
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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 001-33843

Synacor, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

40 La Riviere Drive, Suite 300
Buffalo, New York
(Address of principal executive offices)

16-1542712
(I.R.S. Employer
Identification No.)

14202
(Zip Code)

(716) 853-1362
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2012, there were 27,115,627 shares of the registrant's common stock outstanding. All share and per share amounts in this Quarterly Report on Form 10-Q reflect the 1-for-2 reverse stock split of the registrant's common stock which took effect immediately prior to the effectiveness of the registration statement for the registrant's initial public offering.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

SYNACOR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS—UNAUDITED
AS OF DECEMBER 31, 2011 AND SEPTEMBER 30, 2012

(In thousands except for share and per share data)

	December 31,	September 30,
	<u>2011</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,925	\$ 38,709
Accounts receivable—net of allowance of \$25 and \$25	14,336	14,393
Deferred income taxes	3,534	4,441
Prepaid expenses and other current assets	1,811	2,259
Total current assets	30,606	59,802
PROPERTY AND EQUIPMENT—Net	8,301	11,178
DEFERRED INCOME TAXES, NON-CURRENT	2,549	1,079
OTHER LONG-TERM ASSETS	1,926	700
GOODWILL	—	819
TOTAL ASSETS	\$ 43,382	\$ 73,578
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 12,498	\$ 13,396
Accrued expenses and other current liabilities	5,492	6,293
Current portion of bank financing	250	—
Current portion of capital lease obligations	1,593	2,258
Total current liabilities	19,833	21,947
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATIONS	2,098	2,178
OTHER LONG-TERM LIABILITIES	71	172
Total liabilities	22,002	24,297
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value—30,000,000 shares authorized, 3,052,856 issued and 2,733,356 outstanding at December 31, 2011, and 100,000,000 authorized, 27,415,902 issued and 27,096,402 shares outstanding at September 30, 2012	31	274
Preferred stock, \$0.01 par value—10,000,000 shares authorized, no shares issued and outstanding at September 30, 2012	—	—
Convertible preferred stock, \$0.01 par value—Series A, 5,709,638 shares authorized and 5,548,508 shares issued and outstanding at December 31, 2011, and no shares authorized, issued and outstanding at September 30, 2012	5,077	—
Convertible preferred stock, \$0.01 par value—Series A-1, 570,344 shares authorized and 570,344 shares issued and outstanding at December 31, 2011, and no shares authorized, issued and outstanding at September 30, 2012	730	—
Convertible preferred stock, \$0.01 par value—Series B, 3,500,000 shares authorized, 2,737,500 shares issued and outstanding at December 31, 2011, and no shares authorized, issued and outstanding at September 30, 2012	5,401	—
Convertible preferred stock, \$0.01 par value—Series C, 2,740,407 shares authorized, 2,740,407 shares issued and outstanding at December 31, 2011, and no shares authorized, issued and outstanding at September 30, 2012	17,224	—
Treasury stock—at cost, 319,500 shares at December 31, 2011 and September 30, 2012	(569)	(569)
Additional paid-in capital	45,639	98,712
Accumulated deficit	(52,153)	(49,128)
Accumulated other comprehensive income	—	(8)
Total stockholders' equity	21,380	49,281
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 43,382	\$ 73,578

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

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SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS—UNAUDITED
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(In thousands except for share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
REVENUE	\$ 23,954	\$ 28,326	\$ 62,115	\$ 89,803
COSTS AND OPERATING EXPENSES:				
Cost of revenue (exclusive of depreciation shown separately below)	12,814	15,792	32,872	49,432
Research and development (exclusive of depreciation shown separately below)	4,950	6,218	14,270	18,629
Sales and marketing	2,127	2,000	5,811	6,776
General and administrative (exclusive of depreciation shown separately below)	1,824	2,676	4,887	8,384
Depreciation	673	981	1,950	2,696
Total costs and operating expenses	22,388	27,667	59,790	85,917
INCOME FROM OPERATIONS	1,566	659	2,325	3,886
OTHER INCOME (EXPENSE)	(19)	25	(18)	7
INTEREST EXPENSE	(13)	(72)	(64)	(208)
INCOME BEFORE INCOME TAXES	1,534	612	2,243	3,685
PROVISION (BENEFIT) FOR INCOME TAXES	49	(40)	55	660
NET INCOME	1,485	652	2,188	3,025
UNDISTRIBUTED EARNINGS ALLOCATED TO PREFERRED STOCKHOLDERS	1,292	—	1,903	—
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 193	\$ 652	\$ 285	\$ 3,025
NET INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:				
Basic	\$ 0.08	\$ 0.02	\$ 0.14	\$ 0.13
Diluted	\$ 0.07	\$ 0.02	\$ 0.10	\$ 0.11
WEIGHTED AVERAGE SHARES USED TO COMPUTE NET INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:				
Basic	2,318,666	27,329,106	2,006,739	23,728,120
Diluted	21,911,929	30,010,359	22,433,359	28,765,152

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

SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME—UNAUDITED
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(In thousands)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Net Income	\$ 1,485	\$ 652	\$ 2,188	\$ 3,025
Other comprehensive income:				
Change in foreign currency translation adjustment	—	(17)	—	(8)
Comprehensive income	<u>\$ 1,485</u>	<u>\$ 635</u>	<u>\$ 2,188</u>	<u>\$ 3,017</u>

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

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SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—UNAUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(In thousands)

	Nine Months Ended September 30,	
	2011	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,188	\$ 3,025
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,950	2,696
Stock-based compensation expense	640	1,503
Loss on disposal of property and equipment	10	32
Deferred income taxes	—	563
Change in assets and liabilities, net of effect of acquisition:		
Accounts receivable, net	(2,350)	(57)
Prepaid expenses and other current assets	121	(115)
Other long-term assets	(38)	223
Accounts payable	707	1,048
Accrued expenses and other current liabilities	809	812
Other long-term liabilities	(26)	101
Net cash provided by operating activities	<u>4,011</u>	<u>9,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,478)	(2,983)
Cash paid for business acquisition	—	(600)
Net cash used in investing activities	<u>(1,478)</u>	<u>(3,583)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale/leaseback	794	—
Repayment on bank financing	(375)	(250)
Repayments on capital lease obligations	(1,400)	(1,739)
Proceeds from exercise of common stock options	289	922
Proceeds from initial public offering	—	25,364
Initial public offering costs	—	(2,753)
Net cash (used in) provided by financing activities	<u>(692)</u>	<u>21,544</u>
Effect of exchange rate changes on cash and cash equivalents	—	(8)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,841	27,784
CASH AND CASH EQUIVALENTS—Beginning of period	5,412	10,925
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 7,253</u>	<u>\$38,709</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 64	\$ 201
Cash paid for income taxes	—	109
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Property and equipment acquired under capital lease obligations	\$ 843	\$ 2,484
Accrued business acquisition consideration	—	500
Accrued property and equipment expenditures	—	616
Receivable for stock option exercises	—	60

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

SYNACOR, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—UNAUDITED
AS OF DECEMBER 31, 2011 AND SEPTEMBER 30, 2012, AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(In thousands except for share and per share data)

1. The Company and Summary of Significant Accounting Policies

Synacor, Inc., together with its wholly-owned subsidiary, Synacor Canada, Inc. (collectively, the “Company”), is a leading provider of authentication and aggregation solutions for delivery of online content and cloud-based services. The Company delivers solutions as a set of services through its hosted and managed platform, enabling cable and telecom service providers and consumer electronics manufacturers to provide the online content and cloud-based services that their consumers increasingly demand. The Company’s platform allows its customers to package a wide array of online content and cloud-based services with their high-speed Internet, communications, television and other offerings. Synacor’s customers offer the Company’s services under their own brands on Internet-enabled devices such as PCs, tablets, smartphones and connected TVs.

Initial Public Offering — In February 2012, the Company completed its initial public offering whereby 6,818,170 shares of common stock were sold to the public at a price of \$5.00 per share. The Company sold 5,454,545 common shares and selling stockholders sold 1,363,625 common shares. The Company received aggregate proceeds of \$25,364 from the initial public offering, net of underwriters’ discounts and commissions but before deducting offering expenses of \$3,016.

In connection with the initial public offering in February 2012, the Board of Directors of the Company approved a 1-for-2 reverse stock split of the Company’s common stock. All common shares, stock options, and per share information presented in these condensed consolidated financial statements reflect the reverse stock split on a retroactive basis for all periods presented. There was no change in the par value of the Company’s common stock. The ratio by which shares of preferred stock were convertible into shares of common stock was adjusted to reflect the effects of the reverse stock split. In addition, in accordance with their rights and consistent with the conversion rates discussed in Note 8, *Equity*, all shares of the Company’s outstanding preferred stock were converted into common stock upon the closing of the initial public offering.

Basis of Presentation — The interim unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiary, Synacor Canada, Inc. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company’s management, the interim unaudited condensed consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company’s financial position for the periods presented. These interim unaudited condensed consolidated financial statements are not necessarily indicative of the results expected for the full fiscal year or for any subsequent period and should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Accounting Estimates — The preparation of financial statements in conformity with GAAP in the U.S. requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Concentrations of Risk — As of December 31, 2011 and September 30, 2012, and for the three and nine months ended September 30, 2011 and 2012, the Company had concentrations equal to or exceeding 10% of the Company’s accounts receivable and revenue as follows:

	<u>Accounts Receivable</u>	
	<u>December 31,</u>	<u>September 30,</u>
	<u>2011</u>	<u>2012</u>
Google	45%	34%
Platform Customer A	11	13

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	Revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2012	2011	2012
Google	56%	51%	55%	57%

For the three and nine months ended September 30, 2011 and 2012, the following platform customers received revenue-share payments equal to or exceeding 10% of the Company's cost of revenue. The costs represent revenue share paid to them for their supply of Internet traffic on our customer branded platforms.

	Cost of Revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2012	2011	2012
Platform Customer A	22%	19%	15%	20%
Platform Customer B (1)	11	16	N/A	17
Platform Customer C	15	13	19	13
Platform Customer D (2)	N/A	12	N/A	12

Note:

- (1) For the nine months ended September 30, 2011, the revenue-share payments received by Platform Customer B was less than 10%.
- (2) For the three and nine months ended September 30, 2011, the revenue-share payments received by Platform Customer D were less than 10% .

Fair Value Measurements —The provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 820, *Fair Value Measurements and Disclosures* , establish a framework for measuring the fair value in accounting principles generally accepted in the U.S. and establish a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value as follows:

Level 1 —Level 1 inputs are defined as observable inputs such as quoted prices in active markets.

Level 2 —Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 —Level 3 inputs are unobservable inputs that reflect the Company's determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including the Company's own data.

In May 2011, the FASB issued guidance that established a global standard for applying fair value measurement. In addition to a few updates to the measurement guidance it included enhanced disclosure requirements. The most significant change for companies reporting under GAAP is an expansion of the disclosures required for Level 3 measurements; that is, measurements based on unobservable inputs, such as a company's own data. The Company adopted this authoritative guidance in the first quarter of 2012 and the adoption did not have a material impact on the financial statements.

The estimated fair value of the bank financing liabilities and capital lease obligations approximate their carrying value.

Acquisition— In January 2012, the Company acquired the assets of Carbyn, Inc., or Carbyn, an Ontario, Canada-based company. The assets acquired are principally comprised of mobile device software and technology and other intellectual property, which the Company expects to enhance its efforts in the development of next generation web applications for

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mobile devices. The aggregate purchase price is up to \$1,100 for the acquired assets, of which \$600 was paid upon consummation of the acquisition and the remaining \$500 is due in April 2013 unless such amount is offset in satisfaction of certain indemnification obligations of Carbyn. In addition, the Company hired seven employees from Carbyn who have accepted employment with Synacor Canada, Inc., a newly-formed and wholly-owned subsidiary of the Company. The acquisition and its impact on the balance sheet and results of operations are not material. The purchase price was allocated to the assets acquired based on their respective fair values as of the acquisition date, with the amount exceeding the fair value recorded as goodwill of \$819.

2. Property and Equipment—Net

Property and equipment, net consisted of the following (in thousands):

	December 31,	September 30,
	<u>2011</u>	<u>2012</u>
Computer equipment (1)	\$ 13,032	\$ 16,640
Computer software	1,409	2,748
Furniture and fixtures	1,049	1,050
Leasehold improvements	690	718
Work in process	—	1,249
Other	933	173
	<u>17,113</u>	<u>22,578</u>
Less accumulated depreciation (2)	<u>(8,812)</u>	<u>(11,400)</u>
Total property and equipment—net	<u>\$ 8,301</u>	<u>\$ 11,178</u>

Notes:

- (1) Includes equipment under capital lease obligations of approximately \$3,442 and \$5,882 as of December 31, 2011 and September 30, 2012, respectively.
- (2) Includes \$687 and \$1,519 of accumulated depreciation of equipment under capital leases as of December 31, 2011 and September 30, 2012, respectively.

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3. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31,	September 30,
	2011	2012
Accrued compensation	\$ 3,612	\$ 3,429
Accrued content fees	334	577
Accrued business acquisition consideration	—	500
Unearned revenue on contracts	255	191
Other	1,291	1,596
Total	<u>\$ 5,492</u>	<u>\$ 6,293</u>

4. Capital Lease Obligations

The Company leases certain equipment under capital lease agreements with interest rates ranging from 3% to 7%.

Capital lease commitments as of September 30, 2012 can be summarized as follows (in thousands):

<u>Year ending December 31:</u>	
2012 (remaining three months)	\$ 654
2013	2,281
2014	1,640
2015	132
Gross lease commitment	4,707
Less interest	(271)
Net lease commitments	<u>\$4,436</u>

5. Income Taxes

In order to determine the quarterly provision for income taxes, the Company considers the estimated annual effective tax rate, which is based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates, and also the current income taxes based on actual quarterly income. Certain significant or unusual items are separately recognized in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

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 and may also be subject to current U.S. income tax.

Income tax expense was \$49 for the three months ended September 30, 2011 and the benefit from income taxes was \$40 for the three months ended September 30, 2012, resulting in an effective tax rate of 3% and 0%, respectively. Income tax expense was \$55 and \$660 for the nine months ended September 30, 2011 and 2012, respectively, resulting in an effective tax rate of 2% and 18%, respectively.

Due to the uncertainty at September 30, 2011 to generate sufficient taxable income in the future and utilize the net operating loss carryforwards before they expire, the Company had recorded a valuation allowance to reduce its net deferred tax asset to zero. Consequently, the Company did not incur any material income tax expense in the three and nine months ended September 30, 2011.

In the fourth quarter of 2011, the Company determined, after weighing the positive and negative evidence, that it will more likely than not be able to generate sufficient taxable income in the future and will be able to fully utilize its net operating loss carryforwards.

During 2012, the Company performed an analysis of its research and development activities for periods prior to 2012. As a result, the Company recognized a tax benefit of \$259 and \$975 for the three and nine months ended September 30, 2012,

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respectively. The increase in the tax benefit recorded related to an increase in the estimated amount of research and development credit expected to be claimed for historical periods. The effective tax rate for the three and nine months ended September 30, 2012 is not necessarily indicative of the effective tax rate that may be expected for the fiscal year ending December 31, 2012. Factors that impact the income tax provision include, but are not limited to, stock-based compensation expense and the recognition of research and development tax benefits.

6. Information About Segment 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 total Company basis, accompanied by information about revenue by major service line 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 Company level. Accordingly, the Company has determined that it has a single reporting segment providing personalized Internet platforms and online entertainment services to high-speed Internet consumers.

The following table sets forth revenue and long-lived tangible assets by geographic area (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Revenue				
United States	\$23,433	\$28,152	\$61,270	\$89,307
United Kingdom	521	174	845	496
Total revenue	<u>\$23,954</u>	<u>\$28,326</u>	<u>\$62,115</u>	<u>\$89,803</u>
		December 31,	September 30,	
		2011	2012	
Long-lived tangible assets				
United States	\$	7,680	\$	10,722
Netherlands		621		456
Total long-lived tangible assets	\$	<u>8,301</u>	\$	<u>11,178</u>

7. Commitments and Contingencies

From time to time, the Company is a party to legal actions. In the opinion of management, the outcome of these matters is not expected to have a material impact on the financial statements of the Company.

Contract Commitments —The Company is obligated to make payments under various contracts with vendors and other business partners, principally for revenue-share and content arrangements. Contract commitments as of September 30, 2012 can be summarized as follows (in thousands):

<u>Year ending December 31:</u>	
2012 (remaining three months)	\$ 1,476
2013	4,648
2014	1,419
2015	1,080
2016	1,080
Due after 5 years	360
Total contract commitments	<u>\$10,063</u>

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8. Equity

Common Stock — Effective on February 15, 2012, the Company's board of directors and stockholders approved the Fifth Amended and Restated Certificate of Incorporation. The total number of common shares that the Company is authorized to issue is 100 million with a par value of \$0.01 per share.

Preferred Stock — Effective on February 15, 2012, the Company's board of directors and stockholders approved the Fifth Amended and Restated Certificate of Incorporation. The total number of preferred shares that the Company is authorized to issue is 10 million with a par value of \$0.01 per share. None have been issued to date.

Conversion — Each share of Series A, A-1, B, and C preferred stock was convertible at the option of the holder at any time into common stock. The conversion rate was the quotient obtained by dividing the original issue price of the Series A, A-1, B, or C by the conversion price. Subsequent to the Second Certificate of Amendment to the Fourth Amended and Restated Certificate of Incorporation, the conversion price was adjusted to effect a conversion of one preferred share into one and one-half common shares, as explained in Note 1, *The Company and Summary of Significant Accounting Policies*. The conversion price was subject to adjustment as set forth in the Restated Certificate of Incorporation for certain dilutive issuances, splits, and combinations, as therein defined. Conversion was automatic upon either the consent of the holders of 66% of the outstanding shares of preferred stock or the effective date of a firm commitment underwritten public offering of the Company's common stock in which the post-offering valuation on a fully diluted basis was at least \$150 million and the proceeds were not less than \$25 million. All shares of the Company's outstanding preferred stock were converted into common stock in February 2012 in connection with the Company's initial public offering.

