

has accrued \$2.4 million and \$1.9 million, respectively, for penalties.

Match Group, Inc. is routinely under audit by federal, state, local and foreign authorities in the area of income tax as a result of previously filed separate company and consolidated tax returns with IAC. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. The Internal Revenue Service is currently auditing IAC's federal income tax returns for the years ended December 31, 2010 through 2012, which includes the operations of Match Group, Inc. Various other jurisdictions are open to examination for various tax years beginning with 2009. Income taxes payable include reserves considered sufficient to pay assessments that may result from examination of prior year tax returns. Changes to reserves from period to period and differences between amounts paid, if any, upon the resolution of audits and amounts previously provided may be material. Differences between the reserves for income tax contingencies and the amounts owed by the Company are recorded in the period they become known.

At December 31, 2014 and September 30, 2015, unrecognized tax benefits, including interest and penalties, are \$12.1 million and \$10.5 million, respectively. Included in unrecognized tax benefits at both December 31, 2014 and September 30, 2015, is approximately \$0.7 million for tax positions included in IAC's consolidated tax return filings. Unrecognized tax benefits, including interest, for the nine months

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ended September 30, 2015 decreased by \$1.6 million due principally to statute of limitations expirations and changes in foreign exchange rates. If unrecognized tax benefits at September 30, 2015 are subsequently recognized, \$10.1 million, net of related deferred tax assets and interest, would reduce income tax provision. The comparable amount as of December 31, 2014 is \$11.8 million. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by approximately \$1.4 million within twelve months of September 30, 2015.

**Note 3—Fair value measurements and financial instruments**

The Company categorizes its financial instruments measured at fair value into a fair value hierarchy that prioritizes the inputs used in pricing the asset or liability. The three levels of the fair value hierarchy are:

- Level 1: Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.
- Level 2: Other inputs which are observable directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data. The fair values of the Company's Level 2 financial assets are primarily obtained from observable market prices for identical underlying securities that may not be actively traded. Certain of these securities may have different market prices from multiple market data sources, in which case an average market price is used.
- Level 3: Unobservable inputs for which there is little or no market data and require the Company to develop its own assumptions, based on the best information available in the circumstances, about the assumptions market participants would use in pricing the assets or liabilities. See below for a discussion of fair value measurements made using Level 3 inputs.

The following tables present the Company's financial instruments that are measured at fair value on a recurring basis:

	<b>December 31, 2014</b>			
	<b>Quoted market prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total fair value measurements</b>
	<b>(In thousands)</b>			
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 57,057	\$ —	\$ —	\$ 57,057
Time deposits	—	13,405	—	13,405
Long-term investments:				
Marketable equity security	7,410	—	—	7,410
<b>Total</b>	<b>\$ 64,467</b>	<b>\$ 13,405</b>	<b>\$ —</b>	<b>\$ 77,872</b>
<b>Liabilities:</b>				
Contingent consideration arrangements	\$ —	\$ —	\$ (20,615)	\$ (20,615)

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	<b>September 30, 2015</b>			
	<b>Quoted market prices in</b>			