YELP INC
Form 10-Q
August 02, 2013

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

Form 10-Q

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the Quarterly Period Ended June 30, 2013
OR	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the Transition period from to

Commission file number: 001-35444

YELP INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**20-1854266** (I.R.S. Employer Identification No.)
706 Mission Street, **San Francisco, CA** (Address of Principal Executive Offices)	**94103** (Zip Code)

(415) 908-3801
(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) x	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO x

As of July 31, 2013, there were 39,603,232 shares of registrant s Class A common stock, par value $0.000001 per share, issued and outstanding and 25,615,398 shares of registrant s Class B common stock, par value $0.000001 per share, issued and outstanding.

YELP INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited).	
	Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012.	1
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2013 and 2012.	2
	Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2013 and 2012.	3
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012.	4
	Notes to Condensed Consolidated Financial Statements.	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations.	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	27
Item 4.	Controls and Procedures.	28
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings.	29
Item 1A.	Risk Factors.	29
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	46
Item 3.	Defaults Upon Senior Securities.	47
Item 4.	Mine Safety Disclosures.	47
Item 5.	Other Information.	47
Item 6.	Exhibits.	47
SIGNATURES		

Unless the context otherwise indicates, where we refer in this Quarterly Report to our mobile application or mobile app, we refer to all of our applications for mobile-enabled devices. Similarly, references to our website refer to both the U.S. and international versions of our website, as well as the versions of our website dedicated to mobile-based browsers.

In the fourth quarter of 2012, we acquired Qype GmbH, a Germany-based reviews website. Although not material to our business to date, we begin including traffic, content and local business activity from a Qype market in our key metrics following its migration to the Yelp platform. Accordingly, the key metrics presented in this Quarterly Report as of and for the quarter ended June 30, 2013 include the traffic, content and local business activity of the Qype markets that had been migrated to the Yelp platform as of June 30, 2013: Ireland, Italy and Spain.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YELP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 96,795	$ 95,124
Accounts receivable (net of allowance for doubtful accounts of $476 and $384 at June 30, 2013 and December 31, 2012, respectively)	14,769	11,738
Prepaid expenses and other current assets	6,441	4,912
Total current assets	118,005	111,774
Property, equipment and software, net	19,779	14,799
Goodwill	46,678	48,605
Intangibles, net	4,716	5,936
Restricted cash	8,102	6,400
Other assets	262	182
Total assets	$ 197,542	$ 187,696
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 1,929	$ 2,284
Accrued liabilities	17,689	16,367
Deferred revenue	2,739	2,856
Total current liabilities	22,357	21,507
Long term liabilities	688	527
Total liabilities	23,045	22,034
Commitments and contingencies (Note 9)		
Stockholders equity		
Common stock, $0.000001 par value 500,000,000 shares authorized; 65,055,307 and 63,505,269 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively		
Additional paid-in capital	240,752	225,245
Accumulated other comprehensive income (loss)	(190)	805
Accumulated deficit	(66,065)	(60,388)
Total stockholders equity	174,497	165,662
Total liabilities and stockholders equity	$ 197,542	$ 187,696

See notes to condensed consolidated financial statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net revenue	$ 55,023	$ 32,653	$ 101,156	$ 60,038
Costs and expenses				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	4,018	2,298	7,358	4,424
Sales and marketing	30,803	20,333	58,997	39,103
Product development	7,997	4,336	15,233	8,476
General and administrative	10,148	5,963	18,912	16,692
Depreciation and amortization	2,637	1,661	5,115	3,022
Restructuring and integration			675	
Total costs and expenses	55,603	34,591	106,290	71,717
Loss from operations	(580)	(1,938)	(5,134)	(11,679)
Other income (expense), net	(66)	22	(267)	(8)
Loss before income taxes	(646)	(1,916)	(5,401)	(11,687)
Provision for income taxes	(232)	(66)	(276)	(97)
Net loss	(878)	(1,982)	(5,677)	(11,784)
Accretion of redeemable convertible preferred stock				(31)
Net loss attributable to common stockholders (Class A and B)	$ (878)	$ (1,982)	$ (5,677)	$ (11,815)
Net loss per share attributable to common stockholders				
Basic	$ (0.01)	$ (0.03)	$ (0.09)	$ (0.26)
Diluted	$ (0.01)	$ (0.03)	$ (0.09)	$ (0.26)
Weighted-average shares used to compute net loss per share attributable to common stockholders (Class A and B)				
Basic	64,576	60,887	64,163	46,075
Diluted	64,576	60,887	64,163	46,075

See notes to condensed consolidated financial statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net loss	$ (878)	$ (1,982)	$ (5,677)	$ (11,784)
Other comprehensive income (loss):				
Foreign currency translation adjustments	714	(163)	(995)	(194)
Other comprehensive income (loss)	714	(163)	(995)	(194)
Comprehensive loss	$ (164)	$ (2,145)	$ (6,672)	$ (11,978)

See notes to condensed consolidated financial statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2013	2012
OPERATING ACTIVITIES:		
Net loss	$ (5,677)	$ (11,784)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,115	3,022
Provision for doubtful accounts and sales returns	1,301	108
Stock-based compensation	10,873	9,287
Loss on disposal of assets and website development costs	94	37
Changes in operating assets and liabilities:		
Accounts receivable	(4,404)	(1,973)
Prepaid expenses and other assets	(2,318)	(918)
Accounts payable and accrued expenses	215	577
Deferred revenue	(85)	(796)
Net cash provided by (used in) operating activities	5,114	(2,440)
INVESTING ACTIVITIES:		
Purchases of property, equipment and software	(4,966)	(1,927)
Capitalized website and software development costs	(2,139)	(1,590)
Change in restricted cash	(1,768)	(6,008)
Goodwill measurement period adjustment	1,153	
Net cash used in investing activities	(7,720)	(9,525)
FINANCING ACTIVITIES:		
Proceeds from initial public offering, net of offering costs		112,257
Proceeds from issuance of common stock	4,604	762
Repurchase of common stock	(193)	
Net cash provided by financing activities	4,411	113,019
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(134)	(177)
CHANGE IN CASH AND CASH EQUIVALENTS	1,671	100,877
CASH AND CASH EQUIVALENTS Beginning of period	95,124	21,736
CASH AND CASH EQUIVALENTS End of period	$ 96,795	$ 122,613
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 83	$ 48
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchases of property and equipment recorded in accounts payable and accruals	$ 1,736	$ 695
Capitalized website and software development costs recorded in accounts payable and accruals		10

Accretion of redeemable convertible preferred stock	31
Vesting of early exercised options	31

See notes to condensed consolidated financial statements.

YELP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Yelp Inc. was incorporated in Delaware on September 3, 2004. Except where specifically noted or the context otherwise requires, the use of terms such as the Company and Yelp in these Notes to Condensed Consolidated Financial Statements refers to Yelp Inc. and its subsidiaries.

Yelp connects people with great local businesses. Yelp s users have contributed millions of reviews of almost every type of local business, giving a voice to consumers and bringing word of mouth online. Businesses of all sizes use the Yelp platform to engage with consumers at the critical moment when they are deciding where to spend their money.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company s Annual Report on Form 10-K filed with the SEC on February 27, 2013 (the Annual Report). The condensed consolidated balance sheet as of December 31, 2012 included herein was derived from the audited consolidated financial statements as of that date but does not include all disclosures required by GAAP, including notes to the financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments of a normal recurring nature necessary for the fair presentation of the interim periods presented.

Significant Accounting Policies

There have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in the Annual Report.

Effective January 1, 2013, the Company prospectively adopted Accounting Standards Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* This update requires companies to provide information regarding the amounts reclassified out of accumulated other comprehensive income by component. In addition, companies are required to present, either on the face of the statement where net income (loss) is presented or in the accompanying notes, significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items of net income (loss). The adoption of ASU 2013-02 did not have a material impact on the Company's consolidated financial statements.

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)* . This update eliminates diversity in practice for presentation of a unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is available to reduce the taxable income or tax payable that would result from disallowance of a tax position. The Company anticipates that the adoption of this standard will not have a material impact on its consolidated financial statements or footnote disclosures.

Principles of Consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the Company s condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from management s estimates.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value in the following hierarchy:

Level 1 Observable inputs, such as quoted prices in active markets,

Level 2 Inputs other than the quoted prices in active markets that are observable directly, or

Level 3 Unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures its financial assets at fair value. The Company's investment instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices in active markets.

The following table represents the Company's financial instruments measured at fair value as of June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money market funds(1)	$ 83,279	$	$	$ 83,279	$ 87,262	$	$	$ 87,262

(1) Included in cash and cash equivalents on the condensed consolidated balance sheets.

3. ACQUISITION

On October 23, 2012, the Company, through its wholly-owned subsidiary, Yelp Ireland Ltd., completed the acquisition of all the outstanding equity interests of Qype GmbH and its subsidiaries (collectively, Qype) for approximately $24.3 million in cash and Yelp Class A common stock with an approximate fair value of $23.3 million. Of the total consideration paid in connection with the acquisition, $10.3 million was held in the form of cash in escrow to secure indemnification obligations. The acquisition was accounted for as a business combination in accordance with Accounting Standards Codification Topic 805, *Business Combinations* (ASC 805), with the results of Qype s operations included in the consolidated financial statements starting on October 23, 2012. The key factors underlying the acquisition were to secure an established European market presence, obtain Qype s content and traffic and the opportunity for expansion. The balance remaining in the escrow fund relating to this acquisition was approximately $10.2 million as of June 30, 2013.

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and Qype, and includes the accounting effects resulting from the Qype acquisition, including transaction, restructuring and integration costs, amortization charges from acquired intangible assets, and changes in depreciation due to differing asset values and depreciation lives as though the Company and Qype were combined as of January 1, 2012. The unaudited pro forma financial information, as presented below, is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition of Qype had taken place as of January 1, 2012 (in thousands, except per share data):

	Pro Forma Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Revenue	$ 34,866	$ 64,736
Net loss	$ (4,373)	$ (17,111)
Basic and diluted net loss per share attributable to common stockholders	$ (0.07)	$ (0.37)

In October 2012, following the acquisition of Qype, the Company announced its plan to reduce the size of the Qype workforce and terminate several of Qype s leases. These actions were made in order to reduce the Company s cost structure, enhance operating efficiencies and strengthen the Company s business to achieve long-term profitable growth. As a result of this plan, the Company incurred restructuring charges during the fourth quarter of 2012 and the first quarter of 2013, which were included in the restructuring and integration costs in the consolidated statements of operations for such periods. Restructuring liabilities were $0.1 million as of June 30, 2013, and are included in accrued liabilities on the accompanying condensed consolidated balance sheet. The Company s restructuring plan was substantially completed during the six months ended June 30, 2013. Any additional expense related to this restructuring plan incurred in the future is expected to be immaterial. The Company has recorded restructuring charges of $1.9 million to date. The following table summarizes the changes in the Company s restructuring liabilities (in thousands):

Balance as of December 31, 2012	$	685
Provision		935
Payments		(1,292)
Adjustment to prior provision		(261)
Balance as of June 30, 2013	$	67

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2013 and December 31, 2012 consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Cash and cash equivalents		
Cash	$ 13,516	$ 7,862
Money market funds	83,279	87,262
Total cash and cash equivalents	$ 96,795	$ 95,124

The lease agreements for the Company s San Francisco, New York and London, England offices each require the Company to maintain a letter of credit issued to the landlords of each facility. Each letter of credit is subject to renewal annually until the lease expires. As of June 30, 2013 and December 31, 2012, the Company had letters of credit in the aggregate amount of $8.1 million and $6.4 million, respectively, related to such leases.

5. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net as of June 30, 2013 and December 31, 2012 consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Computer equipment	$ 9,529	$ 8,315
Software	441	433
Capitalized website and internal-use software development costs	10,802	8,653
Furniture and fixtures	3,017	2,613
Leasehold improvements	9,305	5,017
Telecommunication	1,752	1,570
Total	34,846	26,601
Less accumulated depreciation	(15,067)	(11,802)
Property, equipment and software, net	$ 19,779	$ 14,799

Depreciation expense for the three months ended June 30, 2013 and 2012 was approximately $1.7 million and $0.9 million, respectively, and for the six months ended June 30, 2013 and 2012, depreciation expense was approximately $3.4 million and $1.7 million, respectively.

6. GOODWILL AND INTANGIBLE ASSETS

The Company s goodwill is the result of the acquisition of Qype on October 23, 2012, and represents the excess of purchase consideration over the fair value of assets and liabilities acquired.

The changes in the carrying amount of goodwill for the six months ended June 30, 2013 were as follows (in thousands):

Balance as of December 31, 2012	$ 48,605
Goodwill acquired	
Measurement period adjustment	(1,153)
Effect of currency translation	(774)
Balance as of June 30, 2013	$ 46,678

Under the terms of the share purchase agreement by and among the Company, its wholly-owned subsidiary Yelp Ireland Ltd., Qype and its shareholders, the Qype purchase price was subject to a post-closing adjustment based on Qype s net working capital as of the acquisition date. On April 15, 2013, Yelp and the former Qype shareholders agreed to an adjustment of the purchase price in favor of Yelp in the amount of €0.9 million (approximately $1.2 million as of June 30, 2013) based on Qype s net working capital as of the acquisition date. As this agreement occurred during the measurement period of the acquisition, as defined by ASC 805, the impact of this adjustment was recorded as an increase to cash and a decrease to goodwill. The related funds were released to Yelp from the escrow fund during the three months ended June 30, 2013.