9. Stock-based Compensation

No income tax deduction is allowed for incentive stock options. Accordingly, no deferred income tax asset is recorded for the expense related to these options. Stock option grants of non-qualified stock options result in the creation of a deferred tax asset, which is a temporary difference, until the time that the option is exercised.

Total stock-based compensation expense included in the accompanying condensed consolidated statements of operations for the periods presented, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Research and development	\$ 75	\$ 146	\$ 205	\$ 373
Sales and marketing	51	119	141	292
General and administrative	106	255	294	838
Total stock-based compensation expense	<u>\$ 232</u>	<u>\$ 520</u>	<u>\$ 640</u>	<u>\$ 1,503</u>

Stock Option Plans —The Company has adopted three stock option plans, which authorize the grant of up to 8,296,777 options to officers and other key employees to purchase the Company's common stock, subject to the terms of the plans. The options generally vest ratably over four years. The options are generally exercisable after the date of grant, and typically expire 10 years from their respective grant dates or earlier if employment is terminated. In connection with the early exercise of stock options, the Company has the right, but not the obligation, to repurchase unvested shares of common stock upon termination of the individual's service to the Company at the original price per share. During the nine months ended September 30, 2012 there were no early exercises.

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A summary of the stock option activity for the nine months ended September 30, 2012 is presented below:

	Number of Stock Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding—December 31, 2011	5,082,776	\$ 2.14	
Granted	1,167,575	7.80	
Exercised	(1,513,365)	0.65	
Forfeited	(144,405)	3.53	
Outstanding—September 30, 2012	<u>4,592,581</u>	4.02	\$ 17,238
Vested and expected to vest—September 30, 2012	<u>4,136,702</u>	3.87	\$ 16,013
Vested and exercisable—September 30, 2012	<u>1,887,012</u>	2.01	\$ 10,507

Aggregate intrinsic value represents the difference between the Company's closing stock price of its common stock and the exercise price of outstanding, in-the-money options. The Company's closing stock price as reported on the NASDAQ as of September 30, 2012 was \$7.58. The total intrinsic value of options exercised was approximately \$1,061 and \$10,487 for the three and nine months ended September 30, 2012, respectively.

The weighted-average remaining contractual life of the options vested and expected to vest was 7.5 years as of September 30, 2012.

The per-share fair value of each stock option was determined on the date of grant using the Black-Scholes option pricing model using the following assumptions:

Grant Date	Options Granted	Weighted- Average Fair Value	Expected Life of Options (In years)	Risk- Free Interest Rate	Expected Volatility	Expected Dividend Yield
January 6, 2012	238,000	\$ 5.96	6.25	1.40%	53%	— %
April 15, 2012	548,725	\$ 7.10	6.25	1.61%	61%	— %
May 24, 2012	86,500	\$ 11.14	6.25	1.20%	61%	— %
July 16, 2012	74,850	\$ 15.45	6.25	0.97%	59%	— %
September 27, 2012	219,500	\$ 7.61	6.25	1.03%	59%	— %

As of September 30, 2012, the unrecognized compensation cost related to non-vested options granted, for which vesting is probable, under the plan was approximately \$6,088. This cost is expected to be recognized over a weighted-average period of 3.3 years. The total fair value of shares vested was \$222 and \$970 during the three and nine months ended September 30, 2012, respectively.

10. Net Income Per Common Share Data

Basic and diluted net income per common share for the three and nine months ended September 30, 2011 is presented in conformity with the two-class method required for participating securities. The Company determined that its Series A, A-1, B, and C convertible preferred stock represented participating securities because they participated with common stock in dividends and unallocated income. Historically, the Company has not paid dividends. The holders of the Series A, A-1, B, and C convertible preferred stock did not have a contractual obligation to share in the losses of the Company. The Company considered its preferred stock to be participating securities and, in accordance with the two-class method, earnings allocated to preferred stock and the related number of outstanding shares of preferred stock have been excluded from the computation of basic and diluted net income per common share.

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The following table presents the calculation of basic and diluted net income per share for the three- and nine-month periods ended September 30, 2011 and 2012 (in thousands, except share and per share amounts):

	Three Months Ended, September 30,		Nine Months Ended, September 30,	
	2011	2012	2011	2012
Net income	\$ 1,485	\$ 652	\$ 2,188	\$ 3,025
Less: undistributed earnings allocated to preferred stockholders	(1,292)	—	(1,903)	—
Net income attributable to common stockholders	\$ 193	\$ 652	\$ 285	\$ 3,025
Weighted-average common shares used to compute net income per share attributable to common stockholders	2,318,666	27,329,106	2,006,739	23,728,120
Basic net income per share attributable to common stockholders	\$ 0.08	\$ 0.02	\$ 0.14	\$ 0.13
Diluted net income per share attributable to common stockholders:				
Net income	\$ 193	\$ 652	\$ 285	\$ 3,025
Add: Undistributed earnings allocated to preferred stockholders	1,292	—	1,903	—
Net income attributable to common stockholders	\$ 1,485	\$ 652	\$ 2,188	\$ 3,025
Number of shares used in basic calculation	2,318,669	27,329,106	2,006,739	23,728,120
Weighted-average effect of dilutive securities				
Add:				
Conversion of preferred stock (as-if converted basis)	17,395,136	—	17,395,136	2,602,923
Stock options	2,198,124	2,681,253	3,031,484	2,434,109
Number of shares used in diluted calculation	21,911,929	30,010,359	22,433,359	28,765,152
Diluted net income per share attributable to common stockholders	\$ 0.07	\$ 0.02	\$ 0.10	\$ 0.11

The following equivalent shares were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Antidilutive equity awards				
Stock options	—	132,850	2,054,748	132,850

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. In addition, we may make other written and oral communications from time to time that contain such statements. Forward-looking statements include statements as to industry trends and future expectations of ours and other matters that do not relate strictly to historical facts. These statements are often identified by the use of words such as "may," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. 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 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. These forward-looking statements include statements in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 elsewhere in this Form 10-Q and in our other Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes thereto appearing elsewhere in this Form 10-Q and with the consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operation appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Overview

We are a leading provider of authentication and aggregation solutions for delivery of online content and cloud-based services. We deliver our solutions as a set of services through our hosted and managed platform, enabling cable, satellite, and telecom service providers and consumer electronics manufacturers to provide the online content and cloud-based services that their consumers increasingly demand. Our platform allows our customers to package a wide array of online content and cloud-based services with their high-speed Internet, communications, television and other offerings. Our customers offer our services under their own brands on Internet-enabled devices such as PCs, tablets, smartphones and connected TVs.

We generate revenue from search and display advertising and by charging subscriber-based fees for cloud-based services and products delivered through our platform. Our results are driven primarily by our customer mix, the product and service mix preferences of those customers and the pricing of those products and services. We generate the majority of our revenue from search and display advertising on the Internet websites we operate for our customers, which we refer to as our startpages, which comprise consumer-facing components of our platform. Adding new customers with large consumer bases and expansion of our relationships with existing customers have resulted in an increasing shift in our revenue mix towards search and display advertising revenue. In addition, as new customers adopt our startpages, and as their respective consumers' use of our startpages ramps up as described below, our growth is increasingly driven by search and display advertising revenue. These increases are largely driven by our model of sharing a portion of this search and advertising revenue with our customers. As we expand our cloud-based services offerings, we expect to generate increased subscriber-based revenue from our customers.

As more consumers use our startpages and as consumers spend more time on these startpages, we have a greater number of opportunities to deliver advertisements. During the three and nine months ended September 30, 2012, search and display advertising revenue was \$23.3 million and \$74.5 million, a growth of 24% and 55% over \$18.7 million and \$48.0 million for the three and nine months ended September 30, 2011. Over the same periods, our unique visitors increased by 44% and 55%, our search queries increased by 15% and 48% and our advertising impressions increased by 51% and 57%. We expect consumer engagement on our startpages to continue to grow in the future as our customers deliver more services through these startpages.

Our subscriber-based revenue consists of fees charged for the use of our proprietary technology platform and for the use of, or access to, cloud-based services, such as e-mail, TV Everywhere, security, online games, music and other value added services and paid content. During the three and nine months ended September 30, 2012, subscriber-based revenue was \$5.1 million and \$15.3 million, a decrease of 3% and an increase of 9% from \$5.2 million and \$14.1 million during the three and nine months ended September 30, 2011. We believe there are opportunities to generate additional sources of

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subscriber-based revenue, such as fees for TV Everywhere authentication and the introduction of new cloud-based services. We believe that the variety of subscriber and cloud-based services and the introduction of new services will also drive increased search and display advertising revenue.

As new customers introduce our startpages to their consumers, usage of our platform and our revenue from these startpages tends to increase over time. There are a variety of reasons for this ramp-up period. For example, a new customer may migrate its consumers from its existing platform to our platform over a period of time. Moreover, a new customer may initially launch a selection of our services and products, rather than our entire suite of offerings, and subsequently broaden their service and product offerings over time. When a customer launches a new service or product, marketing and promotional activities may be required to generate awareness and interest among consumers. Search and display advertising revenue typically grows significantly during the first one to three years after a customer launch, although there can be notable variances from customer to customer. Thereafter, changes in revenue tend to mirror changes in the consumer base of the applicable customer.

For the three and nine months ended September 30, 2012, we derived revenue from over 45 customers, with revenue attributable to four customers, CenturyLink, Inc. or CenturyLink (including revenue attributable to Qwest Communications International, Inc. or Qwest, which merged with CenturyLink in April 2011), Toshiba America Information Systems, Inc., or Toshiba, Charter Communications Inc., or Charter, and Verizon Corporate Services Group, Inc., or Verizon, together accounting for approximately 71% and 73% of our revenue for the three and nine months ended September 30, 2012, or \$20.2 million and \$65.5 million, respectively. Two of these customers accounted for 20% or more of revenue in such periods, and revenue attributable to each of the other two customers accounted for more than 10% in both periods. Revenue attributable to our customers includes the subscriber-based revenue earned directly from them, as well as the search and display advertising revenue generated through our relationships with our search and display advertising partners (such as Google, Inc., or Google, for search advertising and advertising networks, advertising agencies and advertisers for display advertising). This revenue is attributable to our customers because it is produced from the traffic on the startpages we operate for them. These partners provide us with advertisements that we then deliver with search results and other content on our startpages. Since our search advertising partner, Google, and our advertising network partners generate their revenue by selling those advertisements, we create a revenue stream for these partners. In the three and nine months ended September 30, 2012, search advertising through our relationship with Google generated approximately 51% and 57% of our revenue, or \$14.5 million and \$50.8 million (all of which was attributable to our customers).

The initiatives described below under “Key Initiatives” are expected to contribute to our ability to maintain and grow profitability via increases in advertising revenue, increases in customers and our consumer reach, and increases in availability of products across more devices. We expect the period in which we experience a return on future investments in each of these initiatives to differ. For example, more direct advertising at higher cost-per-thousand impressions (referred to as cost per mille, or CPM) would be expected to have an immediate and direct impact on profitability while expansion into international markets may require an investment that involves a longer term return.

Key Initiatives

We are focused on several key initiatives to drive our business:

- add new, and expand our offerings with current, cable, telecom, satellite and consumer electronics customers to increase our consumer reach;
- continue to expand our offerings of, and invest in, cloud-based services such as e-mail and TV Everywhere and increase the number of customers using our TV Everywhere authentication platform;
- enhance our direct advertising sales effort to increase the CPMs derived from advertising;
- extend the availability of our existing and new products and services to additional devices including tablets and smartphones;
- expand our presence into international markets; and
- invest in and acquire new technologies and products.

Key Business Metrics

In addition to the line items in our financial statements, we regularly review a number of business metrics related to Internet traffic and search and display advertising to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe disclosing these metrics is useful for investors and analysts to

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understand the underlying trends in our business. The following table summarizes our key business metrics, which are unaudited, for the three and nine months ended September 30, 2011 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Key Business Metrics:				
Unique Visitors (1)	14,069,737	20,241,871	13,250,013	20,487,594
Search Queries (2)	203,335,131	233,767,194	503,476,341	742,893,799
Advertising Impressions (3)	7,682,888,761	11,634,386,253	19,461,422,855	30,457,542,583

Notes:

- (1) Reflects the number of unique visitors to our startpages computed on an average monthly basis during the applicable period.
- (2) Reflects the total number of search queries during the applicable period.
- (3) Reflects the total number of advertising impressions during the applicable period.

Unique Visitors

We define unique visitors as consumers who have visited one of our startpages at least once during a particular time period. We rely on comScore to provide this data. comScore estimates this data based on the U.S. portion of the Internet activity of its worldwide panel of consumers and its proprietary data collection method.

Search Queries

We define search queries as the number of instances in which a consumer entered a query into a search bar on our platform during a particular time period. We rely on reports from our search partner, Google, to measure the number of such instances.

Advertising Impressions

We define advertising impressions as graphical, textual or video paid advertisements displayed to consumers on our platform during a particular time period. We rely on reports from technology and advertising partners, including DoubleClick (a division of Google), to measure the number of advertising impressions delivered on our platform.

Components of our Results of Operations

Revenue

We derive our revenue from two categories: revenue generated from search and display advertising activities and subscriber-based revenue, each of which is described below. We record our search and display advertising revenue on a gross basis, which includes the net amount received from Google under our agreement with them. The following table shows the revenue in each category, both in amount and as a percentage of revenue, for the three and nine months ended September 30, 2011 and 2012.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
	(in thousands)		(in thousands)	
Revenue:				
Search and display advertising	\$ 18,722	\$ 23,255	\$ 48,040	\$ 74,474
Subscriber-based	5,232	5,071	14,075	15,329
Total revenue	<u>\$ 23,954</u>	<u>\$ 28,326</u>	<u>\$ 62,115</u>	<u>\$ 89,803</u>
Percentage of revenue:				
Search and display advertising	78%	82%	77%	83%
Subscriber-based	22	18	23	17
Total revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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Search and Display Advertising Revenue

We use Internet search and display advertising to generate revenue from the traffic on our startpages.

- In the case of search advertising, we have a revenue-sharing relationship with Google, pursuant to which we include a Google-branded search tool on our startpages. When a consumer makes a search query using this tool, we deliver the query to Google and they return search results to consumers that include advertiser-sponsored links. If the consumer clicks on a sponsored link, Google receives payment from the sponsor of that link and shares a portion of that payment with us, which we in turn share with the applicable customer. The net payment we receive from Google is recognized as revenue.
- We generate display advertising revenue when consumers view or click on a text, graphic or video advertisement that was delivered on one of our startpages. We fill our advertising inventory with advertisements sourced by our direct sales force, independent advertising sales representatives and advertising network partners. Revenue may be calculated differently depending on our agreements with our advertisers or the agreements between our advertising network partners and their advertisers. It may be calculated on a cost per impression basis, which means the advertiser pays based on the number of times its advertisements appear, or a cost per action basis, which means that an advertiser pays when a consumer performs an action after engaging one of its advertisements. Historically, only a small percentage of our display advertising revenue has been calculated on a cost per action basis.

Subscriber-Based Revenue

We define subscriber-based revenue as subscription fees and other fees that we receive from our customers for the use of our proprietary technology platform and the use of, or access to, e-mail, TV Everywhere, security, games and other services, including value added services and paid content. Monthly subscriber levels typically form the basis for calculating and generating subscriber-based revenue. They are generally determined by multiplying a per-subscriber per-month fee by the number of subscribers using the particular services being offered or consumed. In other cases, the fee is fixed. We recognize revenue from our customers as the service is delivered.

Costs and Expenses

Cost of Revenue

Cost of revenue consists of revenue sharing, content acquisition costs and co-location facility costs. Revenue sharing consists of amounts accrued and paid to our customers for the traffic on their websites resulting in the generation of search and display advertising revenue. The revenue-sharing agreements with our customers are primarily variable payments based on a percentage of the search and display advertising revenue. Content acquisition agreements may be based on a fixed payment schedule, on the number of subscribers per month, or a combination of both. Fixed-payment agreements are expensed over the term defined in the agreement. Agreements based on the number of subscribers are expensed on a monthly basis. Co-location facility costs consist of rent and operating costs for our data center facilities.

Research and Development

Research and development expenses consist primarily of compensation-related expenses incurred for the development of, enhancements to, and maintenance and operation of our technology platform and related infrastructure.

Sales and Marketing

Sales and marketing expenses consist primarily of compensation-related expenses to our direct sales and marketing personnel, as well as costs related to advertising, industry conferences, promotional materials, and other sales and marketing programs. Advertising cost is expensed as incurred.

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General and Administrative

General and administrative expenses consist primarily of compensation-related expenses for executive management, finance, accounting, human resources and other administrative functions.

Depreciation

Depreciation includes depreciation of our computer hardware and software, furniture and fixtures, leasehold improvements, and other property, and depreciation on capital leased assets.

Other Income (Expense)

Other income (expense) consists primarily of interest income earned and foreign exchange gains and losses.

Interest Expense

Interest income (expense) primarily consists of expenses associated with our long-term debt, capital leases, and amortization of debt issuance costs.

Provision for Income Taxes

Income tax expense consists of federal and state income taxes in the United States and taxes in certain foreign jurisdictions.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the condensed consolidated financial statements. We believe that our critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the condensed consolidated financial statements.

For a discussion of our critical accounting policies and estimates, see “Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2011 under the caption Management’s Discussion and Analysis of Financial Condition and Results of Operations. We have made no significant changes to our critical accounting policies and estimates from those described in our Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1, *The Company and Summary of Significant Accounting Policies*, in the notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed within this Quarterly Report on Form 10-Q adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure.

