search engines were to alter their algorithms or methods or otherwise restrict the flow of users visiting our Website, our financial results would suffer.**

Search engines serve as origination Websites for end-users in search of information. Our topic pages, which are rich in content, often appear as one of the top links on the pages returned by search engines in response to users' search queries and are subsequently accessed by Internet users. As a result, we rely heavily on search engines for a substantial portion of the users visiting our Website. According to our unaudited internal statistical tools, our traffic originating from search engines (excluding Google-directed "definition link traffic" discussed immediately below) during recent months approximated half of our Website's overall traffic. Further, a vast majority of all of our search

engine sourced traffic emanates from Google. Search engines may, at any time, decide to change the algorithms responsible for directing search queries to the web pages that are most likely to contain the information being sought by Internet users. Further, search engines could restrict the flow of users visiting our Website. A change in the algorithms used by search engines to identify web pages towards which traffic will ultimately be directed or a decision to otherwise restrict the flow of users visiting our Website, for any reason whatsoever, could cause a significant decrease in traffic and revenues which would in turn adversely affect our financial condition.

**If Google, Inc. decides to discontinue directing user traffic to Answers.com through its “definition link”, we will lose a significant portion of our traffic, which would result in a reduction in our advertising revenues and adversely affect our financial condition.**

A significant percentage of our direct query traffic is directed to Answers.com by the “definition link” appearing on Google’s Website result pages. This arrangement is not based on a contractual relationship and can be discontinued by Google at its sole discretion, at any given time. Further, as a result of this arrangement, we obtain a significant amount of secondary traffic (i.e. users who visit our site via the “definition link” and perform additional searches on Answers.com.) According to our internal unaudited statistical tools, the primary and secondary traffic from the Google definition link amounted to approximately 30% of our overall traffic over the course of the last several months. If Google ceases to direct traffic to Answers.com through its “definition link”, we will experience a significant reduction in our advertising revenues, which would adversely affect our financial condition.

**If we are unable to retain current Internet users or attract new Internet users, our ability to generate revenues will be adversely impacted, which would adversely affect our financial condition.**

In addition to search engine sourced traffic, and traffic directed by the Google definition link, a significant portion of our traffic originates from Internet users arriving at our Website *directly*, by typing [www.answers.com](http://www.answers.com) into their web browser. Given the wide availability of free search engines and reference sites, we may not be able to retain current Internet users or attract additional Internet users in this direct fashion. If we are unable to retain such direct Internet users or attract new direct Internet users, our ability to generate revenues will be adversely impacted, which would adversely affect our financial condition.

**If we do not continue to innovate, develop and provide content, products and services that are useful to users, we may not remain competitive, and our revenues and operating results could suffer.**

Our success depends on innovating, developing and providing products and services used by individuals for a high quality Internet experience. Several of our competitors continue to develop innovations in web search and online information retrieval. As a result, we must continue to invest resources in research and development in order to enhance our web search technology and introduce innovative, easy-to-use products and services. If we are unable to develop useful and innovative products and services, users may become dissatisfied and use our competitors' products.

**If our co-branding partnerships and revenue-sharing arrangements with third-party Websites and service providers are not renewed or continued, we could lose advertising revenue, which would have an adverse effect on our business.**

We have entered into, and plan to further enter into additional co-branding agreements and revenue-sharing arrangements with third party partners. To date, such agreements and arrangements have not had a substantial impact on revenues. Notwithstanding, these agreements and arrangements may result in significant revenues in the future, and has provided us with third-party validation of our product offering. These agreements and arrangements may be terminated or discontinued by our co-branding partners and third-party Websites. If these agreements and arrangements impact our revenues substantially in the future, then termination of such agreements and arrangements will result in the loss of advertising revenue and may negatively affect our financial condition. Further, termination of these agreements could impact our credibility in the marketplace.

**We may not be able to expand our business through acquisitions and joint ventures and, even if we are successful, our operations may be adversely affected as a result of an acquisition or joint venture.**

Our business strategy includes potential growth through business combinations, acquisitions and joint ventures. Our business could be harmed if we are unable to implement this business strategy. Our ability to implement this business strategy depends in large part on our ability to compete successfully with other entities for acquisition candidates and joint venture partners. Factors affecting our ability to compete successfully in this regard include:

- our financial condition relative to the financial condition of our competitors
- our ability to obtain additional financing from investors
- the attractiveness of our common stock as potential consideration for entering into these types of transactions as compared to the common stock of other entities competing for these opportunities
- our available cash, which in turn depends upon our results of operations and the cash demands of our business

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Many of the entities with which we compete for acquisition candidates and joint venture partners have greater financial resources than we do.

If, despite these factors, we are successful in entering into additional business combinations, acquisitions and joint ventures, our business, financial condition and results of operations could be materially and adversely affected if we are unable to integrate the operations of the acquired companies or joint ventures. Our ability to integrate the operations of the acquired companies or joint ventures will depend, in part, on our ability to overcome or address:

- the difficulties of assimilating the operations and personnel of the acquired companies and the potential disruption of our ongoing business
- the need to incorporate successfully the acquired or shared technology or content and rights into our products and services
- the difficulties of establishing a new joint venture, including the need to attract and retain qualified personnel and the need to attract customers and advertisers
- the potential impairment of relationships with employees and customers as a result of any integration of new management personnel or reduction of personnel