The intangible assets detail at June 30, 2013 and December 31, 2012 consist of the following (dollars in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
June 30, 2013:				
Content	$ 3,196	$ (531)	$ 2,665	4.3 years
Advertiser relationships	1,914	(571)	1,343	1.3 years
Developed technology	520	(181)	339	1.3 years
Trade name	390	(135)	255	1.3 years
Domains	250	(136)	114	4.3 years
	$ 6,270	$ (1,554)	$ 4,716	

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
December 31, 2012:				
Content	$ 3,304	$ (126)	$ 3,178	4.8 years
Advertiser relationships	1,982	(188)	1,794	1.8 years
Developed technology	529	(51)	478	1.8 years
Trade name	396	(38)	358	1.8 years
Domains	246	(118)	128	4.6 years
	$ 6,457	$ (521)	$ 5,936	

Amortization expense was $0.5 million and zero for the three months ended June 30, 2013 and 2012, respectively, and $1.1 million and zero for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, the estimated future amortization of purchased intangible assets for (i) the remaining six months of 2013, (ii) each of the succeeding four years and (iii) the succeeding fifth year and thereafter are as follows (in thousands):

Year Ending December 31,	Amount
2013 (from July 1, 2013)	$ 1,056
2014	1,858
2015	636
2016	633
2017 and thereafter	533
Total amortization	$ 4,716

7. ACCRUED LIABILITIES

Accrued liabilities as of June 30, 2013 and December 31, 2012 consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Accrued vacation and employee related expenses	$ 3,638	$ 2,463
Accrued bonus and commissions	3,163	2,037
Deferred rent	1,434	1,755
Legal settlement accrual	1,331	2,167
Accrued value added taxes payable	956	1,260
Accrued payroll tax	837	845
Merchant revenue share liability	469	538
Accrued restructuring and integration costs	67	710
Other accrued expenses	5,794	4,592
Total	$ 17,689	$ 16,367

8. OTHER INCOME (EXPENSE), NET

Other income (expense), net for the three and six months ended June 30, 2013 and 2012 consists of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income	$ 14	$ 13	$ 30	$ 18
Transaction gain (loss) on foreign exchange	(61)	11	(223)	(10)
Other non-operating income (loss), net	(19)	(2)	(74)	(16)
Other income (expense), net	$ (66)	$ 22	$ (267)	$ (8)

9. COMMITMENTS AND CONTINGENCIES

Office Facility Leases The Company leases its office facilities under operating lease agreements that expire from September 2013 to 2021. The terms of the lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period.

Rental expense was $1.6 million and $1.1 million for the three months ended June 30, 2013 and 2012, respectively, and was $3.2 million and $1.9 million for the six months ended June 30, 2013 and 2012, respectively.

Legal Proceedings The Company is subject to legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently does not believe that the final outcome of any of these matters will have a material adverse effect on the Company s business, financial position, results of operations or cash flows.

In February and March 2010, the Company was sued in two putative class actions on behalf of local businesses asserting various causes of action based on claims that the Company manipulated the ratings and reviews on its platform to coerce local businesses to buy its advertising products. These cases were subsequently consolidated in an action asserting claims for violation of the California Business & Professions Code, extortion and attempted extortion based on the conduct they allege and seeking monetary relief in an unspecified amount and injunctive relief. In October 2011, the court dismissed this consolidated action with prejudice. The plaintiffs have appealed to the U.S. Court of Appeals for the Ninth Circuit, which heard the appeal on July 11, 2013. The Ninth Circuit has not yet issued a decision. Accordingly, the Company is currently unable to reasonably estimate either the probability of incurring a loss or an estimated range of such loss, if any, from this appeal.

In March 2011, the Company was sued in an action on behalf of certain current and former employees asserting claims for violations of the federal Fair Labor Standards Act, the California Labor Code and the California Business & Professions Code seeking monetary relief in an unspecified amount. In December 2012, the court issued a judgment giving final approval to a settlement of this matter, without any admission of liability on the Company s part, for payments by the Company in an aggregate amount of approximately $0.8 million. The Company had originally accrued for a settlement of approximately $1.3 million in the year ended December 31, 2010. The accrual was adjusted in the quarter ended December 31, 2012 for the final settlement amount, which was paid in the first quarter of 2013.

Qype, an indirect wholly-owned subsidiary of the Company, had been party to two lawsuits regarding fees payable for directory data that Qype and its predecessor purchased from Deutsche Telekom AG (Deutsche Telekom) between 2005 and 2008 at a rate set by the German Federal Network Agency (FNA). Following German court decisions overturning the rate set by the FNA, Deutsche Telekom sued Qype in the Regional Court of Bonn on August 26, 2010 for approximately €1.5 million plus interest for additional fees for data delivered between 2005 and 2008. In August 2011, the court rejected Deutsche Telekom s claim in full and Deutsche Telekom appealed the decision to the Higher Regional Court of Cologne, which referred the appeal to the Higher Regional Court in Düsseldorf in July 2012. The court heard the appeal in April 2013 and a decision is now expected in September 2013. In addition, on August 6, 2012, Deutsche Telekom filed a claim against Qype in the Regional Court of Bonn for approximately €118,400 plus interest asserting Qype was unjustly enriched as a result of paying an insufficient rate for directory data from 2005 to 2008. However, following a hearing on December 19, 2012, the court dismissed Deutsche Telekom s claim in full and the time for appeal has lapsed. Under the applicable authoritative literature, an amount which represents management s best estimate of the amount that will ultimately be paid was accrued for as a loss contingency as of the acquisition date of Qype.

Indemnification Agreements In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees.

While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any claims listed above or any other claims under indemnification arrangements will have a material effect on the Company s financial position, results of operations or cash flows.

10. STOCKHOLDERS EQUITY

Initial Public Offering

In March 2012, the Company completed its initial public offering of its Class A common stock to the public (the IPO) whereby 8,172,500 shares of Class A common stock were sold by the Company (inclusive of 1,072,500 shares of Class A common stock from the full exercise of the overallotment option of shares granted to the underwriters) and 50,000 shares of Class A common stock were sold by a selling stockholder, The Yelp Foundation. The public offering price of the shares sold in the offering was $15.00 per share. The Company did not receive any proceeds from the sales of shares by the selling stockholder. The total gross proceeds from the offering to the Company were $122.6 million. After deducting underwriters discounts and commissions and offering expenses, the aggregate net proceeds received by the Company totaled approximately $111.4 million. Immediately prior to the closing of the IPO, all shares of the Company s outstanding redeemable convertible preferred stock automatically converted into 35,816,772 shares of Class B common stock. As a result, following the IPO, the Company has two classes of authorized common stock outstanding: Class A common stock (one vote per share) and Class B common stock (ten votes per share).

The following table presents the shares authorized and issued and outstanding as of the periods presented (in thousands, except share data):

	June 30, 2013		December 31, 2012	
	Shares Authorized	Shares Issued and Outstanding	Shares Authorized	Shares Issued and Outstanding
Stockholders equity:				
Class A common stock, $0.000001 par value	200,000,000	39,186,395	200,000,000	23,380,283
Class B common stock, $0.000001 par value	100,000,000	25,868,912	100,000,000	40,124,986
Common stock, $0.000001 par value	200,000,000		200,000,000	
Undesignated Preferred Stock	10,000,000		10,000,000	

Equity Incentive Plans

The Company has outstanding awards under three equity incentive plans: the Amended and Restated 2005 Equity Incentive Plan (the 2005 Plan), the 2011 Equity Incentive Plan (the 2011 Plan) and the 2012 Equity Incentive Plan, as amended (the 2012 Plan). In July 2011, the Company terminated the 2005 Plan and provided that no further stock awards were to be granted under the 2005 Plan. All outstanding stock awards under the 2005 Plan will continue to be governed by their existing terms. Upon the effectiveness of the underwriting agreement in connection with the IPO, all shares that were reserved under the 2011 Plan but not issued were assumed by the 2012 Plan. No further awards will be granted pursuant to the 2011 Plan. All outstanding stock awards under the 2011 Plan will continue to be governed by their existing terms. Under the 2012 Plan, the Company has the ability to issue incentive stock options (ISOs), non-statutory stock options (NSOs), stock appreciation rights, restricted stock awards (RSAs), restricted stock units (RSUs), performance units and/or performance shares. Additionally, the 2012 Plan provides for the grant of performance cash awards to employees, directors and consultants.

Restricted Stock Awards and Restricted Stock Units

The Company began granting RSAs to its employees in July 2011. In March 2012, the Company began granting RSUs. The cost of the RSAs and RSUs are determined using the fair value of the Company s common stock on the date of grant. Stock-based compensation expense is amortized on a straight-line basis over the requisite service period. RSAs and RSUs generally vest over a four-year period with 25% vesting at the end of one year and the remaining vesting quarterly or annually thereafter.

The Company granted zero RSAs and 10,125 RSUs during the three months ended June 30, 2013, and zero RSAs and 64,125 RSUs during the six months ended June 30, 2013. The Company recorded stock-based compensation expense related to RSAs and RSUs of approximately $0.5 million and $0.1 million for the three months ended June 30, 2013 and 2012, respectively, and $1.0 million and $0.2 million for the six months ended June 30, 2013 and 2012, respectively. As of June 30, 2013, the Company had approximately $4.2 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to RSAs and RSUs, which will be recognized over the remaining weighted-average vesting period of approximately 2.18 years.

Stock Options

Stock options granted under the 2012 Plan will be granted at a price per share not less than the fair value at date of grant. Options granted to date generally vest either over a four-year period with 25% vesting at the end of one year and the remaining vesting monthly thereafter or over a four-year period with 10% vesting over the first year, 20% vesting over the second year, 30% vesting over the third year and 40% vesting over the fourth year. Options granted generally are exercisable for up to 10 years. A summary of stock option activity for the six months ended June 30, 2013, is as follows:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding January 1 , 2013	10,113,176	$ 10.00	7.89	$ 96,992
Granted	3,501,425	24.24		
Exercised	(1,522,738)	3.02		
Canceled	(461,702)	19.00		
Outstanding June 30, 2013	11,630,161	$ 14.85	8.40	$ 231,692
Options vested and expected to vest as of June 30, 2013	11,279,346	$ 14.67	8.37	$ 226,696
Options vested and exercisable as of June 30, 2013	3,929,032	$ 7.56	7.31	$ 106,916

Aggregate intrinsic value represents the difference between the closing price of the Company s Class A common stock on the New York Stock Exchange on June 28, 2013 of $34.77 and the exercise price of outstanding, in-the-money options. The total intrinsic value of options exercised was approximately $18.8 million and $0.9 million for the three months ended June 30, 2013 and 2012, respectively, and $34.8 million and $2.5 million for the six months ended June 30, 2013 and 2012, respectively. The weighted-average grant date fair value of options granted was $16.83 and $11.86 per share for the three months ended June 30, 2013 and 2012, respectively, and $13.75 and $9.68 per share for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, total unrecognized compensation costs, adjusted for estimated forfeitures, related to unvested stock options was approximately $72.0 million, which is expected to be recognized over a weighted-average time period of 3.03 years.

Employee Stock Purchase Plan

Concurrent with the effectiveness of the underwriting agreement in connection with the IPO on March 1, 2012, the Company s 2012 Employee Stock Purchase Plan (the ESPP) became effective. The ESPP allows eligible employees to purchase shares of the Company s Class A common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations during designated offering periods. At the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company s Class A common stock on the first trading day of the offering period or on the last day of the offering period. The Company initiated an offering under the ESPP on June 3, 2013 with an offering end date of November 29, 2013. There were no shares purchased by employees under the ESPP for the three and six months ended June 30, 2013. The Company recognized $0.1 million of stock-based compensation related to the ESPP in each of the three and six months ended June 30, 2013.

Stock-Based Compensation

The following table summarizes the effects of stock-based compensation related to stock-based awards in the condensed consolidated statements of operations during the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock-based compensation effects in loss before income taxes:				

Cost of revenue	$	105	$	35	$	177	$	58
Sales and marketing		2,282		895		4,270		2,019
Product development		1,040		300		1,856		543
General and administrative		2,286		628		4,015		6,667
Restructuring and integration						555		
Total stock-based compensation	$	5,713	$	1,858	$	10,873	$	9,287

During the three and six months ended June 30, 2013, the Company recognized zero and $0.6 million of stock-based compensation, respectively, related to the acceleration of vesting of RSUs associated with the Qype restructuring plan described in Note 3. During the three and six months ended June 30, 2012, the Company recognized zero and $5.5 million of stock-based compensation, respectively, related to the acceleration of vesting of stock options held by two executive officers related to the completion of the IPO, included in general and administrative expense. The Company capitalized stock-based compensation as website development costs of $133,000 and $85,000 in the three months ended June 30, 2013 and 2012, respectively, and $231,000 and $137,000 in the six months ended June 30, 2013 and 2012, respectively.

11. NET LOSS PER SHARE

Basic and diluted net income (loss) per share attributable to common stockholders are presented in conformity with the two-class method required for participating securities. Immediately prior to the consummation of the IPO in March 2012, all outstanding shares of preferred stock and common stock were converted to Class B common stock. As a result, shares of Class A and Class B common stock are the only outstanding equity in the Company. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each class of Class B common stock is entitled to 10 votes per share. Shares of Class B common stock may be converted into Class A common stock on a share-for-share basis at any time at the option of the stockholder, and are automatically converted into Class A common stock upon sale or transfer, subject to certain limited exceptions, or upon the election of the holder or in connection with certain other conversion events.

The Company s weighted-average unvested shares subject to repurchase and settlement in shares of common stock upon vesting have the non-forfeitable right to receive dividends on an equal basis with common stock and therefore are considered participating securities that must be included in the calculation of net loss per share using the two-class method in all presented periods.