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. Additionally, adjusted EBITDA is a key financial measure used by the compensation committee of our board of directors in connection with the payment of bonuses to our executive officers. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

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Our use of 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 is a non-cash charge, the assets being depreciated may have to be replaced in the future, and adjusted EBITDA does not reflect 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; 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 and our other GAAP results. The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
	(in thousands)		(in thousands)	
Reconciliation of Adjusted EBITDA:				
Net income	\$ 1,485	\$ 652	\$ 2,188	\$ 3,025
Provision (benefit) for income taxes	49	(40)	55	660
Interest expense	13	72	64	208
Other (income) expense	19	(25)	18	(7)
Depreciation	673	981	1,950	2,696
Stock-based compensation	232	520	640	1,503
Adjusted EBITDA	<u>\$ 2,471</u>	<u>\$ 2,160</u>	<u>\$ 4,915</u>	<u>\$ 8,085</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
	(in thousands)		(in thousands)	
Revenue	\$ 23,954	\$ 28,326	\$ 62,115	\$ 89,803
Costs and operating expenses:				
Cost of revenue (1)	12,814	15,792	32,872	49,432
Research and development (1)(2)	4,950	6,218	14,270	18,629
Sales and marketing (2)	2,127	2,000	5,811	6,776
General and administrative (1)(2)	1,824	2,676	4,887	8,384
Depreciation	673	981	1,950	2,696
Total costs and operating expenses	22,388	27,667	59,790	85,917
Income from operations	1,566	659	2,325	3,886
Other income (expense)	(19)	25	(18)	7
Interest expense	(13)	(72)	(64)	(208)
Income before income taxes	1,534	612	2,243	3,685
Provision (benefit) for income taxes	49	(40)	55	660
Net income	<u>\$ 1,485</u>	<u>\$ 652</u>	<u>\$ 2,188</u>	<u>\$ 3,025</u>

Notes:

- (1) Exclusive of depreciation shown separately.
- (2) Includes stock-based compensation as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
	(in thousands)		(in thousands)	
Research and development	\$ 75	\$ 146	\$ 205	\$ 373
Sales and marketing	51	119	141	292
General and administrative	106	255	294	838
	<u>\$ 232</u>	<u>\$ 520</u>	<u>\$ 640</u>	<u>\$ 1,503</u>

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Revenue	100%	100%	100%	100%
Costs and operating expenses:				
Cost of revenue (1)	53	56	53	55
Research and development (1)	21	22	23	21
Sales and marketing	9	7	9	8
General and administrative (1)	8	9	8	9
Depreciation	3	3	3	3
Total costs and operating expenses	93%	98%	96%	96%
Income from operations	7%	2%	4%	4%
Other income	0	0	0	0
Interest expense	0	0	0	0
Income before income taxes	6	2	4	4
Provision (benefit) for income taxes	0	0	0	1
Net income	6%	2%	4%	3%

Note:

(1) Exclusive of depreciation shown separately.

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Comparison of the Three and Nine Months ended September 30, 2011 and 2012

Revenue

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2011	2012		2011	2012	
	(in thousands)			(in thousands)		
Revenue:						
Search and display advertising	\$18,722	\$23,255	24%	\$48,040	\$74,474	55%
Subscriber-based	5,232	5,071	(3)	14,075	15,329	9
Total revenue	<u>\$23,954</u>	<u>\$28,326</u>	18	<u>\$62,115</u>	<u>\$89,803</u>	45
Percentage of revenue:						
Search and display advertising	78%	82%		77%	83%	
Subscriber-based	22	18		23	17	
Total revenue	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>	

Three months ended 2011 compared to 2012 . Revenue increased by \$4.3 million, or 18%, to \$28.3 million from \$24.0 million. Search and display advertising revenue increased by \$4.6 million, or 24%, to \$23.3 million from \$18.7 million as a result of increased search queries and advertising impressions on our platform, driven in part by the launch of a significant new customer in July 2011. The total number of search queries increased by 15% and the total number of advertising impressions increased by 51%. The increase in search queries accounted for approximately 28% of the increase in search and display advertising revenue, while the increase in advertising impressions accounted for approximately 72%. Subscriber-based revenue decreased \$0.1 million, or 3%, to \$5.1 million from \$5.2 million.

Nine months ended 2011 compared to 2012 . Revenue increased by \$27.7 million, or 45%, to \$89.8 million from \$62.1 million. Search and display advertising revenue increased by \$26.5 million, or 55%, to \$74.5 million from \$48.0 million as a result of increased search queries and advertising impressions on our platform, driven in part by the launch of a significant new customer in July 2011. The total number of search queries increased by 48% and the total number of advertising impressions increased by 57%. The increase in search queries accounted for approximately 63% of the increase in search and display advertising revenue, while the increase in advertising impressions accounted for approximately 37%. Subscriber-based revenue increased \$1.2 million, or 9%, to \$15.3 million from \$14.1 million mainly driven by the launch of additional services to existing customers.

Cost of Revenue

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2011	2012		2011	2012	
	(in thousands)			(in thousands)		
Cost of revenue	\$12,814	\$15,792	23%	\$32,872	\$49,432	50%
Percentage of revenue	53%	56%		53%	55%	

Three months ended 2011 compared to 2012 . Our cost of revenue increased by \$3.0 million, or 23%, to \$15.8 million from \$12.8 million. The increase in our cost of revenue was driven by additional revenue-sharing costs from increased search and display advertising. Cost of revenue as a percentage of revenue increased to 56% of revenue from 53% of revenue because of changes in search and display advertising revenue attributable to the mix of customers with revenue-sharing arrangements.

Nine months ended 2011 compared to 2012 . Our cost of revenue increased by \$16.5 million, or 50%, to \$49.4 million from \$32.9 million. The increase in our cost of revenue was driven by additional revenue-sharing costs from increased search and display advertising. Cost of revenue as a percentage of revenue increased to 55% of revenue from 53% of revenue because of changes in search and display advertising revenue attributable to the mix of customers with revenue-sharing arrangements.

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Research and Development Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2012	% Change	2011	2012	% Change
	(in thousands)			(in thousands)		
Research and development	\$ 4,950	\$ 6,218	26%	\$ 14,270	\$ 18,629	31%
Percentage of revenue	21%	22%		23%	21%	

Three months ended 2011 compared to 2012 . Research and development expenses increased by \$1.3 million, or 26%, to \$6.2 million from \$4.9 million. The increase was primarily due to a \$1.0 million increase in employee-related costs as a result of the increase in headcount to support new product initiatives and customer deployments.

Nine months ended 2011 compared to 2012 . Research and development expenses increased by \$4.4 million, or 31%, to \$18.6 million from \$14.3 million. The increase was primarily due to a \$3.3 million increase in employee-related costs as a result of the increase in headcount to support new product initiatives and customer deployments. In addition, there was a \$0.4 million increase in expenses for contractors.

Sales and Marketing Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2012	% Change	2011	2012	% Change
	(in thousands)			(in thousands)		
Sales and marketing	\$ 2,127	\$ 2,000	(6)%	\$ 5,811	\$ 6,776	17%
Percentage of revenue	9%	7%		9%	8%	

Three months ended 2011 compared to 2012 . Sales and marketing expenses decreased by \$0.1 million, or 6%, to \$2.0 million from \$2.1 million. The decrease was due to a \$0.1 million decrease in commission expense that was attributable to the launch of a significant new customer in July 2011.

Nine months ended 2011 compared to 2012 . Sales and marketing expenses increased by \$1.0 million, or 17%, to \$6.8 million from \$5.8 million. The increase was primarily due to a \$1.0 million increase in employee-related costs as a result of the increase in headcount as we hired salespeople in our advertising department.

General and Administrative Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2012	% Change	2011	2012	% Change
	(in thousands)			(in thousands)		
General and administrative	\$ 1,824	\$ 2,676	47%	\$ 4,887	\$ 8,384	72%
Percentage of revenue	8%	9%		8%	9%	

Three months ended 2011 compared to 2012 . General and administrative expenses increased by \$0.9 million, or 47%, to \$2.7 million from \$1.8 million. The increase was primarily due to \$0.6 million increase in spending on administrative expenses associated with being a public company and \$0.2 million increase in rent and other facility related costs.

Nine months ended 2011 compared to 2012 . General and administrative expenses increased by \$3.5 million, or 72%, to \$8.4 million from \$4.9 million. The increase was primarily due to \$1.6 million increase in spending on administrative expenses associated with being a public company, \$0.6 million increase in employee-related costs as a result of hiring in our finance department. The remainder of the increase includes \$0.6 million for stock-based compensation partially driven by the accelerated vesting of stock options upon retirement of service of our former board members upon our initial public offering and \$0.2 million increase in rent and other facility related costs.

Depreciation

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2012	% Change	2011	2012	% Change
	(in thousands)			(in thousands)		
Depreciation	\$ 673	\$ 981	46%	\$ 1,950	\$ 2,696	38%
Percentage of revenue	3%	3%		3%	3%	

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Three months ended 2011 compared to 2012 . Depreciation increased by \$0.3 million, or 46%, to approximately \$1.0 million from \$0.7 million. This increase was driven by the purchase of assets to support the addition of a new customer.

Nine months ended 2011 compared to 2012 . Depreciation increased by \$0.7 million, or 38%, to approximately \$2.7 million from \$2.0 million. This increase was driven by the purchase of assets to support the addition of a new customer.

Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
	(in thousands)		(in thousands)	
Interest expense	\$ 13	\$ 72	\$ 64	\$ 208

Three months ended 2011 compared to 2012 . Interest expense increased as a result of higher average capital lease balances. The interest rates applied to those balances remained substantially the same.

Nine months ended 2011 compared to 2012 . Interest expense increased as a result of higher average capital lease balances. The interest rates applied to those balances remained substantially the same.

Provision for Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
	(in thousands)		(in thousands)	
Provision (benefit) for income taxes	\$ 49	\$ (40)	\$ 55	\$ 660

We had historically incurred operating losses generating net operating loss carryforwards (“NOLs”) which are available to offset taxable income. Due to the uncertainty at September 30, 2011 to generate sufficient taxable income in the future and utilize the NOLs before they expire, we had recorded a valuation allowance to reduce our net deferred tax asset to zero. Consequently, we did not record any material income tax expense in the three and nine months ended September 30, 2011.

In the fourth quarter of 2011, as a result of weighing the positive and negative evidence, we determined that we will more likely than not be able to generate sufficient taxable income in the future and we will be able to fully utilize our NOLs. As a result, our income tax expense (benefit) for the three and nine months ended September 30, 2012 included \$0.3 and \$1.7 million of deferred income tax expense, partially offset by a tax benefit of \$0.3 and \$1.0 million relating to a research and development credit.

Liquidity and Capital Resources

Our primary liquidity and capital resource requirements are for financing working capital, investing in capital expenditures such as computer hardware and software, supporting research and development efforts, introducing new technology, enhancing existing technology, and marketing our services and products to new and existing customers. To the extent that existing cash and cash equivalents, cash from operations, cash from short-term borrowings and the net proceeds from our initial public offering are insufficient to fund our future activities, we may need to raise additional funds through public or private equity offerings or debt financings.

We have historically funded our operations and met our capital expenditure requirements primarily through private sales of preferred stock. In connection with our initial public offering in February 2012, we received aggregate gross proceeds of \$27.3 million. The net proceeds to Synacor from the offering were approximately \$22.4 million after deducting underwriting discounts of \$1.9 million and offering costs of \$3.0 million.

In July 2011 we entered into an amended and restated loan and security agreement with a commercial bank. As of September 30, 2012, there was no outstanding principal amount.

The amended and restated loan and security agreement also provides us with a revolving credit line of \$6.0 million, which we can draw on at any time before July 2013, subject to a borrowing base calculation. Borrowings under the revolving credit line accrue interest at a per annum rate equal to the bank’s prime rate plus 0.25%, subject to a minimum rate of 4.0% per annum, and must be repaid by July 2013. As of September 30, 2012, \$6.0 million was fully available under the revolving credit line, with no outstanding borrowings.

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The amended and restated loan and security agreement contains provisions that allow the bank to accelerate repayment of the balance of the new term loan, if any, and the revolving credit line upon a material adverse change, as defined in the agreement, as well as other events of default. Our obligations under the agreement are secured by a blanket lien on all of our assets in favor of the bank. The agreement contains certain financial performance, reporting and other covenants, including restrictions on paying dividends and making distributions to our stockholders. As of September 30, 2012, we were in compliance with the covenants.

As of September 30, 2012, we had approximately \$38.7 million of cash and cash equivalents. We did not have any short-term or long-term investments. We believe that our existing cash and cash equivalents, along with cash flows from operations and availability under our term loan and revolving credit line, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

Cash Flows

	<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2012</u>
	(in thousands)	
Statements of Cash Flows Data:		
Cash flows provided by operating activities	\$ 4,011	\$ 9,831
Cash flows used in investing activities	(1,478)	(3,583)
Cash flows (used in) provided by financing activities	(692)	21,544

Cash Provided by Operating Activities

Operating activities provided \$4.0 million of cash in the nine months ended September 30, 2011. The cash flow from operating activities primarily resulted from our net income, adjusted for non-cash items, and changes in our operating assets and liabilities. We had net income in the nine months ended September 30, 2011 of \$2.2 million, which included non-cash depreciation of \$2.0 million and non-cash stock-based compensation of \$0.6 million. Changes in our operating assets and liabilities used \$0.8 million of cash during the nine months ended September 30, 2011, primarily due to an increase of \$2.4 million in our accounts receivable partially offset by increases in our accounts payable of \$0.7 million and other accrued expenses of \$0.8 million. The increase in our accounts receivable was primarily due to our revenue growth in the nine months ended September 30, 2011. The increase in accounts payable and other accrued expenses was the result of increased spending due to the growth of our revenue-share payments associated with our revenue growth and the timing of payments to customers for revenue-sharing agreements and to content providers.

In the nine months ended September 30, 2012, operating activities provided \$9.8 million of cash in 2012. The cash flow from operating activities primarily resulted from our net income, adjusted for non-cash items, and changes in our operating assets and liabilities. We had net income of \$3.0 million, which included a non-cash benefit from deferred income taxes of \$0.6 million, non-cash depreciation of \$2.7 million and non-cash stock-based compensation of \$1.5 million. Changes in our operating assets and liabilities provided \$2.0 million of cash, primarily due to an increase of our accounts payable of \$1.0 million and an increase of our accrued expenses and other current liabilities of \$0.8 million. The increase in our accounts payable was attributable to a \$1.6 million increase due to the timing of and a change in payment terms with a customer for their revenue share payment, partially offset by a \$0.5 million decrease due to the timing of invoice receipt from our vendors for operating expenses and components of our cost of revenue. Conversely, the increase in our accrued expenses and other liabilities of \$0.8 million was primarily driven by the timing of invoice receipt from our vendors for operating expenses and components of our cost of revenue.

Cash Used in Investing Activities

Cash used in investing activities in the nine months ended September 30, 2011 was \$1.5 million consisting principally of purchases of property, equipment and software to build out our data centers.

Cash used in investing activities in the nine months ended September 30, 2012 was \$3.6 million consisting of \$3.0 million of purchases of property, equipment and software to build out our data centers and \$0.6 million paid for the acquisition of Carbyn.

Cash (Used in) Provided by Financing Activities

For the nine months ended September 30, 2011, net cash used in financing activities was approximately \$0.7 million primarily for repayments of \$1.8 million on our capital lease obligations and bank financing partially offset by proceeds of \$0.8 million from a sale-leaseback of equipment transaction and \$0.3 million of proceeds from the exercise of common stock options.

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For the nine months ended September 30, 2012, net cash provided by financing activities was \$21.5 million, consisting of \$25.4 million of proceeds from issuance of common stock in our IPO, partially offset by cash paid for issuance costs of \$2.8 million, and \$0.9 million of proceeds from the exercise of common stock options, partially offset by \$2.0 million for repayments on our capital lease obligations and bank financing.

Off-Balance Sheet Arrangements

As of September 30, 2012, we did not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosure 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 primarily include interest rate and inflation risk.

Interest Rate Risk

Our cash and cash equivalents primarily consist of cash and money market funds. We currently have no investments of any type. Our exposure to market risk for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2012. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company 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. Based upon the evaluation as of September 30, 2012, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 30, 2012 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently involved in any legal proceedings, the outcome of which, if determined adversely to us, would have a material adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors

Our business is subject to numerous risks. You should carefully consider the following risk factors and all other information contained in this Quarterly Report on Form 10-Q together with any other documents we file with the SEC. If any of the following events actually occur or risks actually materialize, our business, financial condition or results of operations could be materially and adversely affected. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Business

We have a history of significant net losses and may not be profitable in future periods.

We have incurred significant losses in each year of operation other than 2009 and 2011, including a net loss of \$5.8 million in 2008 and a net loss of \$3.6 million in 2010. Our net income in 2009 and 2011 was \$0.3 million and \$9.9 million, respectively, and our net income in the nine months ended September 30, 2012 was \$3.0 million. We expect that our expenses will increase in future periods as we implement initiatives designed to grow our business including, among other things, the development and marketing of new services and products, international expansion, licensing of content, expansion of our infrastructure and general and administrative expenses associated with being a public company. If our revenue does not sufficiently increase to offset these expected increases in operating expenses, we may incur significant losses and may not be profitable. Our revenue growth in recent periods may not be indicative of our future performance. In fact, in future periods, our revenue could decline. Accordingly, we may not be able to maintain profitability in the future. Any failure to maintain profitability may materially and adversely affect our business, financial condition and results of operations.

Our search advertising partner, Google, accounts for a significant portion of our revenue, and any loss of, or diminution in, our business relationship with Google would materially and adversely affect our financial performance.

We rely on traffic on our platform to generate search and display advertising revenue, a substantial portion of which is derived from text-based links to advertisers' websites as a result of Internet searches. We have a revenue-sharing relationship with Google under which we include a Google-branded search tool on our startpages. When a consumer makes a search request using this tool, we deliver it to Google, and Google returns search results to us that include advertiser-sponsored links. If the consumer clicks on a sponsored link, Google receives payment from the sponsor of that link and shares a portion of that payment with us. We then typically share a portion of that payment with the applicable customer. Our Google-related search advertising revenue attributable to our customers, which consists of the portion of the payment from the sponsor that Google shares with us, accounted for approximately 45%, 49% and 57% of our revenue in 2009, 2010 and 2011, or \$27.7 million, \$32.6 million and \$51.5 million, respectively, and approximately 57% of our revenue in the nine months ended September 30, 2012, or \$50.8 million. Our agreement with Google expires in February 2014 unless we and Google mutually elect to renew it. Additionally, Google may terminate our agreement if we experience a change in control or enter into an agreement providing for a change in control, if we do not maintain certain search and display advertising revenue levels, or upon the two-year anniversary of the agreement, in February 2013. If advertisers were to discontinue their advertising via Internet searches, if Google's revenue from search-based advertising were to decrease, if Google's share of the search revenue were to be increased or if our agreement with Google were to be terminated for any reason or renewed on less favorable terms, our business, financial condition and results of operations would be materially and adversely affected. Moreover, consumers' increased use of search tools other than the Google-branded search tool we provide would have similar effects.

A loss of any significant customer could negatively affect our financial performance.

We derive a substantial portion of our revenue from a small number of customers. For example, revenue attributable to two customers, Charter and CenturyLink (including our revenue attributable to Qwest), together accounted for approximately 62% and 60% of our revenue for the years ended December 31, 2009 and 2010, or \$37.8 million and \$39.8 million,

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respectively. Revenue attributable to each of these customers accounted for 20% or more in 2009 and 2010. Revenue attributable to Charter, CenturyLink (including revenue attributable to Qwest) and Toshiba together accounted for approximately 62% of our revenue for the year ended December 31, 2011, or \$56.9 million, with revenue attributable to one of these customers accounting for 20% or more in such period and revenue attributable to each of the other two customers accounting for more than 10% in such period. Revenue attributable to Charter, CenturyLink (including revenue attributable to Qwest), Toshiba and Verizon together accounted for approximately 73% of our revenue for the nine months ended September 30, 2012, or \$65.5 million, with revenue attributable to two of these customers accounting for 20% or more in such period and revenue attributable to each of the other two customers accounting for more than 10% in such period. Revenue attributable to these customers includes the subscriber-based revenue earned directly from them, as well as the search and display advertising revenue earned through our relationships with our advertising partners, such as Google, based on traffic generated from our startpages.

Our contracts with our customers generally have an initial term of approximately two to three years from the launch of our products and frequently provide for one or more automatic renewal terms of one to two years each. If any one of these key contracts is not renewed or is otherwise terminated, or if revenue from these significant customers declines because of competitive or other reasons, our revenue would decline and our ability to achieve or sustain profitability would be impaired. In addition to loss of subscriber-based revenue, including startpage and paid content sales, we would also lose significant revenue from the related search and display advertising services that we provide.

Many individuals are using devices other than personal computers and software applications other than Internet browsers to access the Internet. If users of these devices and software applications do not widely adopt the applications and other solutions we develop for them, our business could be adversely affected.

The number of people who access the Internet through devices other than PCs, including tablets, smartphones and connected TVs, has increased dramatically in the past few years and is projected to continue to increase. Similarly, individuals are increasingly accessing the Internet through applications, or apps, other than Internet browsers, such as those available for download through Apple Inc.'s App Store and the Android Market. If consumers increasingly access the Internet on devices other than PCs, and if we are unable to successfully implement monetization strategies for mobile devices, our financial results could be negatively affected. While we are developing solutions to these alternative means of accessing the Internet, including through our acquisition of mobile device software and technology from Carbyn in January 2012, we do not currently offer our customers and their subscribers a wide variety of apps and other non-browser solutions. Additionally, as new devices and new apps are continually being released, it is difficult to predict the problems we may encounter in developing new versions of our apps and other solutions for use on these alternative devices and apps, and we may need to devote significant resources to the creation, support and maintenance of such apps and solutions. If users of these devices and apps do not widely adopt the apps and other solutions we develop, our business, financial condition and results of operations could be adversely affected.

Consumer tastes continually change and are unpredictable, and our sales may decline if we fail to enhance our service and content offerings to achieve continued subscriber acceptance.

Our business depends on aggregating and providing services and content that our customers will place on their websites, including television programming, news, entertainment, sports and other content that their subscribers find engaging, and value added services and paid content that their subscribers will buy. Accordingly, we must continue to invest significant resources in licensing efforts, research and development and marketing to enhance our service and content offerings, and we must make decisions about these matters well in advance of product releases to implement them in a timely manner. Our success depends, in part, on unpredictable and volatile factors beyond our control, including consumer preferences, competing content providers and websites and the availability of other news, entertainment, sports and other services and content. While the majority of consumers' startpages are set to our applicable customer's website upon the installation of our customer's services or the sale of our customer's product, a consumer may easily change that setting, which could likely decrease the use of our platform. The makers of Internet browsers and operating systems may also develop and launch new user experiences, which could change the way consumers use our startpages. If our services are not responsive to the requirements of our customers or the preferences of their consumers, or the services are not brought to market in a timely and effective manner, our business, financial condition and results of operations could be harmed. Even if our services and content are successfully introduced and initially adopted, a subsequent shift in the preferences of our customers or their consumers could cause a decline in the popularity of our services and content that could materially reduce our revenue and harm our business, financial condition and results of operations.

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Our sales growth will be adversely affected if we are unable to expand the breadth of our services and products or to introduce new services and products on a timely basis.

To retain our existing customers, attract new customers and increase revenue, we must continue to develop and introduce new services and products on a timely basis and continue to develop additional features to our existing product base. If our existing and prospective customers do not perceive that we will deliver our services and products on schedule, and if they do not perceive our services and products to be of sufficient value and quality, we may lose the confidence of our existing customers and fail to increase sales to these existing customers, and we may not be able to attract new customers, each of which would adversely affect our operating results.

Our sales cycles and the contracting process with new customers are long and unpredictable and may require us to incur expenses before executing a customer agreement, which makes it difficult to project when, if at all, we will obtain new customers and when we will generate additional revenue and cash flows from those customers.

We market our services and products directly to high-speed Internet service providers and consumer electronics manufacturers. New customer relationships typically take time to obtain and finalize. Due to operating procedures in many organizations, a significant time period may pass between selection of our services and products by key decision-makers and the signing of a contract. The length of time between the initial customer sales call and the realization of significant sales is difficult to predict and can range from several months to several years. As a result, it is difficult to predict when we will obtain new customers and when we will begin to generate revenue and cash flows from these potential new customers.

As part of our sales cycle, we may incur significant expenses in the form of compensation and related expenses and equipment acquisition before executing a definitive agreement with a prospective customer so that we may be ready to launch shortly following execution of a definitive agreement. If conditions in the marketplace generally or with a specific prospective customer change negatively, it is possible that no definitive agreement will be executed, and we will be unable to recover any expenses incurred before a definitive agreement is executed, which would in turn have an adverse effect on our business, financial condition and results of operations.

Most of our customers are high-speed Internet service providers, and consolidation within the cable and telecommunications industries could adversely affect our business, financial condition and results of operations.

Our revenue from high-speed Internet service providers, including our search and display advertising revenue generated by online consumer traffic on our platform, accounted for more than 95% of our revenue in each of 2009 and 2010, nearly 86% in 2011 and 80% in the nine months ended September 30, 2012. The cable and telecommunications industries have experienced consolidation over the past several years, and we expect that this trend will continue. As a result of consolidation, some of our customers may be acquired by companies with which we do not have existing relationships and which may have relationships with one of our competitors or may have the in-house capacity to perform the services we provide. As a result, such acquisitions could cause us to lose customers and the associated subscriber-based and search and display advertising revenue. Under our agreement with Charter, Charter has a right to terminate the agreement if we experience a change in control.

Consolidation may also require us to renegotiate our agreements with our customers as a result of enhanced customer leverage. We may not be able to offset the effects of any such renegotiations, and we may not be able to attract new customers to counter any revenue declines resulting from the loss of customers or their subscribers.

As technology continues to evolve, the use of our products by our current and prospective consumer electronics manufacturer customers may decrease and our business could be adversely affected.

The consumer electronics industry is subject to rapid change, and our contract with our one current consumer electronics manufacturer customer is not exclusive. As consumer electronics manufacturers continue to develop new technologies and introduce new models and devices, there can be no assurance that we will be able to develop solutions that will persuade consumer electronics manufacturers that are our customers at such time to utilize our platform for those new devices. If our current and prospective consumer electronics manufacturer customers elect not to integrate our solutions into their new products, our business, financial condition and results of operations could be adversely affected.

We invest in features and functionality designed to increase consumer engagement with our startpages; however, these investments may not lead to increased revenue.

Our future growth and profitability will depend in large part on the effectiveness and efficiency of our efforts to provide a compelling consumer experience that increases consumer engagement with our platform. We have made and will continue to make substantial investments in features and functionality for our platform that are designed to drive consumer

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engagement. Not all of these activities directly generate revenue, and we cannot assure that we will reap sufficient rewards from these investments to make them worthwhile. If the expenses that we incur in connection with these activities do not result in increased consumer engagement that in turn results in revenue increases that exceed these expenses, our business, financial condition and results of operations will be adversely affected.

Our services and products may become less competitive or even obsolete if we fail to respond to technological developments.

Our future success will depend, in part, on our ability to modify or enhance our services and products to meet customer and consumer needs, to add functionality and to address technological advancements that would improve their performance. For example, if our services and products do not adapt to the increasing video usage on the Internet or to take into account evolving developments in social networking, then they could begin to appear obsolete. Similarly, if we fail to develop new ways to deliver content and services through apps other than traditional Internet browsers, consumers could seek alternative means of accessing content and services.

To remain competitive, we will need to develop new services and products and adapt our existing ones to address these and other evolving technologies and standards. However, we may be unsuccessful in identifying new opportunities or in developing or marketing new services and products in a timely or cost-effective manner. In addition, our product innovations may not achieve the market penetration or price levels necessary for profitability. If we are unable to develop enhancements to, and new features for, our existing services and products or if we are unable to develop new services and products that keep pace with rapid technological developments or changing industry standards, our services and products may become obsolete, less marketable and less competitive, and our business will be harmed.

We depend on third parties for content that is critical to our business, and our business could suffer if we do not continue to obtain high-quality content at a reasonable cost.

We license the content that we aggregate on our platform from numerous third-party content providers, and our future success is highly dependent upon our ability to maintain and enter into new relationships with these and other content providers. In the future, some of our content providers may not give us access to high-quality content, may fail to adapt to changes in consumer tastes or may increase the royalties, fees or percentages that they charge us for their content, any of which could have a material negative effect on our operating results. Our rights to the content that we offer to our customers and their consumers are not exclusive, and the content providers could license their content to our competitors. Our content providers could even grant our competitors exclusive licenses. In addition, our customers are not prohibited from entering into content deals directly with our content providers. Any failure to enter into or maintain satisfactory arrangements with content providers would adversely affect our ability to provide a variety of attractive services and products to our customers. Our reputation and operating results could suffer as a result, and it may be more difficult for us to develop new relationships with potential customers. Our costs as a percentage of revenue may also increase due to price competition.

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

As a result of the rapidly changing nature of the markets in which we compete, our quarterly and annual revenue and operating results are likely to fluctuate from period to period. These fluctuations may be caused by a number of factors, many of which are beyond our control, including:

- any failure to maintain strong relationships and favorable revenue-sharing arrangements with our search and display advertising partners, in particular Google, including a reduction in the quantity or pricing of sponsored links that consumers click on or a reduction in the pricing of display advertisements by advertisers;
- any failure of significant customers to renew their agreements with us;
- our ability to attract new customers;
- our ability to increase sales of value added services and paid content to existing subscribers;
- the timing and success of new service and product introductions by us, our customers or our competitors;
- variations in the demand for our services and products and the implementation cycles of our services and products by our customers;
- changes to Internet browser technology that renders our startpages less competitive;

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- changes in our pricing policies or those of our competitors;
- changes in the prices our customers charge for value added services and paid content;
- service outages, other technical difficulties or security breaches;
- limitations relating to the capacity of our networks, systems and processes;
- our failure to accurately estimate or control costs, including costs related to the initial launch of new customers on our platform;
- maintaining appropriate staffing levels and capabilities relative to projected growth;
- the timing of costs related to the development or acquisition of technologies, services or businesses to support our existing customers and potential growth opportunities; and
- general economic, industry and market conditions and those conditions specific to Internet usage and online businesses.

For these reasons and because the market for our services and products is relatively new and rapidly changing, it is difficult to predict our future financial results.

Expansion into international markets, which is an important part of our strategy, but where we have limited experience, will subject us to risks associated with international operations.

We plan to expand our product offerings internationally, particularly in Latin America and Europe and, over the long term, in Asia. We have limited experience in marketing and operating our services and products in international markets, and we may not be able to successfully develop our business in these markets. Our success in these markets will be directly linked to the success of relationships with potential customers, content partners and other third parties.

As the international markets in which we plan to operate continue to grow, we expect that competition in these markets will intensify. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local markets. Some of our domestic competitors who have substantially greater resources than we do may be able to more quickly and comprehensively develop and grow in international markets. International expansion may also require significant financial investment including, among other things, the expense of developing localized products, the costs of acquiring foreign companies and the integration of such companies with our operations, expenditure of resources in developing customer and content relationships and the increased costs of supporting remote operations.

Other risks of doing business in international markets include the increased risks and burdens of complying with different legal and regulatory standards, difficulties in managing and staffing foreign operations, recruiting and retaining talented direct sales personnel, limitations on the repatriation of funds and fluctuations of foreign exchange rates, varying levels of Internet technology adoption and infrastructure, and our ability to enforce contracts in foreign jurisdictions. In addition, our success in international expansion could be limited by barriers to international expansion such as tariffs, adverse tax consequences and technology export controls. If we cannot manage these risks effectively, the costs of doing business in some international markets may be prohibitive or our costs may increase disproportionately to our revenue.

Our agreements with some of our customers and content providers require fixed payments, which could adversely affect our financial performance.

Certain of our agreements with customers and content providers require us to make fixed payments to them. The aggregate amount of such fixed payments for the years ending December 31, 2012, 2013, 2014 and the three years thereafter are approximately \$5.9 million, \$4.6 million, \$1.4 million and \$2.5 million, respectively. We are required to make these fixed payments regardless of the achievement of any revenue objectives or subscriber or usage levels. If we do not achieve our financial objectives, these contractual commitments would constitute a greater percentage of our revenue than originally anticipated and would adversely affect our profitability.

Our agreements with some of our customers and content providers contain penalties for non-performance, which could adversely affect our financial performance.

We have entered into service level agreements with most of our customers. These agreements generally call for specific system “up times” and 24 hours per day, seven days per week support and include penalties for non-performance. We may be unable to fulfill these commitments due to circumstances beyond our control, which could subject us to substantial penalties under those agreements, harm our reputation and result in a reduction of revenue or the loss of customers, which would in turn have an adverse effect on our business, financial condition and results of operations. To date, we have never incurred any material penalties.

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System failures or capacity constraints could harm our business and financial performance.

The provision of our services and products depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems could result in interruptions in our service. Such interruptions could harm our business, financial condition and results of operations, and our reputation could be damaged if people believe our systems are unreliable. Our systems are vulnerable to damage or interruption from snow storms, terrorist attacks, floods, fires, power loss, telecommunications failures, security breaches, computer malware, computer hacking attacks, computer viruses, computer denial of service attacks or other attempts to, or events that, harm our systems. Our data center is also subject to break-ins, sabotage and intentional acts of vandalism and to potential disruptions if the operators of the facility have financial difficulties. Although we maintain insurance to cover a variety of risks, the scope and amount of our insurance coverage may not be sufficient to cover our losses resulting from system failures or other disruptions to our online operations. For example, the limit on our business interruption insurance is approximately \$26.1 million. Any system failure or disruption and any resulting losses that are not recoverable under our insurance policies may materially harm our business, financial condition and results of operations. To date, we have never experienced any material losses.

Although we regularly back-up our systems and store the system back-ups in Atlanta, Georgia, Columbus, Ohio, and Buffalo, New York, we do not have full second-site redundancy. If we were forced to relocate to an alternate site and to rely on our system back-ups to restore the systems, we would experience significant delays in restoring the functionality of our platform and could experience loss of data, which could materially harm our business and our operating results.

Security breaches, computer viruses and computer hacking attacks could harm our business, financial condition and results of operations.

Security breaches, computer malware and computer hacking attacks are prevalent in the technology industry. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and results of operations. We have previously experienced hacking attacks on our systems, and may in the future experience hacking attacks. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our platform infrastructure to the satisfaction of our customers and their consumers may harm our reputation and our ability to retain existing customers and attract new customers.

We may not maintain acceptable website performance for all of our customers' consumers, which may negatively impact our relationships with our customers and harm our business, financial condition and results of operations.

A key element to our continued growth is the ability of our customers' consumers in all geographies to access our platform within acceptable load times. We refer to this as website performance. We may in the future experience platform 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 website performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve website performance, especially during peak usage times, and as our solutions become more complex and our user traffic increases. If our startpages are unavailable when consumers attempt to access them or do not load as quickly as they expect, consumers may seek other websites to obtain the information for which they are looking, and may not return to our startpages as often in the future, or at all. This would negatively impact our relationships with our customers. We expect to continue to make significant investments to maintain and improve website performance. 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.

We rely on our management team and need additional personnel to expand our business, and the loss of key officers or an inability to attract and retain qualified personnel could harm our business, financial condition and results of operations.

We depend on the continued contributions of our senior management and other key personnel, especially Ronald N. Frankel, our Chief Executive Officer, George G. Chamoun, our Executive Vice President of Sales and Marketing, Scott A.