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except share and per share data):

	Three Months Ended June 30,			
	2013		**2012**	
	Class A	Class B	Class A	Class B
Net loss	$ (421)	$ (457)	$ (268)	$ (1,714)
Add: accretion of redeemable convertible preferred stock				
Net loss attributable to common stockholders	$ (421)	$ (457)	$ (268)	$ (1,714)
Basic shares:				
Weighted-average common shares outstanding	30,940	33,636	8,223	52,664
Diluted shares:				
Weighted-average shares used to compute diluted net loss per share	30,940	33,636	8,223	52,664
Net loss per share attributable to common stockholders:				
Basic	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)
Diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)

	Six Months Ended June 30, 2013		2012	
	Class A	Class B	Class A	Class B
Net loss	$ (2,099)	$ (3,578)	$ (1,398)	$ (10,386)
Add: accretion of redeemable convertible preferred stock			(4)	(27)
Net loss attributable to common stockholders	$ (2,099)	$ (3,578)	$ (1,402)	$ (10,413)
Basic shares:				
Weighted-average common shares outstanding	23,724	40,439	5,467	40,608
Diluted shares:				
Weighted-average shares used to compute diluted net loss per share	23,724	40,439	5,467	40,608
Net loss per share attributable to common stockholders:				
Basic	$ (0.09)	$ (0.09)	$ (0.26)	$ (0.26)
Diluted	$ (0.09)	$ (0.09)	$ (0.26)	$ (0.26)

The following share-based instruments were excluded from the calculation of diluted net income (loss) per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock options	11,630	10,128	11,630	10,128
Restricted stock units	254	4	254	4
Restricted stock awards	97	170	97	170
Employee stock purchase plan	12		12	

12. INCOME TAXES

The Company is subject to income tax in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income tax. The Company does not provide for federal income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are to be reinvested indefinitely.

The Company recorded an income tax provision of $232,000 and $66,000 for the three months ended June 30, 2013 and 2012, respectively and $276,000 and $97,000 for the six months ended June 30, 2013 and 2012, respectively, related to foreign income taxes and state minimum taxes. Based on the available objective evidence during the six months ended June 30, 2013, management believes it is more likely than not that the tax benefits of the U.S. losses incurred during the six months ended June 30, 2013 may not be realized by the end of the 2013 fiscal year. Accordingly, the Company did not record the tax benefits of the U.S. losses incurred during the six months ended June 30, 2013. The primary difference between the effective tax rate and the federal statutory tax rate relates to the valuation allowances on the Company s net operating losses, foreign tax rate differences, meals and entertainment and non-deductible stock-based compensation expense.

As of June 30, 2013, the total amount of gross unrecognized tax benefits was $0.9 million, $0.1 million of which would affect our effective tax rate if recognized. As of June 30, 2013, the Company had an immaterial amount related to the accrual of interest and penalties. During the three months ended June 30, 2013, the Company s gross unrecognized tax benefits increased by $0.3 million, $0.1 million of which would affect our effective tax rate if recognized. The Company does not have any tax positions as of June 30, 2013 for which it is reasonably possible that the total amount of gross unrecognized tax benefits will significantly increase or decrease within the next 12 months.

13. INFORMATION ABOUT REVENUE AND GEOGRAPHIC AREAS

The Company considers operating segments to be components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by product line and geographic region for purposes of allocating resources and evaluating financial performance.

The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single operating and reporting segment.

Revenue by geography is based on the billing address of the customer. The following tables present the Company's revenue by product line, as well as revenue and long-lived assets by geographic region for the periods presented (each in thousands):

Net Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net revenue by product:				
Local advertising	$ 44,797	$ 25,255	$ 83,764	$ 46,728
Brand advertising	7,048	5,703	11,806	9,697
Other services	3,178	1,695	5,586	3,613
Total net revenue	$ 55,023	$ 32,653	$ 101,156	$ 60,038

During the three and six months ended June 30, 2013 and 2012, a substantial majority of the Company's revenue was generated in the United States. In addition, no individual customer accounted for 10% or more of consolidated net revenue in either period.

Long-Lived Assets

	June 30, 2013	December 31, 2012
United States	$ 19,371	$ 14,275
All Other Countries	670	702
Total long-lived assets	$ 20,041	$ 14,977

14. SUBSEQUENT EVENT

On July 24, 2013, the Company acquired SeatMe, Inc., a web- and app-based reservation solution for restaurant and nightlife establishments. In connection with the acquisition, all of the outstanding capital stock and options to purchase capital stock of SeatMe, Inc. were converted into the right to receive an aggregate of approximately $2.2 million in cash and 260,901 shares of the Company's Class A common stock. These amounts payable to SeatMe securityholders under the merger agreement are subject to post-closing adjustment based on net working capital. Of such amounts, $55,731 in cash and 31,236 shares of Class A common stock will be held in escrow for a 12-month period after the closing to secure our rights of indemnity under the merger agreement and $87,319 in cash and 18,694 shares of Class A common stock will be subject to vesting.

ITEM 2. 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 condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Forward Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are often identified by the use of words such as, but not limited to, anticipate, believe, can continue, could, estimate, expect, intend, may, plan, project, seek, should, strategy, target, will, would and si intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled Risk Factors included under Part II, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Company Overview

Yelp connects people with great local businesses. Our users have contributed a total of approximately 42.5 million cumulative reviews of almost every type of local business, from restaurants, boutiques and salons to dentists, mechanics, plumbers and more. These reviews are written by people using Yelp to share their everyday local business experiences, giving voice to consumers and bringing word of mouth online. The information these reviews provide is valuable for consumers and businesses alike. Approximately 108.1 million unique visitors used our website, and our mobile application was used on approximately 10.4 million unique mobile devices on a monthly average basis during the quarter ended June 30, 2013, according to Google Analytics, a product from Google, Inc. that provides digital marketing intelligence. Businesses of all sizes use our platform to engage with consumers at the critical moment when they are deciding where to spend their money. Our business revolves around three key constituencies: the contributors who write reviews, the consumers who read them and the local businesses that they describe.

As of June 30, 2013, we are active in 56 Yelp markets in the United States and 50 Yelp markets internationally. This footprint represents a small portion of the potential domestic and international markets that we are currently targeting for expansion. Our domestic expansion plans include growth in our existing markets as well as expansion into new markets, many of which are smaller than our current markets, as we look to expand our breadth of coverage.

Internationally, as we are in the early stages of establishing our footprint, we are targeting a mix of both large and small markets. In October 2012, we acquired Qype GmbH, a Germany-based reviews website (collectively with its subsidiaries, Qype), through our wholly-owned subsidiary, Yelp Ireland Ltd. We believe the acquisition of Qype will accelerate the expansion of our international footprint, specifically in Europe, and together we will have a substantially increased presence in these markets. As of June 30, 2013, we had migrated three Qype markets — Ireland, Italy and Spain — to the Yelp platform. For the six months ended June 30, 2013, revenue generated internationally accounted for five percent of total revenue.

As we continue to see growth in our key metrics, we expect to invest in product development to expand our platform by innovating and introducing new products to our website and mobile applications. For example, on July 24, 2013, we acquired SeatMe, Inc., a web- and app-based reservation solution for restaurant and nightlife establishments (SeatMe). In connection with the acquisition, all of the outstanding capital stock and options to purchase capital stock of SeatMe were converted into the right to receive an aggregate of approximately $2.2 million in cash and 260,901 shares of our Class A common stock. We expect the acquisition of SeatMe to have minimal impact on our revenue near term but increase our operating expenses by approximately $600,000 in the third quarter of 2013. We believe the acquisition of SeatMe will both enhance user experience and complement our existing partnership arrangements.

Our overall philosophy is to invest for long-term growth. During the remainder of 2013, we expect to continue to invest heavily in our sales and marketing efforts to grow domestically and internationally, complete the integration of Qype, and begin the integration of SeatMe. As of June 30, 2013, we had 1,536 employees, which represents an increase of 40% compared to June 30, 2012.

17

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, website and internal-use software development costs, income taxes and stock-based compensation have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2012.

Key Metrics

We regularly review a number of metrics, including the key metrics set forth below, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

- *Reviews.* Number of reviews represents the cumulative number of reviews submitted to Yelp since inception, as of the period end, including reviews that were then being filtered or that had been removed from our platform. In addition to the text of the review, each review includes a rating of one to five stars. We include filtered and removed reviews because all of them are either currently accessible on our platform or were accessible at some point in time, providing information that may be useful for users to evaluate businesses and individual reviewers. Because our filtering technology continually reassesses which reviews to filter based on new information, the filtered or unfiltered status of reviews may change over time. Reviews that are being filtered or have been removed do not factor into a business s overall star rating. By clicking a link on a reviewed business s page on our website, users can access the filtered reviews for the business, as well as the star rating and other information about reviews that we removed for violation of our terms of service. As of June 30, 2013, approximately 39.4 million reviews were available on business profile pages, including approximately 10.0 million reviews that were being filtered, after accounting for the approximately 3.2 million reviews that had been removed from our platform, either by us for violation of our terms of service or by the users who contributed them.

The following table presents the number of cumulative reviews as of the dates presented:

	As of June 30,	
	2013	2012
	(in thousands)	
Reviews	42,526	30,259

- *Unique Visitors.* Unique visitors represent the average number of monthly unique visitors over a given three-month period. We define monthly unique visitors as the total number of unique visitors who have visited our website at least once in a given month, and we average the number of monthly unique visitors in each month of a given three-month period to calculate average monthly unique visitors. We track unique visitors based on the number of visitors with unique cookies who have visited our website using either a computer or mobile browser, as measured by Google Analytics. Unique visitors do not include visitors who access our platform through our mobile app. For the quarter ended June 30, 2013, our mobile app was used on approximately 10.4 million unique mobile devices on a monthly average basis. Because the number of unique visitors is based on visitors with unique cookies, an individual who accesses our website from multiple devices with different cookies will be counted as multiple unique visitors, and multiple individuals who access our website from a shared device with a single cookie will be counted as a single unique visitor.

The following table presents the number of unique visitors (average monthly number) during the periods presented:

	Three Months Ended June 30,	
	2013	2012
	(in thousands)	
Unique Visitors	108,058	78,329

- *Claimed Local Business Locations.* The number of claimed local business locations represents the cumulative number of business locations that have been claimed on Yelp worldwide since 2008, as of a given date. We define a claimed local business location as each business address for which a business representative visits our website and claims the free business listing page for the business located at that address.

  The following table presents the number of cumulative claimed local business locations as of the dates presented:

	As of June 30, 2013	As of June 30, 2012
	(in thousands)	
Claimed Local Business Locations	1,222	791

- *Active Local Business Accounts.* The number of active local business accounts represents the number of active local business accounts from which we recognized revenue in a given three-month period. We treat business accounts that have the same payment and/or user information as a single business account.

  The following table presents the number of active local business accounts from which we recognized revenue in the given three-month periods presented:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012
	(in thousands)	
Active Local Business Accounts	51	32

- *Adjusted EBITDA.* Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted to exclude: provision (benefit) for income taxes; other income (expense), net; interest income; depreciation and amortization; stock-based compensation; and restructuring and integration costs. We believe that adjusted EBITDA provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors. This non-GAAP information is not necessarily comparable to non-GAAP information of other companies. Non-GAAP information should not be viewed as a substitute for, or superior to, net income (loss) prepared in accordance with GAAP as a measure of our profitability or liquidity. Users of this financial information should consider the types of events and transactions for which adjustments have been made.

  The following is a reconciliation of adjusted EBITDA to net income (loss) below for the periods indicated:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(in thousands)			
Reconciliation of Adjusted EBITDA:				
Net loss	$ (878)	$ (1,982)	$ (5,677)	$ (11,784)
Provision for income taxes	232	66	276	97
Other income (expense), net	66	(22)	267	8
Depreciation and amortization	2,637	1,661	5,115	3,022
Stock-based compensation	5,713	1,858	10,318	9,287
Restructuring and integration costs			675	
Adjusted EBITDA	$ 7,770	$ 1,581	$ 10,974	$ 630

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above and elsewhere in this Quarterly Report on Form 10-Q adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation above of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. The stock-based compensation amount of $5.7 million and $10.3 million for the three and six months ended June 30, 2013, respectively, excludes approximately zero and $0.6 million of stock-based compensation, respectively, related to the Qype acquisition already included in restructuring and integration costs.

We have included adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA provides useful information in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not take into account restructuring and integration costs associated with our acquisition of Qype; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results.

Results of Operations

The following tables set forth our results of operations for the periods presented as a percentage of net revenue for those periods (certain items may not foot due to rounding). The period-to-period comparison of financial results is not necessarily indicative of the results of operations to be anticipated for the full year 2013 or any future period.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
	(as percentage of net revenue)			
Consolidated Statements of Operations Data:				
Net revenue by product:				
Local advertising	81%	77%	83%	78%
Brand advertising	13	18	12	16
Other services	6	5	5	6
Total net revenue	100%	100%	100%	100%
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	7%	7%	7%	7%
Sales and marketing	56	62	58	65
Product development	15	13	15	14
General and administrative	18	18	19	28
Depreciation and amortization	5	5	5	5
Restructuring and integration costs			1	
Total costs and expenses	101	106	105	119
Loss from operations	(1)	(6)	(5)	(19)
Other income (expense), net				
Loss before income taxes	(1)	(6)	(5)	(19)
Provision for income taxes				
Net loss	(1)%	(6)%	(6)%	(19)%

Three and Six Months Ended June 30, 2013 and 2012

Net Revenue

We generate revenue from local advertising, brand advertising and other services, including Yelp Deals and partner arrangements. The following provides a description of our revenue by product:

Local Advertising. We generate revenue from local advertising programs, including enhanced profile pages and performance and impression-based advertising in search results and elsewhere on our website and our mobile app.