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Bailey, our Chief Operating Officer, and William J. Stuart, our Chief Financial Officer. The loss of the services of any of our executive officers or other key employees could harm our business and our prospects. All of our executive officers and key employees are at-will employees, which means they may terminate their employment relationship with us at any time.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative personnel. For example, we will need to hire personnel outside the United States to pursue an international expansion strategy, and we will need to hire additional advertising salespeople to sell more advertisements directly. We face intense competition for qualified individuals from numerous technology, marketing and media companies, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals, or we may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business could suffer.

Volatility or lack of performance in the trading price of our common stock may also affect our ability to attract and retain qualified personnel. Many of our senior management personnel and other key employees have become, or will become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options or if the exercise prices of the options that they hold are significantly above the trading price of our common stock. If we are unable to retain our employees, our business, financial condition and results of operations would be harmed.

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

Following the merger of our predecessor companies, Chek, Inc., or Chek, and MyPersonal.com, Inc., or MyPersonal, to form Synacor, we have expanded our business primarily through organic growth. We expect to continue to grow organically, and we may choose to grow through strategic acquisitions in the future. This growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Our ability to manage our growth effectively and to integrate new technologies and acquisitions into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees. Continued growth could strain our ability to:

- develop and improve our operational, financial and management controls;
- enhance our reporting systems and procedures;
- recruit, train and retain highly skilled personnel;
- maintain our quality standards; and
- maintain customer and content owner satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, financial condition and results of operations would be harmed.

We may expand our business through acquisitions of, or investments in, other companies or new technologies, which may divert our management's attention or prove not to be successful.

We recently completed an acquisition of certain mobile device software and technology from Carbyn, and we may decide to pursue acquisitions of other technologies and businesses in the future. Such acquisitions could divert our management's time and focus from operating our business. In addition, integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties and expenditures, including, among other things, with respect to:

- incorporating new technologies into our existing business infrastructure;
- consolidating corporate and administrative functions;
- coordinating our sales and marketing functions to incorporate the new business or technology;
- maintaining morale, retaining and integrating key employees to support the new business or technology and managing our expansion in capacity; and
- maintaining standards, controls, procedures and policies (including effective internal controls over financial reporting and disclosure controls and procedures).

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In addition, a significant portion of the purchase price of companies we may acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our earnings based on this impairment assessment process, which could harm our operating results.

Future acquisitions could result in potentially dilutive issuances of our equity securities, including our common stock, or the incurrence of debt, contingent liabilities, amortization expenses or acquired in-process research and development expenses, any of which could harm our business, financial condition and results of operations. Future acquisitions may also require us to obtain additional financing, which may not be available on favorable terms or at all.

We may require additional capital to grow our business, and this capital may not be available on acceptable terms or at all.

The operation of our business and our growth strategy may require significant additional capital, especially if we were to accelerate our expansion and acquisition plans. If the cash generated from operations and otherwise available to us are not sufficient to meet our capital requirements, we will need to seek additional capital, potentially through debt or equity financings, to fund our growth. We may not be able to raise needed capital on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may cause our existing stockholders to suffer substantial dilution. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our common stock. Any debt financing obtained by us in the future could contain restrictive covenants that may potentially restrict our operations, and if we do not effectively manage our business to comply with those covenants, our business, financial condition and results of operations could be adversely affected. If new sources of financing are required but are insufficient or unavailable, we could be required to delay, abandon or otherwise modify our growth and operating plans to the extent of available funding, which would harm our ability to grow our business.

Our business depends, in part, on our ability to protect and enforce our intellectual property rights.

The protection of our intellectual property is critical to our success. We rely on copyright and service mark enforcement, contractual restrictions and trade secret laws to protect our proprietary rights. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with certain parties with whom we conduct business to limit access to and disclosure of our proprietary information. However, if we are unable to adequately protect our intellectual property, our business may suffer from the piracy of our technology and the associated loss in revenue.

Protecting against the unauthorized use of our intellectual property and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could be costly and divert management resources, either of which could harm our business. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

We are not currently involved in any legal proceedings with respect to protecting our intellectual property; however, we may from time to time become a party to various legal proceedings with respect to protecting our intellectual property arising in the ordinary course of our business.

Any claims from a third party that we are infringing upon its intellectual property, whether valid or not, could subject us to costly and time-consuming litigation or expensive licenses or force us to curtail some services or products.

Companies in the Internet and technology industries tend to own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have been subject to claims that the presentation of certain licensed content on our startpages infringes certain patents of a third party, none of which have resulted in direct settlement or payments by us or any determination of infringement by us, and as we face increasing competition, the possibility of further intellectual property rights claims against us grows. Our technologies may not be able to withstand any third party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent us from offering our services and products to others and may require that we procure substitute products or services for our customers.

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In the case of any intellectual property rights claim, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available to us on reasonable terms and may significantly increase our operating expenses. The technology also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for the infringing aspects of our business, we may be forced to limit our service and product offerings and may be unable to compete effectively. Any of these consequences could harm our operating results.

In addition, we typically have contractual obligations to our customers to indemnify and defend them with respect to third-party intellectual property infringement claims that arise from our customers' use of our products or services. Such claims, whether valid or not, could harm our relationships with our customers, have resulted and could result in the future in us or our customers having to enter into licenses with the claimants and have caused and could cause us in the future to incur additional costs or reduced revenues. To date, neither the increase in our costs nor any reductions in our revenue resulting from such claims have been material. Such claims could also subject us to costly and time-consuming litigation as well as diverting management attention and resources. Satisfying our contractual indemnification obligations could also give rise to significant liability, and thus harm our business and our operating results.

We are not currently subject to any legal proceedings with respect to third party claims that we or our customers' use of our products and services are infringing upon their intellectual property; however, we may from time to time become a party to various legal proceedings with respect to such claims arising in the ordinary course of our business.

Any unauthorized disclosure or theft of personal information we gather could harm our reputation and subject us to claims or litigation.

We collect, and have access to, personal information of subscribers, including names, addresses, account numbers, credit card numbers and e-mail addresses. Unauthorized disclosure of personal information regarding website visitors, whether through breach of our systems by an unauthorized party, employee theft or misuse, or otherwise, could harm our business. If there were an inadvertent disclosure of personal information, or if a third party were to gain unauthorized access to the personal information we possess, our operations could be seriously disrupted and we could be subject to claims or litigation arising from damages suffered by subscribers or our customers. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. Finally, any perceived or actual unauthorized disclosure of the information we collect could harm our reputation, substantially impair our ability to attract and retain customers and have an adverse impact on our business.

We collect and may access personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

We collect, and have access to, personal information of subscribers, including names, addresses, account numbers, credit card numbers and e-mail addresses. 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 subscriber data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection to the extent possible. However, 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 personal information or other subscriber data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as customers, vendors or developers, violate applicable laws or our policies, such violations may also put subscriber information at risk and could in turn have an adverse effect on our business.

Any failure to convince advertisers of the benefits of advertising with us would harm our business, financial condition and results of operations.

We have derived and expect to continue to derive a substantial portion of our revenue from display advertising on our platform. Such advertising accounted for approximately 19%, 20% and 23% of our revenue for the years ended

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December 31, 2009, 2010 and 2011, respectively, and 27% of our revenue in the nine months ended September 30, 2012. Our ability to attract and retain advertisers and, ultimately, to generate advertising revenue depends on a number of factors, including:

- increasing the numbers of consumers using our platform;
- maintaining consumer engagement on our startpages;
- competing effectively for advertising spending with other online and offline advertising providers; and
- continuing to grow our direct advertising sales force and develop and diversify our advertising platform.

If we are unable to provide high-quality advertising opportunities and convince advertisers and agencies of our value proposition, we may not be able to retain existing advertisers or attract new ones, which would harm our business, financial condition and results of operations.

Migration of high-speed Internet service providers' subscribers from one high-speed Internet service provider to another could adversely affect our business, financial condition and results of operations.

Our high-speed Internet service provider customers' subscribers may become dissatisfied with their current high-speed Internet service provider and may switch to another provider. In the event that there is substantial subscriber migration from our existing customers to service providers with which we do not have relationships, the fees that we receive on a per-subscriber basis, and the related search and display advertising revenue, could decline.

Our business and the trading price of our common stock may be adversely affected if our internal controls over financial reporting are found by management or by our independent registered public accounting firm not to be adequate.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, will require us to evaluate and report on our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ending December 31, 2012. We are in the process of preparing an internal plan for compliance with Section 404 and strengthening and testing our system of internal controls to provide the basis for our report. The process of implementing our internal controls and complying with Section 404 will be expensive and time-consuming, and will require significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles, or GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

In addition, a delay in compliance with Section 404 could subject us to a variety of administrative sanctions, including ineligibility for short-form resale registration, action by the SEC, the suspension or delisting of our common stock from and the inability of registered broker-dealers to make a market in our common stock, which would further reduce the trading price of our common stock and could harm our business.

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

As of September 30, 2012, we had substantial federal and state net operating loss carryforwards. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards to offset its post-change income and taxes may be limited. In general, an "ownership change" generally occurs if there is a cumulative change in our ownership by "five-percent stockholders" that exceeds 50 percentage points over a rolling three-year period. For these purposes, a five-percent stockholder is generally any person or group of persons that at any time during the applicable testing period has owned 5% or more of our outstanding stock. In addition, persons who own less than 5% of the outstanding stock are grouped together as one or more "public groups," which are also treated as five-percent stockholders. Similar rules may apply under state tax laws. We may experience ownership changes in the future as a result of future transactions in our stock, some of which may be outside our control. As a result, our ability to use our pre-change net operating loss carryforwards to offset United States federal and state taxable income and taxes may be subject to limitations.

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Risks Related to Our Industry

The growth of the market for our services and products depends on the continued growth of the Internet as a medium for content, advertising, commerce and communications.

Expansion in the sales of our services and products depends on the continued acceptance of the Internet as a platform for content, advertising, commerce and communications. The acceptance of the Internet as a medium for such uses could be adversely impacted by delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, privacy protection, reliability, cost, ease of use, accessibility and quality of service. The performance of the Internet and its acceptance as such a medium has been harmed by viruses, worms, and similar malicious programs, and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If for any reason the Internet does not remain a medium for widespread content, advertising, commerce and communications, the demand for our services and products would be significantly reduced, which would harm our business.

The growth of the market for our services and products depends on the development and maintenance of the Internet infrastructure.

Our business strategy depends on continued Internet and high-speed Internet access growth. Any downturn in the use or growth rate of the Internet or high-speed Internet access would be detrimental to our business. If the Internet continues to experience significant growth in number of users, frequency of use and amount of data transmitted, the Internet infrastructure might not be able to support the demands placed on it and the performance or reliability of the Internet may be adversely affected. The success of our business therefore depends on the development and maintenance of a sound Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as timely development of complementary products, such as routers, for providing reliable Internet access and services. Consequently, as Internet usage increases, the growth of the market for our products depends upon improvements made to the Internet as well as to individual customers' networking infrastructures to alleviate overloading and congestion. In addition, any delays in the adoption of new standards and protocols required to govern increased levels of Internet activity or increased governmental regulation may have a detrimental effect on the Internet infrastructure.

A substantial majority of our revenue is derived from search and display advertising; our revenue would decline if advertisers do not continue their usage of the Internet as an advertising medium.

We have derived and expect to continue to derive a substantial majority of our revenue from search and display advertising on our platform. Such search and display advertising revenue accounted for approximately 65%, 69% and 79% of our revenue for the years ended December 31, 2009, 2010 and 2011, or \$39.3 million, \$45.9 million and \$72.1 million, respectively, and 83% of our revenue for the nine months ended September 30, 2012, or \$74.5 million. However, the prospects for continued demand and market acceptance for Internet advertising are uncertain. If advertisers do not continue to increase their usage of the Internet as an advertising medium, our revenue would decline. Advertisers that have traditionally relied on other advertising media may not advertise on the Internet. Most advertising agencies and potential advertisers, particularly local advertisers, have only limited experience advertising on the Internet and devote only a small portion of their advertising expenditures to online advertising. As the Internet evolves, advertisers may find online advertising to be a less attractive or less effective means of promoting their services and products than traditional methods of advertising and may not continue to allocate funds for Internet advertising. Many historical predictions by industry analysts and others concerning the growth of the Internet as a commercial medium have overstated the growth of the Internet and you should not rely upon them. This growth may not occur or may occur more slowly than estimated.

Most of our search revenue is based on the number of paid "clicks" on sponsored links that are included in search results generated from our platform. Generally, each time a consumer clicks on a sponsored link, the search provider that provided the commercial search result receives a fee from the advertiser who paid for such commercial click and the search provider pays us a portion of that fee. We, in turn, typically share a portion of the fee we receive with our customer. If an advertiser receives what it perceives to be a large number of clicks for which it needs to pay, but that do not result in a desired activity or an increase in sales, the advertiser may reduce or eliminate its advertisements through the search provider that provided the commercial search result to us. This reaction would lead to a loss of revenue to our search providers and consequently to lesser fees paid to us, which would have a material negative effect on our financial results.

Market prices for online advertising may decrease due to competitive or other factors. In addition, if a large number of Internet users use filtering software programs that limit or remove advertising from the users' view, advertisers may perceive that Internet advertising is not effective and may choose not to advertise on the Internet.

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The market for Internet-based services and products in which we operate is highly competitive, and if we cannot compete effectively, our sales may decline and our business may be harmed.

Competition in the market for Internet-based services and products in which we operate is intense and involves rapidly changing technologies and customer and subscriber requirements, as well as evolving industry standards and frequent product introductions. Our competitors may develop solutions that are similar or superior to our technology. Our primary competitors include high-speed Internet service providers with internal information technology staff capable of developing solutions similar to our technology. Other competitors include Yahoo!, Google, AOL and MSN, a division of Microsoft. Advantages some of our existing and potential competitors hold over us include the following:

- significantly greater revenue and financial resources;
- stronger brand and consumer recognition;
- the capacity to leverage their marketing expenditures across a broader portfolio of services and products;
- more extensive proprietary intellectual property from which they can develop or aggregate content without having to pay fees or paying significantly lower fees than we do;
- pre-existing relationships with content providers that afford them access to content while blocking the access of competitors to that same content;
- pre-existing relationships with high-speed Internet service providers that afford them the opportunity to convert such providers to competing services and products;
- lower labor and development costs; and
- broader global distribution and presence.

If we are unable to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline, our margins could decline and we could lose market share, any of which would materially harm our business, financial condition and results of operations.

Government regulation of the Internet continues to evolve, and new laws and regulations could significantly harm our financial performance.

Today, there are relatively few laws specifically directed towards conducting business over the Internet. We expect more stringent laws and regulations relating to the Internet to be enacted. The adoption or modification of laws related to the Internet could harm our business, financial condition and results of operations by, among other things, increasing our costs and administrative burdens. Due to the increasing popularity and use of the Internet, many laws and regulations relating to the Internet are being debated at the international, federal and state levels, which are likely to address a variety of issues such as:

- user privacy and expression;
- ability to collect and/or share necessary information that allows us to conduct business on the Internet;
- export compliance;
- pricing and taxation;
- fraud;
- advertising;
- intellectual property rights;
- consumer protection;
- protection of minors;
- content regulation;
- information security; and
- quality of services and products.

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Several federal laws that could have an impact on our business have been adopted. The Digital Millennium Copyright Act of 1998 reduces the liability of online service providers of third-party content, including content that may infringe copyrights or rights of others. The Children’s Online Privacy Protection Act imposes additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children from Sexual Predators Act requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.

It could be costly for us to comply with existing and potential laws and regulations, and they could harm our marketing efforts and our attractiveness to advertisers by, among other things, restricting our ability to collect demographic and personal information from consumers or to use or disclose that information in certain ways. If we were to violate these laws or regulations, or if it were alleged that we had, we could face private lawsuits, fines, penalties and injunctions and our business could be harmed.

Finally, the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could also increase our costs of doing business, discourage Internet communications, reduce demand for our services and expose us to substantial liability.

Public scrutiny of Internet privacy issues may result in increased regulation and different industry standards, which could deter or prevent us from providing our current products and solutions to our customers, thereby harming our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. The United States government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. In addition, the European Union is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for companies with users in Europe. Various government and consumer agencies have also called for new regulation and changes in industry practices.

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 require changes to these practices, our services or our privacy policies.

Risks Related to Ownership of Our Common Stock

Concentration of ownership among our directors, officers, large stockholders and their respective affiliates could limit our other stockholders’ ability to influence the outcome of key corporate decisions, such as an acquisition of our company.

Our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, beneficially own or control, directly or indirectly, a majority of our outstanding common stock. As a result, these stockholders, if they act together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, if they act together, would have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might harm the trading price of our common stock by:

- delaying, deferring or preventing a change in our control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

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Future sales of our common stock may cause the trading price of our common stock to decline.

As of February 15, 2012, the closing date of our initial public offering, stockholders holding some 17,666,204 shares of our common stock had demand and piggyback rights to require us to register such shares with the SEC. If we register any of these shares of common stock, the stockholders would be able to sell those shares freely in the public market.

In addition, the shares that are either subject to outstanding options or that may be granted in the future under our 2012 Equity Incentive Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, and Rules 144 and 701 under the Securities Act.

As of February 22, 2012, we registered the shares of our common stock that we may issue under our equity plans. These shares can be freely sold in the public market upon issuance, subject to any vesting.

If a substantial number of any of these additional shares described are sold, or if it is perceived that a substantial number of such shares will be sold, in the public market, the trading price of our common stock could decline.