Brand Advertising. We generate revenue from brand advertising through the sale of display advertisements (both graphic and text) on our website and our mobile app, including advertisements from leading national brands in the automobile, financial services, logistics, consumer goods and health and fitness industries. We also generate brand revenue from fixed-price brand sponsorships.

Other Services. We generate other revenue through the sale of Yelp Deals and Gift Certificates, monetization of remnant advertising inventory through third-party ad networks and various partner arrangements. Yelp Deals allow merchants to promote themselves and offer discounted goods and services on a real-time basis to consumers directly on our website and mobile app. We earn a fee on Yelp Deals for acting as an agent in these transactions, which we record on a net basis and include in revenue upon a consumer s purchase of the deal. Gift Certificates allow merchants to sell full-priced gift certificates directly to customers through their business profile page. We earn a fee based on the amount of the Gift Certificate sold, which we record on a net basis and include in revenue upon a consumer s purchase of the Gift Certificate. We also generate a portion of our revenue through fixed fee and revenue-sharing arrangements with partner companies. Currently, our revenue-sharing partner arrangements provide consumers on the Yelp platform with the ability to make reservations and order food, as well as allow third party data providers to update business listing information on behalf of businesses.

	Three Months Ended June 30,		**2012 to 2013 % Change**	**Six Months Ended June 30,**		**2012 to 2013 % Change**
	2013	**2012**		**2013**	**2012**	
	(dollars in thousands)			**(dollars in thousands)**		
Net revenue by product:						
Local advertising	$ 44,797	$ 25,255	77%	$ 83,764	$ 46,728	79%
Brand advertising	7,048	5,703	24	11,806	9,697	22
Other services	3,178	1,695	87	5,586	3,613	55
Total net revenue	$ 55,023	$ 32,653	69%	$ 101,156	$ 60,038	68%
Net revenue by product:						
Local advertising	81%	77%		83%	78%	
Brand advertising	13	18		12	16	
Other services	6	5		5	6	
Total net revenue	100%	100%		100%	100%	

Total net revenue increased $22.4 million, or 69%, in the three months ended June 30, 2013, compared to the three months ended June 30, 2012. Our local advertising revenue increased $19.5 million, or 77%, primarily due to a significant increase in the number of customers purchasing local advertising plans as we expanded our sales force to reach more local businesses. Our brand advertising revenue increased $1.3 million, or 24%, primarily due to an increase in the average spend per brand advertiser driven primarily by increased advertising impressions per brand advertiser. In addition, our other services revenue increased by $1.5 million, or 87%, primarily due to an increase in revenue from the sale of Yelp Deals and remnant advertising inventory and from added partnership arrangements.

Total net revenue increased $41.1 million, or 68%, in the six months ended June 30, 2013, compared to the six months ended June 30, 2012. Our local advertising revenue increased $37.0 million, or 79%, primarily due to a significant increase in the number of customers purchasing local advertising plans as we expanded our sales force to reach more local businesses. Our brand advertising revenue increased $2.1 million, or 22%, primarily due to an increase in the average spend per brand advertiser driven primarily by increased advertising impressions per brand advertiser. In addition, our other services revenue increased $2.0 million, or 55%, primarily due to an increase in revenue from the sale of Yelp Deals and remnant advertising inventory and from added partnership arrangements.

Cost of Revenue

Our cost of revenue consists primarily of credit card processing fees, web hosting, Internet services costs and salaries, benefits and stock-based compensation for our infrastructure teams related to operating our website, as well as creative design for brand advertising, video production expenses and allocated facilities costs. We currently expect cost of revenue to increase on an absolute basis and remain relatively flat as a percentage of revenue in the near term as, consistent with our investment philosophy we continue to expand data center capacity and headcount associated with supporting our website and mobile.

	Three Months Ended June 30,		2012 to 2013	Six Months Ended June 30,		2012 to 2013
	2013	2012	%	2013	2012	%
	(dollars in thousands)		Change	(dollars in thousands)		Change
Cost of revenue	$ 4,018	$ 2,298	75%	$ 7,358	$ 4,424	66%
Percentage of net revenue	7%	7%		7%	7%	

In the three months ended June 30, 2013, cost of revenue increased $1.7 million, or 75%, compared to the three months ended June 30, 2012. This increase was primarily attributable to an increase of $0.5 million in outside hosting and Internet service fees, which are necessary to support the increase in visitors to our website and transactions completed on our website. In addition, setup costs, including video production, for active local business pages increased by $0.3 million due to increased demand by local businesses for video on their business pages, and expenses related to creative design for brand advertising customers increased $0.1 million. Merchant fees related to credit card transactions for local advertising also increased $0.4 million, and we added personnel to support our website infrastructure resulting in an increase of $0.4 million.

In the six months ended June 30, 2013, cost of revenue increased $2.9 million, or 66%, compared to the six months ended June 30, 2012. This increase was primarily attributable to an increase of $0.8 million in outside hosting and Internet service fees, which are necessary to support the increase in visitors to our website and transactions completed on our website. In addition, setup costs, including video production, for active local business pages increased by $0.5 million. Merchant fees related to credit card transactions for local advertising also increased $0.8 million, and we added personnel to support our website infrastructure resulting in an increase of $0.7 million.

Sales and Marketing

Our sales and marketing expenses primarily consist of salaries, benefits, stock-based compensation, travel expense and incentive compensation for our sales and marketing employees. In addition, sales and marketing expenses include business acquisition marketing, community management, branding and advertising costs, as well as allocated facilities and other supporting overhead costs. We incur almost no sales and marketing expense to acquire traffic to our website or mobile app. Our Community Managers are responsible for growing and fostering local communities and coordinating events to raise awareness of our brand. We expect our community management costs to increase as we continue to expand to new markets and within existing markets. We expect our sales and marketing expenses to continue to increase both domestically and internationally as we expand our domestic and international footprint, increase the number of active local business accounts and continue to build our brand. The substantial majority of these expenses will be related to hiring Community Managers and an international sales force. We expect our sales and marketing costs, including community management costs, to increase and to be our largest expense for the foreseeable future. For the three months ended June 30, 2013, we spent $5.1 million related to our international sales and marketing operations compared to $3.1 million for the three months ended June 30, 2012. For the six months ended June 30, 2013, we spent $10.4 million related to our international sales and marketing operations compared to $5.2 million for the six months ended June 30, 2012.

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	2012 to 2013 % Change	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	2012 to 2013 % Change
	(dollars in thousands)			(dollars in thousands)		
Sales and marketing	$ 30,803	$ 20,333	51%	$ 58,997	$ 39,103	51%
Percentage of net revenue	56%	62%		58%	65%	

In the three months ended June 30, 2013, sales and marketing expenses increased $10.5 million, or 51%, compared to the three months ended June 30, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $6.7 million, including an increase in stock-based compensation of $1.4 million, as we expanded our sales organization to take advantage of the market opportunity created by increased recognition of the value of our platform and increased use of our free online business accounts. As a result of our increase in net revenue, our commission expenses also increased $2.5 million. In addition, we experienced an increase in facilities and related allocations of $1.1 million and domestic and international marketing and advertising costs of $0.2 million.

In the six months ended June 30, 2013, sales and marketing expenses increased $19.9 million, or 51%, compared to the six months ended June 30, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $13.3 million, including an increase in stock-based compensation of $2.2 million, as we expanded our sales organization to take advantage of the market opportunity created by increased recognition of the value of our platform and increased use of our free online business accounts. As a result of our increase in net revenue, our commission expenses also increased $3.6 million. In addition, we experienced an increase in facilities and related allocations of $2.7 million and domestic and international marketing and advertising costs of $0.3 million.

Product Development

Our product development expenses primarily consist of salaries, benefits and stock-based compensation for our engineers, product management and information technology personnel. In addition, product development expenses include outside services and consulting, allocated facilities and other supporting overhead costs. We believe that continued investment in features, software development tools and code modification is important to attaining our strategic objectives, and, as a result, we expect product development expense to increase for the foreseeable future.

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	2012 to 2013 % Change	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	2012 to 2013 % Change
	(dollars in thousands)			(dollars in thousands)		
Product development	$ 7,997	$ 4,336	84%	$ 15,233	$ 8,476	80%
Percentage of net revenue	15%	13%		15%	14%	

In the three months ended June 30, 2013, product development expenses increased $3.7 million, or 84%, compared to the three months ended June 30, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $2.9 million, including an increase in stock-based compensation of $0.8 million, and an increase of $0.5 million in the use of outside consultants as we continued to invest in adding features and functionality to our website and mobile app. In addition, we experienced an increase in facilities and related expenses of $0.2 million.

In the six months ended June 30, 2013, product development expenses increased $6.8 million, or 80%, compared to the six months ended June 30, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $5.5 million, including an increase in stock-based compensation of $1.3 million, and an increase of $0.8 million in the use of outside consultants as we continued to invest in adding features and functionality to our website and mobile app. In addition, we experienced an increase in facilities and related expenses of $0.4 million.

General and Administrative

Our general and administrative expenses primarily consist of salaries, benefits and stock-based compensation for our executive, finance, user operations, legal, human resources and other administrative employees. In addition, general and administrative expenses include outside consulting, legal and accounting services and facilities and other supporting overhead costs not allocated to other departments. We expect our general and administrative expenses to increase for the foreseeable future as we continue to expand our business and incur additional expenses associated with being a publicly traded company.

	Three Months Ended June 30, 2013	2012	2012 to 2013 % Change	Six Months Ended June 30, 2013	2012	2012 to 2013 % Change
	(dollars in thousands)			(dollars in thousands)		
General and administrative	$ 10,148	$ 5,963	70%	$ 18,912	$ 16,692	13%
Percentage of net revenue	18%	18%		19%	28%	

In the three months ended June 30, 2013, general and administrative expenses increased $4.2 million, or 70%, compared to the three months ended June 30, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $2.8 million, including an increase in stock-based compensation of $1.7 million. Additionally, we invested in our systems and support for the growth of the business through the use of outside consultants, which contributed to the increase by $0.9 million and had an increase in bad debt expense of $0.4 million. In addition, we experienced an increase in facilities and related expenses of $0.1 million.

In the six months ended June 30, 2013, general and administrative expenses increased $2.2 million, or 13%, compared to the six months ended June 30, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $2.3 million. This increase was offset by a decrease in stock-based compensation expense of $2.7 million related primarily to the acceleration of vesting of stock options held by two executives in connection with the completion of the IPO last year, which was offset with grants made during the period. Additionally, we invested in our systems and support for the growth of the business through the use of outside consultants, which contributed to the increase by $1.2 million, and had an increase in legal expenses of $0.4 million. In addition, we experienced an increase in facilities and related expenses of $0.3 million and an increase in bad debt expense of $0.6 million.

Depreciation and Amortization

Depreciation and amortization expenses primarily consist of depreciation on computer equipment, software, leasehold improvements, capitalized website and internal software development costs and amortization of purchased intangibles. We expect depreciation and amortization expenses to increase for the foreseeable future as we continue to expand our technology infrastructure and obtain new facilities due to our growth.

	Three Months Ended June 30, 2013	2012	2012 to 2013 % Change	Six Months Ended June 30, 2013	2012	2012 to 2013 % Change
	(dollars in thousands)			(dollars in thousands)		
Depreciation and amortization	$ 2,637	$ 1,661	59%	$ 5,115	$ 3,022	69%
Percentage of net revenue	5%	5%		5%	5%	

In the three months ended June 30, 2013, depreciation and amortization expense increased $1.0 million, or 59%, compared to the three months ended June 30, 2012. The increase was primarily the result of our investments in expanding our technology infrastructure and capital assets to support our increase in headcount across the organization. Depreciation and amortization related to our fixed assets and capitalized website and internal use software development costs increased $0.4 million and $0.1 million, respectively. In addition, amortization related to our intangibles increased $0.5 million primarily due to the intangibles acquired in the Qype acquisition.

In the six months ended June 30, 2013, depreciation and amortization expense increased $2.1 million, or 69%, compared to the six months ended June 30, 2012. The increase was primarily the result of our investments in expanding our technology infrastructure and capital assets to support our increase in headcount across the organization. Depreciation and amortization related to our fixed assets and capitalized website and internal use software development costs increased $0.8 million and $0.3 million, respectively. In addition, amortization related to our intangibles increased $1.0 million primarily due to the intangibles acquired in the Qype acquisition.

Restructuring and Integration Costs

	Three Months Ended June 30,		2012 to 2013 %	Six Months Ended June 30,		2012 to 2013 %
	2013	2012		2013	2012	
	(dollars in thousands)		Change	(dollars in thousands)		Change
Restructuring and Integration Costs	$	$		$ 675	$	N/A
Percentage of net revenue				1%		

In the six months ended June 30, 2013, we incurred restructuring and integration costs of $0.7 million, compared to zero for the six months ended June 30, 2012. In the quarter ended March 31, 2013, we announced our plan to further reduce the size of the Qype workforce. These actions were made in order to reduce our cost structure, enhance operating efficiencies and strengthen our business to achieve long-term profitable growth. We incurred the restructuring and integration costs of $0.7 million as a result of this plan in the six months ended June 30, 2013. The restructuring plan was substantially completed during the six months ended June 30, 2013. We expect that any additional expense related to this restructuring plan incurred in the future will be immaterial.