Some provisions of our certificate of incorporation, bylaws and Delaware law may discourage, delay or prevent a merger or acquisition or prevent the removal of our current board of directors and management.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may discourage, delay or prevent a merger or acquisition or prevent the removal of our current board of directors and management. We have a number of anti-takeover devices in place that will hinder takeover attempts, including:

- our board of directors is classified into three classes of directors with staggered three-year terms;
- our directors may only be removed for cause, and only with the affirmative vote of a majority of the voting interest of stockholders entitled to vote;
- only our board of directors and not our stockholders will be able to fill vacancies on our board of directors;
- only our chairman of the board, our chief executive officer or a majority of our board of directors, and not our stockholders, are authorized to call a special meeting of stockholders;
- our stockholders will be able to take action only at a meeting of stockholders and not by written consent;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions and other provisions in our charter documents could discourage, delay or prevent a transaction involving a change in our control. Any delay or prevention of a change in control transaction could cause stockholders to lose a substantial premium over the then-current trading price of their shares. These provisions could also discourage proxy contests and could make it more difficult for our stockholders to elect directors of their choosing or to cause us to take other corporate actions such stockholders desire.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which, subject to some exceptions, prohibits “business combinations” between a Delaware corporation and an “interested stockholder,” which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation’s voting stock, for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

We have not paid cash dividends on our capital stock, and we do not expect to do so in the foreseeable future.

We have not historically paid cash dividends on our capital stock. We anticipate that we will retain all future earnings and cash resources for the future operation and development of our business, and as a result, we do not anticipate paying

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any cash dividends to holders of our capital stock for the foreseeable future. Any future determination regarding the payment of any dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board may deem relevant. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

The trading price and volume of our common stock has been and will likely continue to be volatile, and the value of an investment in our common stock may decline.

The trading price of our common stock has been, and is likely to continue to be, volatile and could decline substantially within a short period of time. For example, since shares of our common stock were sold in our initial public offering in February 2012 at a price of \$5.00 per share through the close of business on November 5, 2012, our trading price has ranged from \$4.66 to \$18.00. The trading price of our common stock may be subject to wide fluctuations in response to various factors, some of which are beyond our control, including:

- variations in our financial performance;
- announcements of technological innovations, new services and products, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations or withdrawal of research coverage by securities analysts;
- market conditions in our industry, the industries of our customers and the economy as a whole; and
- adoption or modification of laws, regulations, policies, procedures or programs applicable to our business or announcements relating to these matters.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Some companies that have had volatile market prices for their securities have had securities class actions filed against them. Such a suit filed against us, regardless of its merits or outcome, could cause us to incur substantial costs and could divert management's attention.

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

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

The requirements of being a public company, including increased costs and demands upon management as a result of complying with federal securities laws and regulations applicable to public companies, may adversely affect our financial performance and our ability to attract and retain directors.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and the rules and regulations of The NASDAQ Global Market. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and NASDAQ, impose additional requirements on public companies, including enhanced corporate governance practices. For example, the NASDAQ listing requirements require that listed companies satisfy certain corporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, stockholder meetings, stockholder approvals, solicitation of proxies, conflicts of interest, stockholder voting rights and codes of business conduct. Our management team has limited experience managing a publicly-traded company or complying with the increasingly complex laws pertaining to public companies. In addition, most of our current directors have limited experience serving on the boards of public companies. In order to have an effective board, these new directors and any other directors that join our board will need to integrate with our other directors and management and become familiar with our operations and growth strategies.

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The requirements of these rules and regulations have increased and will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and may also place undue strain on our personnel, systems and resources. Our management and other personnel must devote a substantial amount of time to these requirements. These rules and regulations will also make it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' insurance, our ability to recruit and retain qualified directors, especially those directors who may be considered independent for purposes of NASDAQ rules, and officers may be significantly curtailed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In February 2012, we completed the initial public offering of shares of our common stock, in which we issued and sold 5,454,545 shares of common stock at a price to the public of \$5.00 per share, for aggregate gross proceeds to the Company of \$27.3 million, in each case excluding shares of common stock sold by selling stockholders in the offering. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-178049), which was declared effective by the SEC on February 9, 2012. The syndicate of underwriters was led by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. as joint book-running managers for the offering. Stifel Nicolaus & Company, Incorporated, BMO Capital Markets Corp., Needham & Company, LLC and Oppenheimer & Co. Inc. served as co-managers for the offering.

The net proceeds to the Company from the initial public offering were approximately \$22.4 million after deducting underwriting discounts of \$1.9 million and offering costs of \$3.0 million. No payments for such offering costs were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates other than the payment of certain legal expenses on behalf of our selling stockholders.

We intend to use the net proceeds from our initial public offering for working capital and other general corporate purposes, including financing our growth, developing new products and funding capital expenditures. Pending these uses, we have retained the net proceeds in cash and cash equivalent accounts. In the future, we may invest in money market funds and debt instruments of the U.S. government and its agencies and high credit quality corporate issuers.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits listed in the Index to Exhibits (following the signatures page of this Quarterly Report on Form 10-Q) are filed with, or incorporated by reference in, this Quarterly Report on Form 10-Q.

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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.

SYNACOR, INC.

Date: November 14, 2012

By: /s/ RONALD N. FRANKEL
Ronald N. Frankel
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2012

By: /s/ WILLIAM J. STUART
William J. Stuart
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit
10.1.1*	Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated as of January 1, 2012.
10.1.2*	Amendment #1 to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated as of July 1, 2012.
10.1.3*	Amendment #2 to Master Services Agreement between Qwest Corporation and Synacor, Inc. dated as of August 23, 2012.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101†	The following materials from the Synacor, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed on November 14, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets as of December 31, 2011 and September 30, 2012 (ii) Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2012 (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2011 and 2012 (iv) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2012 (v) Notes to Condensed Consolidated Financial Statements

* Confidential treatment requested for portions of this document. The omitted portions have been filed with the Securities and Exchange Commission.

† Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto 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 purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

AMENDED AND RESTATED MASTER SERVICES AGREEMENT

Whereas Qwest Corporation (“Client”) and Synacor, Inc. (“Synacor”) entered into that certain Master Services Agreement (the “Original Agreement”) dated effective July 1, 2010 (the “Original Effective Date”) whereby Synacor provided, among other things, email and web portal services to Client’s residential customers; and

Whereas Embarq Management Company (d/b/a CenturyLink) (“CenturyLink”) and Synacor entered into that certain Master Services Agreement dated as November 27, 2006 (as it has been amended from time to time, the “CenturyLink Agreement”) whereby Synacor provided email and web portal services to CenturyLink’s residential and small business customers; and

Whereas Client was acquired by an affiliate of CenturyLink effective April 1, 2011; and

Whereas Synacor desires to consolidate its relationship with Client and Client’s Affiliates (as defined herein), including CenturyLink, under the terms of this Agreement.

Now, therefore, Client and Synacor hereby agree as follows:

1. PARTIES and EFFECTIVE DATE

1.1 Parties.

Synacor, Inc.

Attention: [*]
Address: 40 La Riviere Drive, Suite 300
Buffalo, New York 14202

Telephone: [*]
Fax: 716-332-0081

Qwest Corporation on behalf of itself and as agent for its Affiliates

Attention: [*]
Address: 930 15th St.
Denver, Colorado 80202

Telephone: [*]
Fax: [*]

Copy of Notices to:

Synacor
Attention: General Counsel

Address: 40 La Riviere Drive, Suite 300
Buffalo, New York 14202

Telephone: [*]
Fax: 716-332-0081

Qwest Corporation
Attention: Senior Corporate Counsel
Strategic Transactions
Address: 1801 California Street, 10th Floor
Denver, CO 80202

Telephone: [*]
Fax: [*]

1.2 Effective Date. January 1, 2012 .

2. SYNACOR SERVICES AND RESPONSIBILITIES

2.1 Services .

(a) Services and Users. Subject to the terms and conditions of this Master Services Agreement (the “Master Agreement”), as may be amended pursuant to the provisions of Section 13 hereof, Synacor shall provide the services described in this Agreement (collectively, the “Services”) in accordance with the terms and conditions set forth herein and those set forth in the Schedules attached hereto and incorporated herein, and any other addenda, schedules, and exhibits as may subsequently be agreed to and signed by each of the parties hereto and attached to this Master Agreement from time to time (collectively, the “Supplements” and, together with the Master Agreement, the “Agreement”). Synacor may provide the Services directly to Client, or indirectly using contractors or other third party vendors or service providers, provided that in any event, Synacor shall remain primarily responsible for the delivery of the Services to Client in accordance with this Agreement. Each party shall provide the other with reasonable cooperation, assistance, information and access as may be lawful and necessary to initiate and thereafter provide Client’s and its registered users’ use of the Services (such as, for example, developing any content, user interfaces or appearance specific to the Services contracted for by Client). Residential mass market consumer and

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

small business customers of Client and its Affiliates who have entered into a subscription agreement with Client or any of its Affiliates for Client's (or its Affiliates') high speed Internet access service in the Service Area ("HSI Subscribers"), as well as, at Client's election and in Client's sole discretion, Client's (and its Affiliates') other customers and other public users ("Guests" and together with HSI Subscribers, "Users"), will have access to the Client Branded Portal. The term "Users" shall also include Employee Users as set forth in § 5.d of Schedule A. The parties agree that Synacor shall provide to Client the Client Branded Portal through which Users will access content and/or services, except as otherwise set forth herein. Synacor shall provide the Services in a manner designed to minimize errors and interruptions. Notwithstanding the foregoing, the Services may be temporarily unavailable for scheduled maintenance or for unscheduled emergency repairs, by Synacor or by third-party providers, or because of other causes beyond Synacor's reasonable control; Synacor shall notify Client in all such events in accordance with Schedule F. "Affiliate" means any corporation or other legal entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such corporation or other legal entity as determined by the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, management agreement or otherwise.

(b) Consolidation of Legacy Residential Portals. It is the parties intention that the residential portal created for Client pursuant to the Original Agreement and the residential portal created by Synacor for CenturyLink under the CenturyLink Agreement will be combined ("Residential Portal Consolidation"). It will be mutually agreed by the parties what, if any, fee is due for such consolidation once further information is known about the scope and timing thereof. Until the parties agree upon the method and timeline for the Residential Portal Consolidation, Synacor shall provide both such portals under the terms of this Agreement.

(c) Migration of Legacy CenturyLink Email Service. The parties agree that Synacor will, at Client's discretion and direction, assist and cooperate with Client to migrate the hosting of Users' email boxes previously created by Synacor (through its or its third party hosting facilities) under the CenturyLink Agreement over to be hosted by Client (or its Affiliate). It will be mutually agreed by the parties what, if any, fee is due for such migration once further information is known about the scope and timing of such migration. Until Client directs Synacor to destroy such legacy email boxes because they have been replaced by email boxes hosted by Client (or its Affiliates) all such legacy email boxes (also referred to herein as Activated Email Boxes) created under the CenturyLink Agreement shall, for the Email Fee set forth in Schedule A, be maintained by Synacor hereunder. If Client directs Synacor to maintain Activated Email Boxes after the migration to Client's data center, Client shall continue to pay the Email Fee set forth in Schedule A until Client authorizes Synacor to terminate such Activated Email Boxes and any data related thereto.

(d) Business Portal. The parties further agree that unless and until Client terminates the requirement of Synacor to provide the Business Portal (and associated Users) pursuant to Section 2.b. of Schedule A, Synacor shall continue to provide the Business Portal originally created for CenturyLink under the CenturyLink Agreement, pursuant to the terms of this Agreement. In the event Client terminates the requirement of Synacor to provide the Business Portal, Synacor shall assist and cooperate with Client to migrate such Users of the Business Portal. The parties will mutually agree upon a fee, if any, due for such assistance and cooperation.

2.2 Additional Services. Synacor shall deliver to Client the development services described in Schedule H hereto [*]. Upon mutual agreement of the parties, Client may engage Synacor to provide additional development services or other professional services ("Additional Services"). Such Additional Services shall be provided pursuant to a separately executed Professional Services Addendum and shall be provided as part of the Services. From time to time, Synacor may offer other services to Client that are beyond the scope of this Agreement. All such other services shall be provided upon terms and conditions as the parties may mutually establish in writing. Each professional services addendum shall specify whether any resulting deliverable or service is owned by Synacor or will be considered a work made for hire and owned by Client. In the event the professional services addendum is silent as to the ownership of the deliverables or service, the parties agree that such deliverables or service will be owned by Synacor.

2.3 Technical Support. Synacor will operate the Services at the levels of performance and provide Client with technical support services in accordance with standard industry practices, each as described in Schedule F - Service Level Agreement attached hereto, provided however, that Client's remedies for Synacor's failure to meet the service level agreement in Schedule F shall be those remedies specifically set forth in such Schedule.

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

2.4 Limitations. Synacor will not be responsible for, nor liable hereunder in connection with, any failure in the Services due to or resulting from: (a) any Client Materials (as defined in Section 3.2) or other content provided by Client or any of its agents; (b) Client's willful or negligent acts or omissions (provided that Client has an affirmative and clearly stated obligation to act, and notice thereof, or reasonably should have known that it had an obligation to act); (c) failures of Client-operated or -controlled telecommunications services or equipment, the Internet, or any telecommunications services or equipment not owned or operated by Synacor, its agents or vendors; (d) scheduled maintenance (provided that Client is given adequate notice in accordance with Schedule F); or (e) unauthorized access, breach of firewalls or other hacking by third parties of Synacor's systems (provided that Synacor has used measures in accordance with prevailing industry standards and practices to prevent the same). Synacor shall use industry standard practices to insure that the Services are free from any viruses, worms, or other code that could damage, interrupt or interfere with any software, content, data or hardware, and Synacor shall follow industry standard practices with respect to the retention of all User data (including e-mail and searches).

2.5 Data. As between Synacor and Client, Client shall own all User names, login IDs, passwords and other User registration information provided by Client or Users in connection with the Services ("Account Information"). Unless otherwise agreed to by Client in advance and in writing, Synacor shall not disclose to third parties or use any Account Information except as reasonably necessary to perform its obligations under this Agreement or to comply with any legal or regulatory requirement, and, except if otherwise agreed, Synacor shall not interpret, store or replay any User passwords collected for authenticating the User against Client's (or its Affiliates') lightweight directory access protocol ("LDAP"). To avoid uncertainty, Client acknowledges and agrees that Synacor may disclose aggregate measures (not personally identifiable) of multiple Synacor clients' (as opposed to Client specific measures) Users and Service usage and performance derived from Account Information to Synacor Providers, Synacor investors and other Synacor clients or potential clients for the purposes of permitting such persons to evaluate potential business relationships with Synacor, to maintain and/or improve the Services, or to develop relationships with or obtain investments from investors. Synacor will only use information gathered in the Service installation and User registration process for User validation and authentication or as otherwise set forth above; Synacor will not use any information gathered in such installation and registration processes to target advertising to Users, and to the extent Synacor gathers any "year of birth" information during these processes, such options will not include any years associated with anyone under age 13. To the extent Synacor gathers information during these processes that could be or will be used to target content, Synacor will disclose that fact to the User at the time and in close proximity to the place at which the information is gathered, and Users will be presented with the ability to decline providing this information by clicking a 'No Thanks' (or similar) button.

3. CLIENT RESPONSIBILITIES

3.1 Client Support; Synacor Status. Client acknowledges that the continuing performance of certain Services may depend on Client's provision of cooperation, assistance, information and access to Synacor, all as specifically outlined in this Agreement or reasonably anticipated by this Agreement. If Client fails to timely provide any of the foregoing, then Synacor will not be liable for any corresponding delay in its performance (but Synacor may be liable for delays that are not corresponding). The parties' Contacts (designated in Section 1.1) are responsible for facilitating communication between Synacor and Client regarding all technical and business matters, except as provided in Schedules F and I.

3.2 Materials, Equipment and Hosting. Client will provide (on its own behalf, or on behalf of its sponsors or advertisers) certain materials, domain names, Client Sourced Content (as such term is defined in Schedule E attached hereto) and other information (collectively, "Client Materials") to Synacor as identified herein and/or as reasonably necessary to perform the Services. Except with respect to Activated Email boxes and the Residential Portal or Business Portal created under the CenturyLink Agreement hosted in Synacor's data center, Client shall obtain, operate and maintain in good working order all equipment and ancillary services operated by Client or Client's agents needed for Users to connect to, access or otherwise use the Services via the Internet, including agreed-upon equipment ("Equipment"), hosting space, power, network and communications services, all as more specifically identified in Schedule I hereto, incorporated herein by reference. The parties shall each comply with their respective obligations and responsibilities set forth in Schedule I as material obligations under this Agreement. Client shall ensure that all Equipment is compatible with the Services (and, to the extent applicable, any software interface) and complies with all configurations and specifications recommended by Synacor and agreed to by Client, which agreement shall not be unreasonably withheld. Client will, however, procure all Equipment reasonably recommended by Synacor (or approved by Synacor if different from recommendation) when and as necessary for the maintenance of the Service. Either party may propose changes to the Equipment from time to time as it believes

prudent and reasonable to improve efficiencies, and the parties will discuss and mutually agree upon whether such change(s) will be implemented. Client shall maintain the integrity and security of its Equipment (physical, electronic and otherwise), account passwords, Client Materials and other data as more specifically identified in Schedule I and this Agreement.

3.3 Marketing. Client shall have sole responsibility for and editorial control over marketing materials related to the Services to Users and prospective Users. The foregoing does not extend to day-to-day publishing of the Client Branded Portal.

4. LICENSE; INTELLECTUAL PROPERTY.

4.1 License Grant. Client hereby grants to Synacor a nonexclusive, worldwide and royalty-free right and license to use, reproduce, modify, distribute, perform and display the Client Materials and the Client Marks (as such term is defined below) provided to Synacor hereunder solely in connection with the Services and in a form solely as approved by Client (such approval not to be unreasonably withheld or delayed).

4.2 Ownership. Except for the limited rights and licenses expressly granted herein, Synacor shall retain all right, title and interest in and to: (i) the Synacor Sourced Content (as such term is defined in Schedule E hereto); (ii) Synacor's existing and subsequently-developed, legally valid and protectable logos, trademarks, service marks, and domain names (collectively, the "Synacor Marks"); (iii) the tools, templates, frameworks or other software owned or licensed by Synacor and used to provide the Services (collectively, the "Software"); (iv) all other materials (excluding any Client hardware, software or intellectual property of any kind), information, ideas, inventions, know-how, methods, processes, templates, tools, works of authorship, trade secrets and technologies that are owned or licensed by Synacor and that may be used in the performance of the Services; and (v) all intellectual property rights or other proprietary rights in and to any of the foregoing (all of the foregoing being referred to as "Synacor Property"). Client shall not use Synacor Property in contravention of this Agreement. All Software, hardware and other technology used to provide the Services will be installed, accessed and maintained only by or for Synacor and no other license therein is granted to Client. Except for the limited rights and licenses expressly granted herein, Client shall retain all right, title and interest in and to the Client Materials, Client Marks and Client equipment, including any intellectual property rights or other proprietary rights therein and thereto.