Other Income (Expense), Net

Other income (expense), net consists primarily of the interest income earned on our cash and cash equivalents and foreign exchange gains and losses.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Interest income	$ 14	$ 13	$ 30	$ 18
Transaction gain (loss) on foreign exchange	(61)	11	(223)	(10)
Other non-operating income (loss), net	(19)	(2)	(74)	(16)
Other income (expense), net	$ (66)	$ 22	$ (267)	$ (8)

In the three months ended June 30, 2013, other income (expense), net decreased $0.1 million compared to the three months ended June 30, 2012. The decrease was largely driven by an unfavorable change in foreign currency exchange rates, primarily the exchange rate between the British Pound and Euro, which contributed to transaction losses on foreign exchange in the three months ended June 30, 2012 compared to a gain in 2012.

In the six months ended June 30, 2013, other income (expense), net decreased $0.3 million compared to the six months ended June 30, 2012. The decrease was largely driven by an unfavorable change in foreign currency exchange rates, primarily the exchange rate between the British Pound and Euro, which contributed to larger transaction losses on foreign exchange in the six months ended June 30, 2012 compared to a gain in 2012.

Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions, deferred income taxes reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the realization of net operating loss carryforwards.

	Three Months Ended	Six Months Ended

	June 30, 2013	2012	June 30, 2013	2012
	(in thousands)		(in thousands)	
Provision for taxes	$ 232	$ 66	$ 276	$ 97

Liquidity and Capital Resources

As of June 30, 2013, we had cash and cash equivalents of $96.8 million. Cash and cash equivalents consist of cash and money market funds. Cash held internationally as of June 30, 2013 was immaterial. We did not have any short-term or long-term investments. Additionally, we do not have any outstanding bank loans or credit facilities in place. To date, we have been able to finance our operations, our acquisition of Qype in October 2012, and our acquisition of SeatMe in July 2013 through proceeds from private and public financings, including our initial public offering in March 2012, and, to a lesser extent, from the exercise of stock options.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under *Risk Factors* in this Quarterly Report on Form 10-Q. We believe that our existing cash and cash equivalents, together with any cash generated from operations, will be sufficient to meet our working capital requirements and anticipated purchases of property and equipment for at least the next 12 months. However, this estimate is based on a number of assumptions that may prove to be wrong and we could exhaust our available cash and cash equivalents earlier than presently anticipated. We may require additional funds in the next 12 months to respond to business challenges, including the need to develop new features and products or enhance existing services, improve our operating infrastructure or acquire complementary businesses and technologies, and, accordingly, we may need to engage in equity or debt financings to secure additional funds.

Amounts deposited with third party financial institutions exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation, insurance limits, as applicable. These cash and cash equivalents could be impacted if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Cash Flows

The following table summarizes our cash flows for the periods presented.

	Six Months Ended June 30,	
	2013	2012
	(in thousands)	
Condensed Consolidated Statements of Cash Flows Data:		
Purchases of property, equipment and software	$ (4,966)	$ (1,927)
Depreciation and amortization	5,115	3,022
Cash flows provided by (used in) operating activities	5,114	(2,440)
Cash flows used in investing activities	(7,720)	(9,525)
Cash flows provided by financing activities	4,111	113,019

Operating Activities

We generated $5.1 million of cash in operating activities in the six months ended June 30, 2013, primarily resulting from our net loss of $5.7 million, offset by non-cash depreciation and amortization of $5.1 million, non-cash stock-based compensation of $10.9 million and non-cash provision for doubtful accounts of $1.3 million. In addition, operating assets and liabilities changed by $6.6 million, primarily due to the timing of payments to vendors and collections on our accounts receivable during the six months ended June 30, 2013.

We used $2.4 million of cash in operating activities in the six months ended June 30, 2012, primarily resulting from our net loss of $11.8 million, offset by non-cash depreciation and amortization of $3.0 million and non-cash stock-based compensation of $9.3 million. In addition, operating assets and liabilities changed by $3.1 million, primarily due to the timing of payments to vendors and an increase in accounts receivable as a result of increased billings during the six months ended June 30, 2012.

Investing Activities

Our primary investing activities in the six months ended June 30, 2013 consisted of purchases of property and equipment to support the build out of our data centers, leasehold improvements for our new headquarters building in San Francisco and the purchase of technology hardware to support our growth in headcount and software to support website and mobile app development, website operations and our corporate infrastructure. Purchases of property and equipment, as well as leasehold improvements, may vary from period to period due to the timing of the expansion of our offices, operations and website and internal-use software and development. We expect to continue to invest in property and equipment, leaseholds and the development of software for the remainder of 2013 and thereafter.

We used $7.7 million of cash in investing activities during the six months ended June 30, 2013. Cash used in investing activities primarily related to an increase in expenditures related to website development of $2.1 million and purchases of property, equipment, software and leasehold improvements of $5.0 million to support our growth in the business. Restricted cash increased by $1.8 million related to office leases. Cash used in investing was offset by $1.2 million of cash released from escrow related to the Qype acquisition, recorded as a measurement period adjustment to the initial fair value of the acquired assets and liabilities during the six months ended June 30, 2013.

We used $9.5 million of cash in investing activities during the six months ended June 30, 2012. Cash used in investing activities primarily related to an increase in restricted cash of $6.0 million in connection with new leases executed during the six month period, as well as purchases of property, equipment and software of $1.9 million to support our growth in the business and expenditures related to website development of $1.6 million.

Financing Activities

During the six months ended June 30, 2013, we generated $4.4 million in financing activities primarily due to net proceeds from the issuance of common stock upon the exercise of stock options.

During the six months ended June 30, 2012, we received $122.6 million in proceeds from our initial public offering. We incurred $10.3 million related to offering costs in connection with the initial public offering, including underwriter commission and discounts associated with the transaction. With the exception of our initial public offering, our financing activities during the six months ended June 30, 2012 consisted primarily of net proceeds from the issuance of common stock upon the exercise of stock options.

Off Balance Sheet Arrangements

We did not have any off balance sheet arrangements in 2012 or the first six months of 2013.

Contractual Obligations

We lease various office facilities, including our corporate headquarters in San Francisco, California, under operating lease agreements that expire from September 2013 to 2021. The terms of the lease agreements provide for rental payments on a graduated basis. We recognize rent expense on a straight-line basis over the lease periods. We do not have any debt or material capital lease obligations, and all of our property, equipment and software have been purchased with cash. As of June 30, 2013, we had no material long-term purchase obligations outstanding with any vendors or third parties. Our future minimum payments under non-cancelable operating leases for equipment and office facilities are as follows as of June 30, 2013:

	Payments Due by Period				
	Total	**Less Than 1 Year**	**1 3 Years**	**3 5 Years**	**More Than 5 Years**
	(in thousands)				
Operating lease obligations	$ 90,848	$ 11,160	$ 39,876	$ 28,334	$ 11,478

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate, foreign exchange risks and inflation.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market funds. We do not have any long-term borrowings.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, our portfolio s fair value is relatively insensitive to interest rate changes. During the six months ended June 30, 2013, we determined that the nominal difference in basis points for investing our cash and cash equivalents in longer-term investments did not warrant a change in our investment strategy. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives. We believe a hypothetical 10% increase in interest rates as of June 30, 2013 would have an immaterial impact on our investment portfolio.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, principally the British pound sterling and the Euro. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. Although we have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains (losses) related to revaluing certain cash balances, trade accounts receivable balances and intercompany balances that are denominated in currencies other than the U.S. dollar, we believe a hypothetical 10% strengthening/(weakening) of the U.S. dollar against the British pound sterling, either alone or in combination with a hypothetical 10% strengthening/(weakening) of the U.S. dollar against the Euro would not have a material impact on our results of operations. In the event our foreign sales and expenses continue to increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2013. Based on the evaluation of our disclosure controls and procedures as of June 30, 2013, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In February and March 2010, we were sued in two putative class actions on behalf of local businesses asserting various causes of action based on claims that we manipulated the ratings and reviews on our platform to coerce local businesses to buy our advertising products. These cases were subsequently consolidated in an action asserting claims for violation of the California Business & Professions Code, extortion and attempted extortion based on the conduct they allege and seeking monetary relief in an unspecified amount and injunctive relief. In October 2011, the court dismissed this consolidated action with prejudice. The plaintiffs have appealed to the U.S. Court of Appeals for the Ninth Circuit, which heard the appeal on July 11, 2013. The Ninth Circuit has not yet issued a decision. Accordingly, we are currently unable to reasonably estimate either the probability of incurring a loss or an estimated range of such loss, if any, from this appeal.

Qype, our indirect wholly-owned subsidiary, is party to a lawsuit regarding fees payable for directory data that Qype and its predecessor purchased from Deutsche Telekom AG (Deutsche Telekom) between 2005 and 2008 at a rate set by the German Federal Network Agency (FNA). Following German court decisions overturning the rate set by the FNA, Deutsche Telekom sued Qype in the Regional Court of Bonn on August 26, 2010 for approximately €1.5 million plus interest for additional fees for data delivered between 2005 and 2008. In August 2011, the court rejected Deutsche Telekom s claim in full and Deutsche Telekom appealed the decision to the Higher Regional Court of Cologne, which referred the appeal to the Higher Regional Court in Düsseldorf in July 2012. The court heard the appeal in April 2013 and a decision is now expected in September 2013.

In addition, we are subject to legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently do not believe that the final outcome of any of these matters will have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our Class A common stock. You should carefully consider the risks and uncertainties described below before making an investment decision. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from the risks described in our Annual Report on Form 10-K for the year ended December 31, 2012.

Risks Related to Our Business and Industry

We have a short operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a short operating history in an evolving industry that may not develop as expected, if at all. This short operating history makes it difficult to assess our future prospects. You should consider our business and prospects in light of the risks and difficulties we may encounter in this rapidly evolving industry. These risks and difficulties include our ability to, among other things:

- increase the number of users of our website and mobile app and the number of reviews and other content on our platform;
- increase the revenue from advertisers on our website and mobile app;
- continue to earn and preserve a reputation for providing meaningful and reliable reviews of local businesses;
- effectively monetize our mobile products as usage continues to migrate toward mobile devices;
- manage, measure and demonstrate the effectiveness of our advertising solutions and attract and retain new advertising clients, many of which may only have limited or no online advertising experience;
- successfully compete with existing and future providers of other forms of offline and online advertising;
- successfully compete with other companies that are currently in, or may in the future enter, the business of providing information regarding local businesses;

- successfully expand our business in new and existing markets, both domestic and international;
- successfully develop and deploy new features and products;
- effectively integrate businesses we may acquire, including Qype and SeatMe;
- avoid interruptions or disruptions in our service or slower than expected load times;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased usage globally, as well as the deployment of new features and products;
- hire, integrate and retain talented sales and other personnel;
- effectively manage rapid growth in our sales force, personnel and operations; and
- effectively partner with other companies.

If the demand for information regarding local businesses does not develop as we expect, or if we fail to address the needs of this demand, our business will be harmed. We may not be able to successfully address these risks and difficulties or others, including those described elsewhere in these risk factors. Failure to address these risks and difficulties adequately could harm our business and cause our operating results to suffer.

We have incurred significant operating losses in the past, and we may not be able to generate sufficient revenue to achieve or maintain profitability, particularly given our significant ongoing sales and marketing expenses. Our recent growth rate will likely not be sustainable, and a failure to maintain an adequate growth rate will adversely affect our results of operations and business.

Since our inception, we have incurred significant operating losses, and, as of June 30, 2013, we had an accumulated deficit of approximately $66.1 million. Although our revenues have grown rapidly in the last several years, increasing from $12.1 million in 2008 to $137.6 million in 2012, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business and the gradual decline in the number of major geographic markets, especially within the United States, to which we have not already expanded, and you should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. We also expect our costs to increase in future periods as we continue to expend substantial financial resources on:

- sales and marketing;
- product and feature development;
- our technology infrastructure;
- domestic and international expansion efforts;
- strategic opportunities, including commercial relationships and acquisitions; and
- general administration, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. If we are unable to maintain adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

We rely on traffic to our website from search engines like Google, Bing and Yahoo!, some of which offer products and services that compete directly with our solutions. If information from and links to our website are not displayed as prominently on search engine result pages as those from competing products and services, traffic to our website could decline and our business would be adversely affected.

Our success depends in part on our ability to attract users through unpaid Internet search results on search engines like Google, Bing and Yahoo!. The number of users we attract from search engines to our website (including our mobile website) is due in large part to how and where information from and links to our website are displayed on search engine result pages. The display, including rankings, of unpaid search results can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to our website may not be prominent enough to drive traffic to our website, and we may not know how or otherwise be in a position to influence the results. In some instances, search engine companies may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. Although traffic to our mobile app is less reliant on search results than traffic to our website, growth in mobile device usage may not decrease our overall reliance on search results if mobile users use our mobile website at the expense of our mobile app. In fact, growth in mobile device usage may exacerbate the risks associated with how and where our website is displayed in search results because mobile device screens are smaller than desktop computer screens and therefore display fewer search results. Our website has experienced fluctuations in search result rankings in the past, and we anticipate fluctuations in the future. Any reduction in the number of users directed to our website could adversely impact our business and results of operations.

Google in particular is the most significant source of traffic to our website, accounting for more than half of the visits to our website from Internet searches during the three and six months ended June 30, 2013. Our success depends on our ability to maintain a prominent presence in search results for queries regarding local businesses on Google. Google has removed links to our website from portions of its web search product and has promoted its own competing products, including Google s local products, in its search results. Given the large volume of traffic to our website and the importance of the placement and display of results of a user s search, similar actions in the future could have a substantial negative effect on our business and results of operations.

If we fail to generate and maintain sufficient high quality content from our users, we will be unable to provide consumers with the information they are looking for, which could negatively impact our traffic and revenue.