4.3 Escrow. Throughout the Term of this Agreement, Synacor shall, [*] deposit the Synacor-owned software, in source code form, that underlies the Residential Portal created for Qwest under the Original Agreement and related documentation (the "Escrow Materials") in an escrow account with an escrow company pursuant to an industry standard escrow agreement. Additionally, Synacor shall within a reasonable time after the Effective Date, [*] deposit (and maintain in escrow throughout the Term until the earlier of the following: a) with respect to the Business Portal software, the date that the Business Portal is terminated by Qwest in accordance with this Agreement; and b) with respect to the software underlying the Residential Portal created under the CenturyLink Agreement, the date the Residential Consolidation is completed in accordance with this Agreement) the Synacor-owned software, in source code form, that underlies the Business Portal and the Residential Portal created for CenturyLink under the CenturyLink Agreement into the same escrow account, and such source code and associated documentation shall also be considered Escrow Materials. The Escrow Materials will be released to Client by the escrow company in the event that Synacor fails to function as a going concern or operate in the ordinary course, or Synacor is subject to voluntary or involuntary bankruptcy. Upon a release of the Escrow Materials, Client shall have a non-exclusive, non-transferable right to use the Escrow Materials solely for the purpose of continuing to provide the Service to Users for the remainder of the then-current Term of the Agreement or until Client transitions to an alternative provider of similar services.

4.4 Synacor Marks.

(a) Synacor hereby provides a limited, non-transferable, non-exclusive license for the Term and any agreed extensions thereof to Client to use the Synacor Marks only to the extent necessary for the provision and/or advertising of Services under this Agreement and subject to the terms and conditions of this Agreement. All uses of the Synacor Marks must first be approved by Synacor and must be in accordance with Synacor's guidelines, which may be amended from time to time. Synacor shall at all times remain the sole owner of the Synacor Marks, and all goodwill associated therewith, and Client's use of the Synacor Marks shall inure to the benefit of Synacor.

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(b) Except as provided herein, this Agreement does not grant either party any right, title, interest, or license in or to any of the other party's names, logos, trade dress, designs, trademarks or other indication of origin.

4.5 Restrictions Related to Synacor IP. Except as specifically permitted in this Agreement, Client shall not, directly or indirectly: (a) use any of Synacor's Proprietary Information (as such term is defined in Section 5.1) to create any software that is similar to any of the Software used under this Agreement or to provide any service which is similar to any of the Services; (b) decompile, disassemble, reverse engineer or use any similar means to attempt to discover the source code of the Software or the trade secrets therein, or otherwise circumvent any technological measure that controls access to the Software or Services; (c) encumber, transfer, rent, lease, or time-share the Software or Services (except with any Affiliate of Client, subject to Synacor's prior written consent), or use them in any service bureau arrangement or otherwise for the benefit of any third party; (d) access, copy, distribute, manufacture, adapt, create derivative works of or otherwise modify any Software; (e) remove any proprietary notices; or (f) permit any third party to engage in any of the acts proscribed in clauses (a) through (e) above. Nothing herein shall prohibit Client from performing or procuring similar services from another provider during Wind-Down or after termination or expiration of this Agreement, provided that Client does not use or share any Synacor intellectual property or other Proprietary Information with any third party who is not an Affiliate in connection therewith, except to the extent necessary to effect such transition, and then only after discussing with Synacor the information to be shared and the identity of the recipient(s) and after receiving approval from Synacor (which approval shall not be unreasonably withheld) and a written commitment from the third party to keep such information strictly confidential and to use it only for the purposes of the transition.

4.6 Client Marks . Client hereby provides a limited, non-transferable, non-exclusive license for the Term and any agreed extensions thereof to Synacor to use Client's and Client's affiliates existing and subsequently-developed, legally valid and protectable logos, trademarks, service marks, and domain names identified to Synacor by Client (collectively, the "Client Marks") only to the extent necessary for the provision of Services under this Agreement and subject to the terms and conditions of this Agreement. All uses of the Client Marks must first be approved by Client and must be in accordance with Client's guidelines, which may be amended from time to time. Client shall, as between Client and Synacor, at all times remain the sole owner of the Client Marks, and all goodwill associated therewith, and Synacor's use of the Client Marks shall inure to the benefit of Client.

4.7 Restrictions Related to Client IP. Except as specifically permitted in this Agreement, Synacor shall not, directly or indirectly: (a) use any of Client's Proprietary Information (as such term is defined in Section 5.1) to create any software that is similar to any of the Client Materials used under this Agreement or to provide any service which is similar to any of the Client Materials; (b) decompile, disassemble, reverse engineer or use any similar means to attempt to discover the source code of the Client Materials or the trade secrets therein, or otherwise circumvent any technological measure that controls access to the Client Materials; (c) encumber, transfer, rent, lease, or time-share the Client Materials (except with other entities which are controlled by, under common control with or controlling Synacor, subject to Client's prior written consent), or use them in any service bureau arrangement or otherwise for the benefit of any third party; (d) access, copy, distribute, manufacture, adapt, create derivative works of or otherwise modify any Client Materials; (e) remove any proprietary notices; or (f) permit any third party to engage in any of the acts proscribed in clauses (a) through (e) above.

5. CONFIDENTIALITY.

5.1 Proprietary Information. Each party (the "Receiving Party") understands that the other party and its Affiliates (the "Disclosing Party") or their representatives has disclosed or may disclose information relating to the finances, business, marketing plans, clients (including Users), operations, technology or software of the Disclosing Party. "Proprietary Information" means any of the foregoing information (including all originals, copies, notes, analyses, digests and summaries) which is either (a) disclosed in writing and marked as confidential at the time of disclosure or (b) disclosed in any manner such that a reasonable person would understand the nature and confidentiality of the information. The parties may also receive confidential or non-public information directly from Users ("User Information") in performance of this Agreement, which information will likely not be marked confidential but should nevertheless be treated confidentially and not used or shared without consent of the User. Proprietary Information and User Information shall not include any information that the Receiving Party can demonstrate by its written records (i) is or becomes generally available to the public without breach of this Agreement, (ii) was in its possession or known by it prior to receipt from the Disclosing Party (or, in the case of User Information, from a User), (iii) was rightfully disclosed to it by a third party not under an obligation of confidentiality, or (iv) with respect to Proprietary Information, was independently developed without reference to or use of any Proprietary Information of the Disclosing Party.

5.2 Non-Disclosure. The Receiving Party shall keep all Proprietary Information and User Information strictly confidential and shall not disclose such Proprietary Information or User Information to any third party except to its directors, officers, employees, independent contractors and subcontractors who have a need to know such information and who are bound by similar obligations of confidentiality. The Receiving Party shall not use the Proprietary Information of the Disclosing Party or User Information except to the extent necessary to perform its obligations under this Agreement. The Receiving Party shall use a commercially reasonable degree of care to protect the Proprietary Information and User Information. Each party shall bear the responsibility for any breach of confidentiality by its employees and contractors. Each party may disclose the general nature, but not the specific terms, of this Agreement without the prior consent of the other party, except that either party may provide a copy of this Agreement or otherwise disclose its terms in response to any legal or regulatory requirement, financing transaction or due diligence inquiry, provided that, if permitted by law, such party notifies the other of its intent to do so.

5.3 Required Disclosure . Nothing herein shall prevent a Receiving Party from disclosing the Disclosing Party's Proprietary Information or User Information as necessary pursuant to the lawful requirement of a governmental agency or when disclosure is required by operation of law or by court order; provided that, prior to any disclosure of Disclosing Party's Proprietary Information, the Receiving Party shall: (a) promptly notify the Disclosing Party in writing of such requirement to disclose; (b) cooperate fully with the Disclosing Party (at the Disclosing Party's expense) in protecting against any such disclosure or obtaining a protective order; (c) disclose only that portion of Proprietary Information that Receiving Party is advised in writing by counsel it is required to disclose; and (d) the Receiving Party uses reasonable efforts to obtain safeguards that confidential treatment reasonably acceptable to the Disclosing Party will be accorded to such Proprietary Information.

5.4 Return/Deletion of Proprietary Information, User Information . All Proprietary Information shall remain the property of the Disclosing Party and the original and all copies thereof, on whatever physical, electronic or other media such Information may be stored, shall be returned or destroyed (at the Disclosing Party's option) within 10 business days of the Disclosing Party's request or the termination or expiration of this Agreement. At Client's request, Synacor shall remove or delete, and certify such removal or deletion of, all User Information from any hardware or software owned or under the control of Synacor or its agents, but excluding any hardware or software owned or operated by Client and Client's hosting facility (such as, for example, Client's e-mail storage and account hardware).

5.5 Relief. Each party agrees that any breach of the obligations in this Section 5 regarding the Disclosing Party's Proprietary Information will cause irreparable harm to the Disclosing Party for which money damages will not be an adequate remedy. Therefore, the Disclosing Party shall, in addition to any other legal or equitable remedies, be entitled to seek an injunction or similar equitable relief against such breach or threatened breach of this Section 5 regarding such Disclosing Party's Proprietary Information without the necessity of posting any bond.

5.6 Client's Supplier Privacy Requirements. None of the foregoing in this Section 5 withstanding, Synacor shall comply with the version of Client's Information and Security Requirements and Privacy Requirements applicable to its suppliers in effect as of the Effective Date, found at <http://www.centurylink.com/Pages/AboutUs/CompanyInformation/DoingBusiness/> which are incorporated herein by this reference, as if Synacor was "Supplier" as that term is used in such Requirements. To the extent there is any conflict between the terms of this Agreement and such Requirements, the Requirements shall prevail, provided however, that Synacor shall not be required to perform credit checks as part of its screening procedure. If, during the Term, Client makes any material changes to the Supplier Privacy Requirements, Client shall notify Synacor of those changes and such changes shall be binding on Synacor unless, within 30 days of such notification, Synacor informs Client of its election, in its reasonable discretion, to remain bound by the original language.

5.7 Responses to Criminal and Civil Demands/Process. If Client is served with a criminal or civil subpoena, investigative demand, request for the production of documents or things or any other similar process (inclusive of requests under the Foreign Intelligence Surveillance Act, as amended), regarding or related to the Services, and the information being requested is in the possession of Synacor or its agent or vendor, Client shall inform Synacor's Security Department thereof as soon as practical under the circumstances and shall direct Synacor as to how and when to respond to such request, and Synacor shall comply with such direction (at Client's expense). If Synacor is served with such a request, Synacor shall, to the extent permitted by the request, inform Client thereof immediately and shall refer the person or entity entitled to receipt of the information requested to contact Client's Information Security group at [*] (or such other number as may be provided in advance to Synacor), and to the extent permitted by the request Synacor shall not otherwise respond to the person or entity entitled to receipt of the information demanded unless and until (and then only as) directed by Client; provided, however, if Client does not provide direction on how to respond within a timely manner, or Client's provided direction would put Synacor at risk of non-compliance with the request or otherwise increase Synacor's legal risk, Synacor shall, to the extent permitted to do so, raise such concerns to Client immediately, and Synacor and Client shall, to the extent permitted to do so, work together in good faith to devise a lawful response that minimizes the legal risk to both parties. In the event no such response can be agreed in a timely manner, Synacor may respond as advised by its counsel.

6. SYNACOR FEES, PAYMENT TERMS AND TAXES.

6.1 Fees. The fees and payments for the Services are set forth in the Product & Pricing Schedule attached hereto as Schedule A and made a part hereof.

6.2 Payment Terms. Payment terms shall be set forth in Schedule A. All payments shall be made in full in United States Dollars, at the recipient's usual business address or to an account designated by the recipient. Other than amounts disputed in good faith, any amount not paid when due shall bear a late payment charge, until paid, at the rate of one percent (1%) per month or, if less, the maximum amount permitted by law. Either party, in its sole discretion, may terminate this Agreement, or in the case of Synacor cease providing Services, if the other fails to pay any invoice within thirty (30) days after receipt of notice from the other that it has failed to pay an invoice and such invoice is not in dispute. The recipient of an invoice must notify the other in writing of any disputed invoice amounts (including an explanation for such dispute) within 30 days of receipt of the disputed invoice. The parties shall attempt to resolve invoice disputes according to the disputes resolution process in Section 14, below.

6.3 Taxes. All payments to a party hereunder are exclusive of federal, state, local and foreign taxes (other than taxes assessed on the recipient's income), duties, tariffs, levies and similar assessments, and the paying party agrees to bear and be responsible for the payment of all such charges.

7. TERM AND TERMINATION .

7.1 Term. This Agreement shall be effective as of the Effective Date and shall continue thereafter in full force and effect through December 31, 2013 (the "Initial Term"). Thereafter the Agreement shall automatically renew for up to three (3) periods of two (2) years each (each, a "Renewal Term", and together with the Initial Term, the "Term"), provided however that either party may prevent such automatic renewal by providing the other party with at least 180 days prior written notice of non-renewal.

7.2 Termination for Cause. In addition to any of its other remedies, either party may terminate this Agreement: (a) in the event that the other party breaches any material provision of the Agreement and the breaching party fails to cure such breach within 30 days after receiving written notice of such breach from the non-breaching party; or (b) immediately upon written notice to the other party in the event any assignment is made by the other party for the benefit of creditors, or if a receiver, trustee in bankruptcy or similar officer shall be appointed to take charge of any or all of such other party's property or if a voluntary or involuntary petition under federal bankruptcy laws or similar state statutes is filed against the other party, or if it dissolves or fails to operate in the ordinary course.

7.3 Effects of Termination. Upon any expiration or termination of this Agreement, all rights and obligations of the parties shall cease, except that: (a) all obligations that accrued prior to the effective date of termination (including without limitation all payment obligations) shall survive termination; (b) each party shall destroy or return to the other party all of the other's Proprietary Information in its possession or under its control, and Client shall instruct Synacor as to the disposition of User Information (provided such instruction is reasonable); and (c) Synacor shall, after providing Client with an electronic copy of such information and data in a mutually agreeable format, delete archived account information and other transaction data. All terms of this Agreement that by their sense and context are intended to survive the termination of the Agreement will survive.

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

7.4 Wind-Down. Upon the expiration or termination of this Agreement for any reason, Client shall have the right, at its option, to require that Synacor continue providing the Services, in whole or in part (the “Wind-Down Services”), for a period not to exceed [*] months from the date of such expiration or termination if resulting from non-renewal by either party or termination by Client due to uncured breach by Synacor, and not to exceed [*] months if terminated by Synacor due to uncured breach by Client, in order that Client may achieve an orderly transition of such Services to another vendor (such period of time to be the “Wind-Down Period”). The terms and conditions upon which Synacor shall provide such Wind-Down Services shall be the same terms and conditions as shall have been in effect on the day preceding the date of such expiration or termination of this Agreement, subject to the modified fee structure specified in Schedule A for the Wind-Down Period. Synacor shall also, during any period in which it is providing Wind-Down Services, use commercially reasonable efforts to provide such other reasonable transition assistance as may be required from time to time. In the event that Synacor terminated this Agreement for cause due to Client’s failure to pay any amounts due and owing to Synacor, then Client shall be required to pay any outstanding amounts prior to Synacor providing such Wind-Down Services unless such amounts are in dispute, in which case Client shall be required to place all outstanding amounts in escrow with an independent third party pending resolution of such dispute. Synacor will cooperate in good faith with Client to transition Client to a new provider during the Wind-Down Period.

8. REPRESENTATIONS AND WARRANTIES; INDEMNITIES.

8.1 Synacor Representations and Warranties. Synacor represents and warrants to Client that (a) it has all rights necessary to enter into and perform this Agreement and to grant the rights and licenses granted herein, including without limitation all necessary rights in the Services and the Synacor Sourced Content, (b) the use of Services by Client in accordance with the rights granted hereunder will not violate (i) Synacor’s obligations under any other agreement or to any third party, or (ii) any applicable laws or regulations, provided however that such warranty shall not cover Client’s use of the Services to the extent such use violates the restrictions set forth in Section 7 of Schedule C, (c) to Synacor’s knowledge, the Synacor Sourced Content is not defamatory, obscene, or otherwise unlawful in any jurisdiction and does not infringe or interfere with any intellectual property, contract, right of publicity, or any other proprietary right of any individual or entity, and (d) during the Term, the Services provided by Synacor under this Agreement shall be provided in accordance with applicable laws and regulations and by qualified personnel in a professional and workmanlike manner. **EXCEPT AS EXPRESSLY PROVIDED HEREIN, SYNACOR MAKES NO WARRANTIES OF ANY KIND AND EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT. SYNACOR DOES NOT MAKE ANY WARRANTY REGARDING THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE SERVICES OR ANY CONTENT PROVIDED TO CLIENT OR THE RESULTS TO BE OBTAINED FROM THEIR USE. SYNACOR DOES NOT WARRANT THAT THE SERVICES WILL MEET THE REQUIREMENTS OF CLIENT OR THOSE OF ANY THIRD PARTY AND, IN PARTICULAR, SYNACOR DOES NOT WARRANT THAT THE SYSTEM WILL BE ERROR FREE OR WILL OPERATE WITHOUT INTERRUPTION.**

8.2 Client Representations and Warranties. Client represents and warrants that (a) it has all rights necessary to enter into and perform this Agreement and to grant the limited rights and licenses granted herein, including without limitation all necessary rights in the Client Materials, (b) the use of any Client Materials in accordance with the rights granted hereunder will not violate (i) Client’s obligations under any other agreement or to any third party, or (ii) any applicable laws or regulations, provided however that such warranty shall not cover Synacor’s use of the Client Materials to the extent such use violates the terms of this Agreement, (c) to Client’s knowledge the Client Materials are not defamatory, obscene, or otherwise unlawful and do not infringe or interfere with any intellectual property, contract, right of publicity, or any other proprietary right of any individual or entity, and (d) Client will maintain throughout the Term a privacy policy on the Client Branded Portal that is compliant with all applicable laws, and Client will abide by such privacy policy throughout the Term. Client shall be fully responsible for, and shall reimburse Synacor for, any and all liabilities of Synacor arising out of any misrepresentation concerning the Services or the capabilities of the Services made by Client or by an employee, agent or authorized representative of Client to any User, prospect or other third party, except to the extent Synacor has made such representation to Client hereunder or if an agent of Synacor has otherwise made the same commitment to Client. **EXCEPT AS EXPRESSLY PROVIDED HEREIN, CLIENT MAKES NO WARRANTIES OF ANY KIND AND**

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EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

8.3 Synacor Indemnifications. Synacor shall indemnify, defend and hold Client and its affiliates harmless from and against any and all judgments, costs, damages, suits, actions, proceedings, expenses and/or other losses, including reasonable attorney's fees (collectively "Claims"), suffered or incurred by Client or its affiliates from any third party claim arising out of or relating to (a) Synacor's breach of any of its representations or warranties set forth herein, or (b) any claim that the Services, System, Software or the Synacor Sourced Content infringe the intellectual property rights of any third party. Synacor's obligation to so indemnify and defend applies to any infringement caused by any combination of the Services, System, Software or the Synacor Sourced Content with any other product, system or method if and only if: (a) Client or its affiliate or User is reasonably expected (by Synacor) to use the Services, System, Software or the Synacor Sourced Content in combination with the product, system or method; or (b) the product, system or method is (i) provided by Synacor or its affiliates, or (ii) reasonably required to use the Services, System, Software or the Synacor Sourced Content in their intended manner.