Our success depends on our ability to provide consumers with the information they seek, which in turn depends on the quantity and quality of the content provided by our users. For example, we may be unable to provide consumers with the information they seek if our users do not contribute content that is helpful and reliable, or if they remove content they previously submitted. For example, our ability to provide high quality content may be harmed as consumers increasingly contribute content through our mobile website and mobile app because desktop contributions tend to be longer than content contributed through mobile devices. Similarly, we may be unable to provide consumers with the information they seek if our users are unwilling to contribute content because of concerns that they may be harassed or sued by the businesses they review, instances of which have occurred in the past and may occur again in the future. In addition, we may not be able to provide users the information they seek if the information on our platform is not up-to-date. We do not phase out or remove dated reviews, and consumers may view older reviews as less relevant, helpful or reliable. If our platform does not provide current information about local businesses or users perceive reviews on our platform as less relevant, our brand and our business could be harmed.

If we are unable to provide consumers with the information they seek, or if they can find equivalent content on other services, they may stop or reduce their use of our platform, and traffic to our website and on our mobile app will decline. If our user traffic declines, our advertisers may stop or reduce the amount of advertising on our platform and our business could be harmed.

****Our business may be harmed if users view our platform as primarily limited to reviews of restaurants and shopping experiences.***

Our user traffic could be adversely affected if consumers perceive the utility of our platform to be limited to finding businesses in the restaurant and shopping categories, which together accounted for approximately 43% of the businesses that have been reviewed on our platform and approximately 60% of our cumulative reviews through June 30, 2013. We believe that this concentration of reviews is primarily due to the frequency with which individuals visit specific businesses or engage in certain activities versus others. For example, an individual may eat at a restaurant three times in one week or go shopping once a week, but the same individual is unlikely to visit a mechanic, get a haircut or use a home or local service with the same frequency. However, if the high concentration of reviews in the restaurant and shopping categories generates a perception that our platform is primarily limited to these categories, traffic may decline and advertising customers may be less likely to perceive value from using our services, which could harm our business.

If our technology filters helpful content or fails to filter unhelpful content, consumers and businesses alike may stop or reduce their use of our platform and products, and our business could suffer.

While we have designed our technology to filter content that we believe may be offensive, biased, unreliable or otherwise unhelpful, we cannot guarantee that our efforts will be effective or adequate. In addition, some consumers and businesses have expressed concern that our technology inappropriately filters legitimate reviews, which may cause them to stop or reduce their use of our platform or our advertising solutions. If the performance of our filter proves inadequate or ineffective, our reputation and brand may be harmed, users may stop using our products and our business and results of operations could be adversely affected.

Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our base of users and advertisers, or our ability to increase the frequency with which they use our solutions.

We have developed a strong brand that we believe has contributed significantly to the success of our business. Maintaining, protecting and enhancing the Yelp brand is critical to expanding our base of users and advertisers and increasing the frequency with which they use our solutions, and will depend largely on our ability to maintain consumer trust in our solutions and in the quality and integrity of the user content and other information found on our website and mobile app, which we may not do successfully. If we do not successfully maintain a strong brand, our business could be harmed.

For example, consumers may believe that the reviews, photos and other content contributed by our Community Managers or other employees are influenced by our advertising relationships or are otherwise biased. Although we take steps to prevent this from occurring by, for example, displaying an ambassador badge on the account profile pages for each of our Community Managers identifying them as Yelp employees and explaining their role on our platform, the designation does not appear on the page for each review contributed by the Community Manager and we may not be successful in our efforts to maintain consumer trust. As a result, our brand and our business could be harmed.

Our trademarks are an important element of our brand. We have faced in the past, and may face in the future, oppositions from third parties to our applications to register key trademarks in foreign jurisdictions in which we expect to expand our presence. If we are unsuccessful in defending against these oppositions, our trademark applications may be denied. Whether or not our trademark registration applications are denied, third parties may claim that our trademarks infringe their rights. As a result, we could be forced to pay significant settlement costs or cease the use of these trademarks and associated elements of our brand in those or other jurisdictions. Doing so could harm our brand or brand recognition and adversely affect our business, financial condition and results of operations.

Negative publicity could adversely affect our reputation and brand.

Negative publicity about our company, including our technology, sales practices, personnel or customer service, could diminish confidence in and the use of our products. The media has previously reported allegations that we manipulate our reviews, rankings and ratings in favor of our advertisers and against non-advertisers. These allegations, though untrue, could adversely affect our reputation and brand, require significant management time and attention, and subject us to inquiries or investigations. In order to demonstrate that our filtering process applies in a nondiscriminatory manner to both advertisers and non-advertisers, we have made all filtered reviews accessible on our platform. We have also allowed businesses to comment publicly on negative reviews so that they can provide their response. Nevertheless, our reputation and brand, the traffic to our website and mobile app and our business may suffer if negative publicity about our company persists or if users otherwise perceive that content on our website and mobile app is manipulated or biased. In addition, our website and mobile app serve as a platform for expression by our users, and third parties or the public at large may attribute the political or other sentiments expressed by users on our platform to us, which could harm our reputation.

****If we fail to maintain and expand our base of advertisers, our revenue and our business will be harmed.***

For the three and six months ended June 30, 2013, substantially all of our revenue was generated by the sale of advertising products. Our ability to grow our business depends on our ability to maintain and expand our advertiser base. To do so, we must convince prospective advertisers of the benefits of our products, including those who may not be familiar with our products (such as those in new markets). In addition, we have incurred significant costs to attract current and future advertisers and expect to incur significant additional costs for the foreseeable future. We may face greater challenges as we continue to expand our advertiser base in businesses outside the restaurant and shopping categories, which together accounted for approximately 43% of the businesses that have been reviewed on our platform and approximately 60% of our cumulative reviews through June 30, 2013, especially if these businesses believe that consumers perceive the utility of our platform to be limited to finding businesses in the restaurant and shopping categories. We must also convince existing and prospective advertisers alike that our advertising products work to their benefit. Many of these businesses are more accustomed to using more traditional methods of advertising, such as newspapers or print yellow pages directories. Failure to maintain and expand the advertiser base could harm our business.

Our advertisers do not typically have long-term obligations to purchase our products. In addition, we rely heavily on advertising spend by small and medium-sized local businesses, which have historically experienced high failure rates and often have limited advertising budgets. As a result, we may experience attrition in our advertisers in the ordinary course of business resulting from several factors, including losses to competitors, lower priced competitors, perceptions that our advertising solutions are unnecessary or ineffective, declining advertising budgets, closures and bankruptcies. We must continually add new advertisers both to replace advertisers who choose not to renew their advertising or who go out of business, or otherwise fail to fulfill their advertising contracts with us, to grow our business. Our advertisers decisions to renew depend on a number of factors, including the degree of satisfaction with our products and their ability to continue their operations and spending levels. The ratings and reviews that businesses receive from our users may also affect advertising decisions by current and prospective advertisers. For instance, favorable ratings and reviews, on the one hand, could be perceived as obviating the need to advertise, and unfavorable ratings and reviews, on the other, could discourage businesses from advertising to an audience they perceive as hostile or cause them to form a negative opinion of our products and user base, which could discourage them from doing business with us. If our advertisers increase their rates of non-renewal or if we experience significant advertiser attrition or contract breach, or if we are unable to attract new advertisers in numbers greater than the number of advertisers that we lose, our client base will decrease and our business, financial condition and results of operations would be harmed.

If we fail to expand effectively into new markets, both domestically and abroad, our revenue and our business will be harmed.

We intend to expand our operations into new markets, both domestically and abroad. We may incur losses or otherwise fail to enter new markets successfully. Our expansion into new markets places us in competitive environments with which we are unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, or at all. In attempting to establish a presence in new markets, we expect, as we have in the past, to incur significant expenses and face various other challenges, such as expanding our sales force and community management personnel to reach those new markets. Our current and any future expansion plans will require significant resources and management attention. Furthermore, we have already entered many of the largest markets in the United States and further expansion in smaller markets may not yield similar results or sustain our growth.

Our international operations involve additional risks, and our exposure to these risks will increase as we expand internationally.

We have started to expand our operations internationally. We expect to expand our international operations significantly by accessing new markets abroad and expanding our offerings in new languages. Our platform is now available in English and several other languages. However, we may have difficulty modifying our technology and content for use in non-English-speaking markets or fostering new communities in non-English-speaking markets. We acquired Qype in October 2012 to accelerate the expansion of our international footprint, primarily in Europe and Brazil, but can make no assurance that we will be successful in integrating Qype with our businesses or in taking advantage of Qype s presence in these international markets. Our ability to manage our business and conduct our operations internationally requires considerable management attention and resources, and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Furthermore, in most international markets, we would not be the first entrant, and our competitors may be better positioned than we are to succeed. Expanding internationally may subject us to risks that we have either not faced before or increase our exposure to risks that we currently face, including risks associated with:

- recruiting and retaining qualified, multi-lingual employees, including sales personnel;
- integrating businesses we may acquire internationally, including Qype;
- increased competition from local websites and guides and potential preferences by local populations for local providers;
- compliance with applicable foreign laws and regulations, including different privacy, censorship and liability standards and regulations and different intellectual property laws;
- providing solutions in different languages for different cultures, which may require that we modify our solutions and features to ensure that they are culturally relevant in different countries;
- our ability to achieve prominent display of our content in unpaid search results, which may be more difficult in newer markets where we may have less content and more competitors than in established markets;
- the enforceability of our intellectual property rights;
- credit risk and higher levels of payment fraud;
- compliance with anti-bribery laws, including but not limited to compliance with the Foreign Corrupt Practices Act and the U.K. Bribery Act;
- currency exchange rate fluctuations;
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States;
- political and economic instability in some countries;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate; and
- higher costs of doing business internationally.

Many people use smartphones and other mobile devices to access information about local businesses. We have limited experience with mobile advertising and have prioritized the quality of user experience with our mobile products over short-term monetization. As a result, growth in use of our mobile app and mobile website, particularly if it substitutes for use of our website on personal computers, may adversely affect our results of operations and business.

The number of people who access information about local businesses through mobile devices, including smartphones and handheld tablets or computers, has increased dramatically in the past few years and is expected to continue to increase. Although we currently deliver advertising on our mobile app and mobile website, we have limited experience with mobile advertising and have prioritized the quality of user experience with our mobile products over short-term monetization. With our ability to effectively monetize our mobile products unproven, we may not be able to generate meaningful revenue from our mobile products despite the expected growth in mobile usage. In addition, if consumers use our mobile app and mobile website as substitutes for, rather than in addition to, use of our website on personal computers and our mobile solutions prove ineffective, our advertisers may stop or reduce their advertising with us. Similarly, we may be unable to attract new advertisers if our mobile advertising solutions are not compelling. If our advertising solutions are not effective or we fail to continue to innovate and introduce enhanced mobile solutions, if our solutions alienate our user base, or if our solutions are not widely adopted or are insufficiently profitable, our business may suffer.

Additionally, as new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing products for these alternative devices and platforms, and we may need to devote significant resources to the creation, support and maintenance of such products. We are dependent on the interoperability of our mobile products with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade their functionality could adversely affect mobile usage. If we experience difficulties in the future in integrating our mobile app into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile application download stores, such as those of Google, with whose local products we compete, or Apple, Inc., our user growth and user engagement could be harmed. In addition, if our applications receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order of our products in the Apple AppStore, or if we face increased costs to distribute our mobile app, our future growth and our results of operations could suffer. Further, in the event that it becomes more difficult for our users to access and use our mobile app, or if users choose to use mobile products that do not offer access to our mobile app, we may be unable to decrease our reliance on traffic from Google and other search engines.

We expect to face increased competition in the market.

The market for information regarding local businesses and advertising is intensely competitive and rapidly changing. With the emergence of new technologies and market entrants, competition is likely to intensify in the future. Our competitors include, among others, offline media companies and service providers; newspaper, television and other media companies; Internet search engines, such as Google, Bing and Yahoo!; and various other online service providers and review websites. Our competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, substantially greater market share, large existing user bases and substantially greater financial, technical and other resources. These companies may use these advantages to offer products similar to ours at a lower price, develop different products to compete with our current solutions and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or client requirements. In particular, major Internet companies, such as Google, Facebook, Yahoo! and Microsoft may be more successful than us in developing and marketing online advertising offerings directly to local businesses and many of our advertisers and potential advertisers may choose to purchase online advertising services from these competitors and may reduce their purchases of our products. In addition, many of our current and potential competitors have established marketing relationships with and access to larger client bases. As the market for local online advertising increases, new competitors, business models and solutions are likely to emerge. We also compete with these companies for the attention of contributors and consumers, and may experience decreases in both if our competitors offer more compelling environments. For all of these reasons, we may be unable to maintain or grow the number of people who use our website and mobile app and the number of businesses that use our advertising solutions and we may face pressure to reduce the price of our advertising solutions, in which case our business, results of operations and financial condition will be harmed.

The traffic to our website and mobile application may decline and our business may suffer if other companies copy information from our platform and publish or aggregate it with other information for their own benefit.

From time to time, other companies copy information from our platform, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. For example, in parts of 2010 and 2011, Google incorporated content from our website into its own local product without our permission. Google s users, as a result, may not have visited our website because they found the information they sought on Google. While we do not believe that Google is still incorporating our content within its local products, we have no assurance that Google or other companies will not copy, publish or aggregate content from our platform in the future.

When third parties copy, publish or aggregate content from our platform, it makes them more competitive and decreases the likelihood that consumers will visit our website or use our mobile app to find the information they seek, which could negatively affect our business, results of operations and financial condition. We may not be able to detect such third-party conduct in a timely manner and, even if we could, we may not be able to prevent it. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may be inadequate to protect us against such practices. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

The impact of worldwide economic conditions, including the resulting effect on advertising spending by local businesses, may adversely affect our business, operating results and financial condition.

Our performance is subject to worldwide economic conditions and their impact on levels of advertising spend by small and medium-sized businesses, which may be disproportionately affected by economic downturns. In the event of an economic slowdown or deterioration of worldwide economic conditions, our existing and potential advertising clients may no longer consider investment in our advertising solutions a necessity, or may elect to reduce advertising budgets. Historically, economic downturns have resulted in overall reductions in advertising spending. In particular, web-based advertising solutions may be viewed by some of our existing and potential advertising clients as a lower priority and could cause advertisers to reduce the amounts they spend on advertising, terminate their use of our solutions or default on their payment obligations to us. In addition, economic conditions may adversely impact levels of consumer spending, which could adversely impact the numbers of consumers visiting our website and mobile app. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. If spending at many of the local businesses reviewed on our platform declines, businesses may be less likely to use our advertising products, which could have a material adverse effect on our financial condition and results of operations.

We face potential liability and expense for legal claims based on the content on our platform.

We face potential liability and expense for legal claims relating to the information that we publish on our website and mobile app, including claims for defamation, libel, negligence and copyright or trademark infringement, among others. For example, businesses in the past have claimed, and may in the future claim, that we are responsible for defamatory reviews posted by our users. We expect claims like these to continue, and potentially increase in proportion to the amount of content on our platform. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be compelled to remove content or may be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims. If we elect or are compelled to remove valuable content from our website or mobile app, our platform may become less useful to consumers and our traffic may decline, which could have a negative impact on our business and financial performance.

****We process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy. Our actual or perceived failure to comply with such obligations could harm our business.***

We receive, store and process personal information and other user data, including credit card information for certain users. There are numerous federal, state and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other user data, the scope of which are changing, subject to differing interpretations and may be inconsistent between countries or conflict with other rules. For example, the Federal Trade Commission ("FTC") currently expects companies like Yelp to comply with guidelines issued under the Federal Trade Commission Act that govern the collection, use and storage of consumer information, establishing principles relating to notice, consent, access and data integrity and security. Our practices are designed to comply with these guidelines as described in our published privacy policy. For example, we disclose that we collect a range of information about our users, such as their names, email addresses, search histories and activity on our platform. We also use and store such information primarily to personalize the experience on our platform, provide customer support and display relevant advertising. While we do not sell or share personally identifiable information with third parties for direct marketing purposes, we do have relationships with third parties that may allow them access to user information for other purposes. For example, when we outsource functions such as technical and customer support, tracking and reporting, quality assurance and payment processing to other companies, we make user information available to those companies to the extent necessary for them to provide the outsourced services. We believe our policies and practices comply with the FTC privacy guidelines and other applicable laws and regulations. However, if our belief proves incorrect, if these guidelines, laws or regulations or their interpretation change or new legislation or regulations are enacted, or if the third parties with whom we share user information fail to comply with such guidelines, laws, regulations or their contractual obligations to us, we may be compelled to provide additional disclosures to our users, obtain additional consents from our users before collecting or using their information or implement new safeguards to help our users manage our use of their information, among other changes. For example, the FTC recently revised its Children's Online Privacy Protection Act rule, which regulates the way children use and access the Internet, and updated its guidance on distinguishing paid search results and other types of advertising from unpaid search results. As a result, we may be required to make changes or implement additional safeguards.

We also generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties (including, in certain instances, voluntary third-party certification bodies such as TRUSTe). It is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, may result in governmental enforcement actions, litigation or negative publicity and could cause our users and advertisers to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties with whom we work, such as advertisers, vendors or developers, violate applicable laws or our policies, such violations may also put our users information at risk and could have an adverse effect on our business.

Our business could suffer if the jurisdictions in which we operate change the way in which they regulate the Internet, including regulations relating to user-generated content and privacy.

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices and that requires changes to these practices or the design of our platform, products or features. For example, if legislation is passed that limits the immunities afforded to websites that publish user-generated content, we may be compelled to remove content from our platform that we would otherwise publish, restrict the types of businesses that our users can review or further verify the identity of our users, among other changes. Similarly, legislation could be passed that limits our ability to use or store information about our users.

Practices regarding the collection, use, storage, display, processing, transmission and security of personal information by companies offering online services have recently come under increased public scrutiny. As a result, the regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. The U.S. government, including the White House, the FTC and the Department of Commerce, are reviewing the need for greater regulation of the collection of information concerning consumer behavior with respect to online services, including regulation aimed at restricting certain targeted advertising practices. The White House recently published a report calling for a consumer privacy Bill of Rights that could impact the collection of data. Legislative changes have been proposed abroad as well, including recent proposals by the European Commission to reform its existing data protection legal framework. Various government and consumer agencies have also called for new regulation and changes in industry practices. Recently, the State of California and several other states have adopted privacy guidelines with respect to mobile applications. Changes like these could increase our administrative costs and make it more difficult for consumers to use our platform, resulting in less traffic and revenue. Similarly, changes like these could make it more difficult for us to provide effective advertising tools to businesses on our platform, resulting in fewer advertisers and less revenue. In any of the cases above, our business could suffer.

****Our acquisitions of Qype and SeatMe create numerous risks and uncertainties that could adversely affect our operating results or prevent us from realizing the expected benefits of the acquisitions.***

In October 2012, we acquired Qype to accelerate our international expansion and in July 2013, we acquired SeatMe to enhance the experience for our consumers and complement our existing partnerships. In order to realize any gains from these acquisitions, we must successfully complete the integration of each acquired business, its operations, services and personnel with our organization. These transition activities are complex, and we may encounter unexpected difficulties or incur unexpected costs.

In order to realize the expected benefits and synergies of our acquisitions, we must meet a number of significant challenges, including:

- integrating the management teams, strategies and operations of the combined business;
- retaining and assimilating the key personnel of each company;
- retaining existing customers and obtaining new customers;
- difficulties in the assimilation of employees and corporate cultures;
- migrating Qype users and content to our platform;
- implementing and retaining uniform standards, controls, procedures, policies and information systems;
- managing the combined business effectively; and
- integrating SeatMe in the manner and in the timeframe our management believes to be in our best interests while maintaining relationships with our strategic partners.

It is possible that the integration processes could result in the loss of technical skills and management expertise of key employees, the disruption of each company s ongoing business or inconsistencies in standards, controls, procedures and policies due to possible cultural conflicts or differences of opinions on technical decisions and services.

The failure to integrate Qype and SeatMe successfully could adversely affect our ability to maintain relationships with customers and employees, as well as strategic commercial partners, or to achieve the anticipated benefits of each acquisition. In addition, we may be required to spend additional time or funds on integration that otherwise would be spent on the development and expansion of the combined businesses. Even if we are able to integrate Qype and SeatMe operations successfully, these integrations may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the integration of each business, and these benefits may not be achieved within a reasonable period of time.

Our growth depends in part on the success of our strategic relationships with third parties, and any failure to maintain these relationships could harm our business.

We rely in part on relationships with various third parties to grow our business, including strategic partners and technology and content providers. Identifying, negotiating and maintaining relationships with third parties require significant time and resources, as does integrating their services and technologies onto our platform. We may also have competing interests and obligations with respect to our partners, which may make it difficult to maintain, grow or maximize the benefit of each partnership. In addition, we have had, and may in the future have, disagreements or disputes with our partners about our respective contractual obligations, which could result in legal proceedings or negatively affect our brand and reputation. It is also possible that these third parties may not be able to devote the resources we expect to the relationships or they may terminate their relationships with us. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to grow our business could be impaired, and our operating results could suffer.

We may also 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 offerings and grow our business in response to changing technologies, user and advertiser 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 as a company in the complex process of acquiring other businesses and technologies. The pursuit of potential future acquisitions may divert the attention of management and cause us to incur expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations or our ability to achieve profitability.

Acquisitions also involve a number of risks to our business, including the difficulty of integrating operations, services, sites and technologies, and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, the possibility that our business culture and the business culture of the acquired companies will not be compatible, expenses related to the acquisition and to the integration of the acquired companies, the impairment of relationships with employees and customers as a result of any integration of new personnel, risks related to the businesses of acquired companies that may continue to impact the businesses following the acquisition and potential unknown liabilities associated with acquired companies. Any inability to integrate services, sites and technologies, operations or personnel in an efficient and timely manner could harm our results of operations.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

We have experienced rapid growth in our headcount and operations, including through our acquisitions of Qype in October 2012 and SeatMe in July 2013, which places substantial demands on management and our operational infrastructure. Most of our employees have been with us for fewer than two years. We intend to make substantial investments in our technology, sales and marketing and community management organizations. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, including employees in international markets and from any acquired businesses, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, results of operations and business.

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our platform is accessible.

It is important to our success that users in all geographies be able to access our platform at all times. We have previously experienced, and may experience in the future, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, and denial of service or fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve the availability of our platform, especially during peak usage times and as our solutions become more complex and our user traffic increases. If our platform is unavailable when users attempt to access it or it does not load as quickly as they expect, users may seek other services to obtain the information for which they are looking, and may not return to our platform as often in the future, or at all. This would negatively impact our ability to attract users and advertisers and increase the frequency with which they use our website and mobile app. We expect to continue to make significant investments to maintain and improve the availability of our platform and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

Our disaster recovery program contemplates transitioning our platform and data to a backup center in the event of a catastrophe, but we have not yet tested the procedure in full, and the transition procedure may take several days or more to complete. During this time, our platform may be unavailable in whole or in part to our users.

***We are, and may in the future be, subject to disputes and assertions by third parties that we violate their rights. These disputes may be costly to defend and could harm our business and operating results.**

We currently face, and we expect to face from time to time in the future, allegations that we have violated the rights of third parties, including patent, trademark, copyright and other intellectual property rights and the rights of current and former employees and business owners. For example, third parties have sued us for allegedly violating their patent rights (we are currently a defendant in numerous such suits, all of which involve plaintiffs targeting multiple defendants in the same or similar suits) and various businesses have sued us alleging that we manipulate Yelp reviews in order to coerce them and other businesses to pay for Yelp advertising. In addition, Deutsche Telekom filed suit against Qype in Germany regarding fees payable for directory data that Qype and its predecessor purchased from Deutsche Telekom. The claim was rejected in full by the German court, although Deutsche Telekom has appealed the decision to the Higher Regional Court of Cologne, which referred the appeal to the Higher Regional Court of Düsseldorf. The court heard the appeal in April 2013 and a decision is now expected in September 2013.

Other claims against us can be expected to be made in the future. Even if the claims are without merit, the costs associated with defending these types of claims may be substantial, both in terms of time, money and management distraction. In particular, patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering certain features, purchase licenses or modify our products and features while we develop non-infringing substitutes or may result in significant settlement costs. We do not own any patents, and, therefore, may be unable to deter competitors or others from pursuing patent or other intellectual property infringement claims against us.

The results of litigation and claims to which we may be subject cannot be predicted with certainty. Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, results of operations and reputation.

Some of our products contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our products and will use open source software in the future. From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software and/or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business and operating results.

We make the consumer experience our highest priority. Our dedication to making decisions based primarily on the best interests of consumers may cause us to forgo short-term gains and advertising revenue.

We base many of our decisions upon the best interests of the consumers who use our platform. We believe that this approach has been essential to our success in increasing our user growth rate and the frequency with which consumers use our platform and has served the long-term interests of our company and our stockholders. In the past, we have forgone, and we may in the future forgo, certain expansion or revenue opportunities that we do not believe are in the best interests of consumers, even if such decisions negatively impact our results of operations in the short term, and we believe that continued adherence to this principle will, in the long term, benefit our stockholders. In particular, our approach of putting our consumers first may negatively impact our relationships with our existing or prospective advertisers. For example, unless we believe that a review violates our terms of service, such as reviews that contain hate speech or bigotry, we allow the review to remain on the platform, even if the business disputes its accuracy. Certain advertisers may therefore perceive us as an impediment to their success as a result of negative reviews and ratings. This practice could result in a loss of advertisers, which in turn could harm our results of operations.

****We rely on third-party service providers for many aspects of our business, and any failure to maintain these relationships could harm our business.***

We rely on data about local businesses from third parties, including various yellow pages and other third parties that license such information to us. We also rely on third parties for other aspects of our business, such as mapping functionality and administrative software solutions. If these third parties experience difficulty meeting our requirements or standards, or our licenses are revoked or not renewed, it could make it difficult for us to operate some aspects of our business, which could damage our reputation. In addition, if such third-party service providers were to cease operations, temporarily or permanently, face financial distress or other business disruption, increase their fees or if our relationships with these providers deteriorate, we could suffer increased costs and delays in our ability to provide consumers and advertisers with content or provide similar services until an equivalent provider could be found or we could develop replacement technology or operations.

****We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.***

Our operating results could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of 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 section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to attract new local business advertisers and retain existing advertisers;

- our ability to accurately forecast revenue and appropriately plan our expenses;
- the effects of changes in search engine placement and prominence;

- the effects of increased competition in our business;
- our ability to successfully expand in existing markets, enter new markets and manage our international expansion;
- the impact of worldwide economic conditions, including the resulting effect on consumer spending at local businesses and the level of advertising spending by local businesses;
- our ability to protect and grow our intellectual property;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- our ability to maintain and increase traffic to our website and mobile app;
- our ability to keep pace with changes in technology;
- the success of our sales and marketing efforts;
- costs associated with defending intellectual property infringement and other claims and related judgments or settlements;
- our ability to manage successfully any acquisitions of businesses, solutions or technologies, including Qype and SeatMe;
- changes in government regulation affecting our business;
- interruptions in service and any related impact on our reputation;
- the attraction and retention of qualified employees and key personnel;
- our ability to choose and effectively manage third-party service providers;
- the impact of fluctuations in currency exchange rates;
- changes in consumer behavior with respect to local businesses;
- fluctuations in spending by our advertisers due to seasonality, such as historically stronger spending in the fourth quarter of each year, or other factors;
- the effects of natural or man-made catastrophic events;
- the effectiveness of our internal controls; and
- changes in our tax rates or exposure to additional tax liabilities.

Because we recognize most of the revenue from our advertising products over the term of an agreement, a significant downturn in our business may not be immediately reflected in our results of operations.

We recognize revenue from sales of our advertising products over the terms of the applicable agreements, which are generally three, six or 12 months. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. Consequently, a decline in new or renewed agreements in any one quarter may not significantly impact our revenue in that quarter but will negatively affect our revenue in future quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in advertising sales may not be reflected in our short-term results of operations.

We rely on the performance of highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our employees, including our senior management team, software engineers, marketing professionals and advertising sales staff. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan, and we may not be able to find adequate replacements. All of our officers and other U.S. employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be harmed.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We regard the protection of our trade secrets, copyrights, trademarks and domain names as critical to our success. In particular, we must maintain, protect and enhance the Yelp brand. We pursue the registration of our domain names, trademarks and service marks in the United States and in certain jurisdictions abroad. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technologies by others.

Effective trade secret, copyright, trademark and domain name protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and expenses and the costs of defending our rights. We are seeking to protect our trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. Litigation may be necessary to enforce our intellectual property rights, protect our respective trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. We may incur significant costs in enforcing our trademarks against those who attempt to imitate our Yelp brand. If we fail to maintain, protect and enhance our intellectual property rights, our business and operating results may be harmed.

We may be unable to continue to use the domain names that we use in our business, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We have registered domain names for our website that we use in our business, such as Yelp.com. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our products under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management s attention.

If our security measures are compromised, or if our platform is subject to attacks that degrade or deny the ability of users to access our content, users may curtail or stop use of our platform.

Our platform involves the storage and transmission of user and business information, some of which may be private, and security breaches could expose us to a risk of loss of this information, which could result in potential liability and litigation. Like all online services, our platform is vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. If we experience compromises to our security that result in performance or availability problems, the complete shutdown of our website or the loss or unauthorized disclosure of confidential information, our users or advertisers may lose trust and confidence in us and decrease their use of our platform or stop using our platform entirely, and we would suffer reputational and financial harm. For example, we work with third party vendors to process credit card payments by certain of our users and local businesses and are subject to payment card association operating rules. If our security measures fail to protect this information adequately as a result of employee error, malfeasance or otherwise, or we fail to comply with the applicable operating rules, we could be liable to our users and local businesses for their losses, as well as the vendors under our agreements with them, we could be subject to fines and higher transaction fees, we could face regulatory action and our users, local businesses and vendors could end their relationships with us, any of which could harm our business and financial results.

In addition, user and business owner accounts and profile pages could be hacked, hijacked, altered or otherwise claimed or controlled by unauthorized persons. For example, we enable businesses to create free online business accounts and claim the business profile pages for each of their business locations. We verify these claims through an automated telephone verification process, which is designed to confirm that the person setting up the account is affiliated with the business by confirming that the person has access to the business s telephone. Our verification system could fail to confirm that the recipient of the call is an authorized representative of the business, or mistakenly allow an unauthorized representative to claim the business s profile page. Any or all of these issues could negatively impact our ability to attract new users or could deter current users from returning or reduce the frequency with which consumers and advertisers use our solutions, cause existing or potential advertisers to cancel their contracts or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our results of operations.

Our business is subject to a variety of U.S. and foreign laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in the United States and abroad, including laws regarding data retention, privacy, distribution of user-generated content and consumer protection, that are frequently evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly outside the United States. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. In addition, regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection and other matters that may be applicable to our business. It is also likely that if our business grows and evolves and our solutions are used in a greater number of countries, we will become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products or features, which would negatively affect our business. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred to prevent or mitigate this potential liability could also harm our business and operating results.

Domestic and foreign laws may be interpreted and enforced in ways that impose new obligations on us with respect to Yelp Deals, which may harm our business and results of operations.

Our Yelp Deals products may be deemed gift certificates, store gift cards, general-use prepaid cards or other vouchers, or gift cards, subject to, among other laws, the federal Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act) and similar federal, state and foreign laws. Many of these laws include specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. For example, the Credit CARD Act requires that gift cards expire no earlier than five years after their issue. Yelp Deals are comprised of two components: (i) the purchase value, which is the amount paid by the purchaser and which does not expire, and (ii) the promotional value, which is the remaining value for which the Yelp Deal can be redeemed during a limited period, which typically ends one year after the date of purchase. If, contrary to our belief, the Credit CARD Act and similar state laws were held to apply to the promotional value component of Yelp Deals, consumers would be entitled to redeem the promotional value component of their Yelp Deals for up to five years after their issue, and we could face liability for redemption periods that are less than five years. Various companies that provide deal products similar to ours are currently defendants in purported class action lawsuits that have been filed in federal and state court claiming that their deal products are subject to the Credit CARD Act and various state laws governing gift cards and that the defendants have violated these laws as a result of expiration dates and other restrictions they have placed on their deals. Similar lawsuits have been filed in other locations in which we plan to sell our Yelp Deals, such as the Canadian province of Ontario, alleging similar violations of provincial legislation governing gift cards.

The application of various other laws and regulations to our products, and particularly our Yelp Deals and Gift Certificates, is uncertain. These include laws and regulations pertaining to unclaimed and abandoned property, partial redemption, refunds, revenue-sharing restrictions on certain trade groups and professions, sales and other local taxes and the sale of alcoholic beverages. For example, although it is the responsibility of merchants to redeem or refund unexpired Yelp Deals and Gift Certificates that they offer through our platform, the law might be interpreted to require that we redeem or refund them. Because merchants alone, and not Yelp, are in a position to track the redemption of Yelp Deals and Gift Certificates, we may not be able to comply with such a requirement without substantial and potentially costly changes to our infrastructure and business practices. In addition, we may become, or be determined to be, subject to federal, state or foreign laws regulating money transmitters or aimed at preventing money laundering or terrorist financing, including the Bank Secrecy Act, the USA PATRIOT Act and other similar future laws or regulations.

41

If we become subject to claims or are required to alter our business practices as a result of current or future laws and regulations, our revenue could decrease, our costs could increase and our business could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to such additional laws and regulations and any payments of related penalties, fines, judgments or settlements could harm our business.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features and products or enhance our existing services, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

Our business is subject to the risks of earthquakes, fires, floods 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 earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, 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 losses that may occur. Our U.S. corporate offices and one of the facilities we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity. In addition, acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could cause disruptions in our or our local business advertisers businesses 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 client data. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting the San Francisco Bay Area, 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 customer service, such disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt our local business advertisers businesses, which could have an adverse effect on our business, operating results and financial condition.

The intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business.

Our corporate structure and intercompany arrangements, including the manner in which we develop and use our intellectual property and the transfer pricing of our intercompany transactions, are intended to reduce our worldwide effective tax rate. The application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

Our corporate structure includes legal entities located in jurisdictions with income tax rates lower than the U.S. statutory tax rate. Our intercompany arrangements allocate income to such entities in accordance with arm s-length principles and commensurate with functions performed, risks assumed and ownership of valuable corporate assets. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. statutory rate will have a beneficial impact on our worldwide effective tax rate.

Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm s length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In particular, there is uncertainty in relation to the U.S. tax legislation in terms of the future corporate tax rate but also in terms of the U.S. tax consequences of income derived from income related to intellectual property earned overseas in low tax jurisdictions.

Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits which we intend to eventually derive could be undermined if we are unable to adapt the manner in which we operate our business and due to changing tax laws.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial condition and results of operations.

The current administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to the expanding scale of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and harm our financial condition and results of operations.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

Under GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered include a change in circumstances indicating that the carrying value of our goodwill or other intangible assets may not be recoverable include declines in our stock price and market capitalization or future cash flows projections. We recorded a significant amount of goodwill related to our acquisition of Qype in the fourth quarter of 2012. A decline in our stock price, or any other adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill and intangible assets. Any such material charges may have a material negative impact on our financial and operating results.

Risks Related to Ownership of Our Class A Common Stock

****The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including our founders, directors, executive officers and employees and their affiliates, and limiting your ability to influence corporate matters.***

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including our founders, directors, executive officers and employees and their affiliates, together beneficially own shares representing approximately 87% of the voting power of our outstanding capital stock as of June 30, 2013. Consequently, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the 10-to-1 voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent a small minority of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term, which may include existing founders, officers and directors and their affiliates.

***Our share price has been and will likely continue to be volatile.**

The trading price of our Class A common stock has been, and is likely to continue to be, highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. Since shares of our common stock were sold in our initial public offering in March 2012 at a price of $15.00 per share through July 31, 2013, our Class A common stock s daily closing price has ranged from $15.22 to $42.13. In addition to the factors discussed in this *Risk Factors* section and elsewhere in this quarterly report, factors that may cause volatility in our share price include:

- actual or anticipated fluctuations in our financial condition and operating results;
- changes in projected operating and financial results;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements of technological innovations or new offerings by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- additions or departures of key personnel;
- issuance of research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- sales of our Class A or Class B common stock;
- changes in laws or regulations applicable to our solutions;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- general economic and market conditions.

Furthermore, the stock markets recently have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Class A common stock. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management s attention from other business concerns, which could harm our business.

We do not intend to pay dividends for the foreseeable future, and as a result your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our 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 Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 10,000,000 shares of undesignated preferred stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chair of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with directors in each class serving three-year staggered terms;

- prohibit cumulative voting in the election of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation; and
- reflect two classes of common stock, as discussed above.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class A common stock, to some extent, depends on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

****Future sales of our Class A common stock in the public market could cause our share price to decline.***

Sales of a substantial number of shares of our Class A common stock in the public market, particularly sales by our directors, officers and employees and significant stockholders, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. We have a small public float relative to the total number of shares of our Class A and Class B common stock that are issued. As of June 30, 2013, we had 39,186,395 shares of Class A common stock and 25,868,912 shares of Class B common stock outstanding. Although a public market exists for our Class A common stock only, shares of Class B common stock are generally convertible into an equivalent number of shares of Class A common stock at the option of the holder or upon transfer (subject to certain exceptions).

The requirements of being a public company may strain our resources, divert management s attention and affect our ability to attract and retain qualified board members.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the New York Stock Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management s attention may be diverted from other business concerns, which could harm our business and operating results. Although we have hired additional employees to comply with these requirements, we may need to hire more employees in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company that is subject to these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers.

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the fiscal year ending 2013. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our auditors have issued an attestation report on our management s assessment of our internal controls. We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are 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 controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our Class A common stock to decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Public Offering of Common Stock

On March 2, 2012, we closed our initial public offering, in which we sold 8,172,500 shares of Class A common stock at a price to the public of $15.00 per share. The aggregate offering price for shares sold in the offering was approximately $122.6 million. The offer and sale of all of the shares in the initial public offering were registered under the Securities Act of 1933, as amended (the Securities Act) pursuant to a registration statement on Form S-1 (File No. 333-178030), which was declared effective by the Securities and Exchange Commission (the SEC) on February 16, 2012. Our use of proceeds to date has been as described in our final prospectus (the Prospectus) filed with the SEC pursuant to Rule 424(b) under the Securities Act on March 2, 2012, and has included the payment of approximately $24.3 million for the cash portion of the purchase price of Qype and approximately $2.2 million for the cash portion of the purchase price of SeatMe. There has been no material change in the planned use of proceeds from our initial public offering as described in the Prospectus. We have invested the funds received that have not yet been utilized in registered money market funds.

Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of shares of our Class B common stock. No shares of our Class A common stock were repurchased during this period.

Period	Total Number of Shares Purchased[(1)]	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 April 30, 2013				
May 1 May 31, 2013	3,439	$ 30.97		
June 1 June 30, 2013				
Total	3,439	$ 30.97		

(1) Represents shares withheld to satisfy tax withholding obligations in connection with the vesting of employee restricted stock awards under our 2012 Equity Incentive Plan, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

A list of exhibits filed with this report or incorporated herein by reference is found in the Index to Exhibits immediately following the signature page of this report and is incorporated into this Item 6 by reference.

SIGNATURES

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

YELP INC.

Date: August 2, 2013

/s/ Rob Krolik
Rob Krolik
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Signatory)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Yelp Inc.	8-K	001-35444	3.1	3/9/2012	
3.2	Amended and Restated Bylaws of Yelp Inc.	S-1/A	333-178030	3.4	2/3/2012	
4.1	Reference is made to Exhibits 3.1 and 3.2.					
4.2	Form of Class A Common Stock Certificate.	S-1/A	333-178030	4.1	2/3/2012	
4.3	Form of Class B Common Stock Certificate.	S-1/A	333-178030	4.2	2/3/2012	
10.1*	2012 Equity Incentive Plan, as amended.	8-K	001-35444	10.1	6/11/2013	
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a).					X
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a).					X
32.1	Certifications of Chief Executive Officer and Chief Financial Officer.					X
101.INS#	XBRL Instance Document.					X
101.SCH#	XBRL Taxonomy Extension Schema Document.					X
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB#	XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document.					X

* Indicates management contract or compensatory plan or arrangement.

The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Yelp Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

\# Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation related to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.