8.4 Client Indemnifications. Client shall indemnify, defend and hold Synacor harmless from and against any and all Claims suffered or incurred by Synacor from any third party claim arising out of or relating to (a) Client's breach of any of its representations or warranties set forth herein or (b) any claim that the Client Materials infringe the intellectual property rights of any third party.

8.5 Claims. In case any Claim is brought by a third party for which a party (the "Indemnifying Party") is required to indemnify the other party (the "Indemnified Party") pursuant to this Section 8, the Indemnified Party shall provide prompt written notice thereof to the Indemnifying Party (provided, however, that any failure or delay in notice shall not excuse the Indemnified Party of its obligations hereunder) of such Claim, and the Indemnifying Party shall assume the defense of such Claim. The parties shall cooperate reasonably with each other in the defense of any Claim, including making available (under seal if desired, and if allowed) all records reasonably necessary to the defense of such Claim, and the Indemnified Party shall have the right to participate in the defense of such Claim with counsel of its own choosing at its own expense. The Indemnifying Party shall not enter into any settlement of any Claim without the prior written consent of the Indemnified Party (such consent not to be unreasonably withheld) if Indemnified Party's rights would be directly and materially impaired thereby. Without limiting the foregoing, in the event of any Claim or threatened Claim of infringement involving a portion of any Software and/or Services provided by Synacor or the Client Materials, the Indemnifying Party may (at such party's option): (i) procure the right or license for the Indemnified Party to continue to use and otherwise exploit in accordance with the terms hereof such portion of the Software and/or Services or Client Materials, as the case may be, on commercially reasonable license terms; or (ii) modify or alter (to the extent that the Indemnifying Party has rights to so modify or alter), or delete any such portion of the Software and/or Services or Client Materials, as the case may be, so as to make such portion non-infringing while maintaining substantially comparable functionalities and capabilities of such parts of the Software and/or Services or Client Materials, as the case may be, that are material to the Indemnified Party's then-current or demonstrably anticipated use hereunder. If options (i) and (ii) are not available on commercially reasonable terms, either party may terminate this Agreement or the rights and licenses granted hereunder, and if it is the Synacor Software or Services that are infringing, Synacor will provide reasonable assistance to Client to remove and replace the infringing item.

9. LIMITATIONS OF LIABILITY.

EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, (I) NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY, ITS AGENTS, AFFILIATES, CLIENTS, OR ANY OTHER PERSONS, FOR ANY LOST PROFITS OR INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, CONSEQUENTIAL OR SIMILAR DAMAGES, EVEN IF ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES, AND (II) EXCEPT FOR LIABILITY ARISING FROM A BREACH OF SECTION 5, A PARTY'S PAYMENT OBLIGATIONS, OR A PARTY'S INDEMNIFICATION OBLIGATIONS RELATED TO INTELLECTUAL PROPERTY INFRINGEMENT OR VIOLATION OF LAW, IN NO EVENT WILL EITHER PARTY'S LIABILITY FOR ANY AND ALL CLAIMS, IN THE AGGREGATE, ARISING OUT OF, RELATING TO OR IN CONNECTION WITH THIS AGREEMENT OR THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER EXCEED [*].

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

10. OPEN APIs AND RSS FEEDS.

10.1 From time to time, Synacor may offer Client the ability to include certain functionality on the Client Branded Portal that Synacor has integrated via publicly available open APIs, RSS feeds, or similar technology. The providers of open APIs and RSS feeds often (i) do not include product representations, warranties or indemnifications in their terms of use, (ii) make no commitment that the functionality will continue to be available, and (iii) disclaim liability associated with such products. Synacor will pass through to Client any warranties or indemnities related to such products that Synacor is not prohibited from passing through to Client, but Synacor shall have no obligation to do so where Synacor is not permitted to do so or where no express warranty or indemnity is provided to Synacor. Synacor shall also inform Client promptly, but at least within 2 business days, if it learns or believes that any such products would not work properly on the Client Branded Portal or could cause harm to Client or Users or disruption or harm to any of the Services.

10.2 If Client elects to have Synacor include functionality made available through open APIs, RSS feeds, or similar technology on the Client Branded Portal, notwithstanding anything to the contrary in this Agreement, the following will apply thereto:

A) SUCH FUNCTIONALITY IS PROVIDED ON AN “AS IS” BASIS, AND SYNACOR MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, WITH RESPECT THERETO AND ANY USE OR INABILITY TO USE SUCH FUNCTIONALITY. SYNACOR DISCLAIMS ALL WARRANTIES RELATED THERETO, INCLUDING BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT, AND CLIENT MAY ONLY LOOK TO THE PROVIDERS OR OWNERS OF SUCH FUNCTIONALITY FOR WARRANTIES (IF ANY);

B) EXCEPT TO THE EXTENT SYNACOR HAD PRIOR KNOWLEDGE OF THE LIKELIHOOD OF ANY SUCH FUNCTIONALITY TO BE UNUSABLE OR CAUSE DAMAGE OR DISRUPTION TO THE SERVICES, AND UNLESS CLIENT KNOWINGLY (AFTER NOTICE FROM SYNACOR) CHOOSES TO ASSUME THE RISK OF SUCH FUNCTIONALITY BEING UNUSABLE OR CAUSING DAMAGE OR DISRUPTION TO THE SERVICES, SYNACOR DISCLAIMS ANY LIABILITY FOR ANY DAMAGES OF ANY KIND ARISING FROM USE OF, OR INABILITY TO USE, SUCH FUNCTIONALITY, OR FROM ANY REMOVAL OF SUCH FUNCTIONALITY FROM THE CLIENT BRANDED PORTAL, INCLUDING BUT NOT LIMITED TO DIRECT, INDIRECT, INCIDENTAL, PUNITIVE, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING WITHOUT LIMITATION LOST DATA, BUSINESS OR ANTICIPATED PROFITS; AND

C) EXCEPT TO THE EXTENT SYNACOR HAD PRIOR KNOWLEDGE OF THE LIKELIHOOD OF ANY SUCH FUNCTIONALITY TO BE UNUSABLE OR CAUSE DAMAGE OR DISRUPTION TO THE SERVICES AND UNLESS CLIENT KNOWINGLY (AFTER NOTICE FROM SYNACOR) CHOOSES TO ASSUME THE RISK OF SUCH FUNCTIONALITY BEING UNUSABLE OR CAUSING DAMAGE OR DISRUPTION TO THE SERVICES NOTWITHSTANDING ANY INDEMNIFICATIONS SET FORTH IN THIS AGREEMENT, SYNACOR WILL NOT INDEMNIFY CLIENT (OR ANY OTHER PARTY) FOR ANY CLAIMS RELATED TO SUCH FUNCTIONALITY OR ANY USE THEREOF. IF AT ANY POINT CLIENT HAS CONCERNS ABOUT THE FUNCTIONALITY OR ANY USE THEREOF, CLIENT SHALL REMOVE OR REQUEST REMOVAL OF THE FUNCTIONALITY FROM THE CLIENT BRANDED PORTAL.

11. PUBLIC RELATIONS. Except as it relates to Client’s marketing of the Client Branded Portal and related matters to Users or prospective Users or as permitted in Section 5.2, above, neither party will issue any press release, nor otherwise disclose any information concerning this Agreement, without the prior written consent of the other. The parties may agree that a joint press release regarding the establishment of their relationship is appropriate (and if so, the parties shall use good faith to arrive at a mutually agreeable press release), or either party may elect to create and disseminate a press release on its own, but such press release may not mention the other party unless the other party gives prior written consent thereto (and in the case of Client, such consent must come from a Vice President or higher officer).

12. RECORDS AND AUDIT.

(a) Each party shall have the right to audit the books and records of the other party solely relating to this Agreement upon reasonable notice and at its' expense, not more frequently than annually for a period of 6 years after each payment and to take extracts from and/or make copies of such records (provided that such extracts are treated as Proprietary Information). Each party shall maintain for a period of 6 years after each payment all books, records, accounts, and technical materials regarding its activities in connection herewith sufficient to determine and confirm all amounts payable to the other party and all compliance with all other material obligations hereunder. Upon a party's request and with reasonable notice, the other party will permit one or more representatives of an auditor or agent of the requesting party's choice to examine and audit, during normal business hours, such books, records, accounts, documentation and materials, and take extracts therefrom or make copies thereof (provided that such extracts or copies are treat as Proprietary Information) for the purpose of verifying the correctness of payments made pursuant hereto and/or compliance with the other material obligations hereunder. Unless otherwise agreed by the parties in writing, such examination shall be in material accordance with generally accepted accounting principles. To the extent such examination discloses an underpayment not disputed as set forth in 12(b), below, the audited party shall pay any unpaid delinquent amounts within ten days of the other party's request. To the extent such examination discloses an underpayment of the greater of 5% or \$15,000, the audited party shall fully reimburse the other party, promptly upon demand, for the reasonable fees and disbursements due the auditor for such audit; provided that such prompt payment shall not be in lieu of any other remedies or rights available to such other party hereunder. In all other events, all fees and expenses of the auditing party's auditor or agent under this Section shall be paid by auditing party. If an audit reveals an overpayment, the auditing party shall promptly notify the other and shall pay the amount of any such overpayment to the other party within ten days thereafter.

(b) If any report of an audit under the provisions of subsection (a) of this Section discloses to the auditing party any underpayments or overpayments, a copy of such audit report shall be promptly delivered to the audited party. Unless the amount of any underpayment or overpayment shown on such report is disputed by the audited party, in writing (a "Notice of Dispute"), within 10 days after receipt of the audit report, the audit report shall be deemed accepted and all amounts due thereunder shall be paid pursuant to subsection 12(a). In the event that Client and Synacor have not resolved all disputed items to their mutual satisfaction within 30 days after a Notice of Dispute has been received by the auditing party, they shall promptly submit such audit report and all supporting work papers to an independent accounting firm of national stature in the United States selected by mutual agreement of Client and Synacor for binding review of any disputed items. All costs and expenses of such review shall be apportioned between the parties on the basis of each party bearing the expense of that portion of the review which shall be related to disputed items that are resolved against such party. If Client and Synacor are unable to agree upon the selection of an independent accounting firm of national stature in the United States to perform the binding review of any disputed items, the determination and selection of the independent accounting firm of national stature shall be settled by arbitration in accordance with the rules and regulations of the American Arbitration Association in Buffalo, New York if the arbitration is brought by Client and in Denver, Colorado if brought by Synacor.

13. INSURANCE.

13.1 Synacor shall, during the Term, at its own cost and expense, carry and maintain insurance coverage with insurers having at minimum a "Best's" rating of A-VII as specified herein. It is expressly understood that Synacor is ultimately responsible for its subcontractors, whether or not insurance is maintained by its subcontractors.

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13.2 Workers' Compensation Insurance. Synacor will maintain workers' compensation insurance with statutory limits as required in the state(s) of operation and providing coverage for any employee entering onto Client premises, even if not required by statute, and employer's liability or "Stop Gap" insurance with limits of at least \$500,000 each accident.

13.3 Commercial General Liability Insurance. Synacor will maintain commercial general liability insurance covering claims for bodily injury, death, personal injury or property damage occurring or arising out of this Agreement, premises-operations, products/completed operations, and contractual liability with respect to any liability assumed by Synacor. The limits of insurance must be at least:

Each Occurrence	\$1,000,000
General Aggregate Limit	\$2,000,000
Products-Completed Operations Limit	\$2,000,000
Personal and Advertising Injury Limit	\$1,000,000

13.4 Commercial Crime, Employee Dishonesty Insurance or Fidelity Bond. If (a) the Services involve access to Client customer accounts or customer information, (b) Synacor accepts payment from third parties for Client products and services, (c) Synacor has access to Client or Client customer premises, or (d) Synacor provides storage for Client-owned property, Synacor will provide employee dishonesty insurance or a fidelity bond covering all loss for which Synacor is legally liable, arising out of or in connection with any fraudulent or dishonest acts including theft, destruction, wire transfer, computer fraud or fraudulent manipulation of accounting or personnel records resulting in loss of money, securities or other property with limits of at least \$1,000,000.

13.5 Professional Liability. Synacor will maintain errors and omissions liability insurance covering acts, errors and omissions arising out of Synacor's operations or Services, including coverage for the acts or omissions of its subcontractors, and, if applicable, including loss arising from unauthorized access or use that results in identity theft or fraud, with limits of not less than \$2,000,000 per claim. Such insurance will provide a retroactive date prior to the date of the Agreement and either (a) continuous insurance coverage for a period of 1 year after termination of the Agreement, or (b) an extended reporting period of not less than 1 year after termination of the Agreement.

13.6 Insurance Limits and Certificates. Synacor may obtain all insurance limits through any combination of primary and excess or umbrella liability insurance. Synacor will forward to Client certificate(s) of such insurance upon request. The certificate(s) must provide that: (a) for commercial general liability insurance, Client be named as an additional insured(s) as their interest may appear with respect to this Agreement; (b) 30 days prior written notice of cancellation, material change or exclusions to the policy be given to Client; and (c) coverage is primary and not excess of, or contributory with, any other valid and collectible insurance purchased or maintained by Client.

14. DISPUTE RESOLUTION. The parties shall use commercially reasonable efforts to promptly resolve any claim, dispute, controversy or disagreement (each a "Dispute") between them under or related to this Agreement or any of the transactions contemplated hereby. If the parties cannot promptly resolve the Dispute, the parties shall refer the Dispute for resolution by appropriate Vice Presidents of each company. If such Vice Presidents are unable to resolve a Dispute within 10 business days, such Dispute shall be immediately referred to the appropriate Executive Vice Presidents of each party. If such Executive Vice Presidents are unable to resolve a Dispute within an additional 10 business days, such Dispute shall be referred to the Chief Executive Officers of each party for resolution. If the Chief Executive Officers of each party are unable to resolve the Dispute within 5 business days after referral to them, each party may pursue, subject to the terms of this Agreement, any remedy available at law or in equity.

15. ASSIGNMENT AND CHANGE OF CONTROL . This Agreement is not transferable by either party without the other's prior written consent (which shall not be unreasonably withheld), except that each party may (without consent) assign its rights and obligations hereunder to any of its affiliates or to any successor to all or substantially all of its business (by sale of equity or assets, merger, consolidation or otherwise) unless such sale, merger or consolidation is to or with a competitor of the other party or to a company otherwise included on the list

attached hereto as Schedule M1. Client may choose to terminate this Agreement at any time if a successor in interest to Synacor changes the Services in such a way that it causes a material adverse effect on the Service or materially increases Client's legal or regulatory risk. This Agreement will be binding upon, and inure to the benefit of, the successors, representatives and permitted assigns of the parties. In the event there is a change of control of Client or the entity with a controlling interest in Client, this Agreement shall continue to apply to the provision of Services to all Users in the Service Area.

16. AMENDMENT AND RESTATEMENT/CONSOLIDATION OF AGREEMENTS/ ENTIRE AGREEMENT. Client and Synacor hereby agree that the Original Agreement is hereby Amended and Restated in its entirety by this Agreement. Furthermore, Client, as agent for its affiliate, Embarq Management Co. and Synacor hereby agree that this Agreement (including any addenda, amendments, and supplements thereto) replaces and supersedes the CenturyLink Agreement and that all services previously provided under the CenturyLink Agreement shall be governed by this Agreement and that the CenturyLink Agreement shall be of no further force and effect. Liabilities incurred under the CenturyLink Agreement prior to the Effective Date shall survive termination of the CenturyLink Agreement and shall be governed by its terms. This Agreement constitutes the entire agreement, and supersedes all prior negotiations, understandings or agreements (oral or written), between the parties concerning the subject matter of this Agreement.

17. GENERAL PROVISIONS. No change, modification or waiver to this Agreement will be effective unless in writing and signed by both parties by a Vice President or higher officer of each party. In the event of any conflict or inconsistency between the terms and conditions in the Master Agreement and any Supplement, the terms and conditions of the Master Agreement will prevail unless such Supplement expressly provides that such term shall override the terms of the Master Agreement. Any different or additional terms contained in any purchase order, confirmation or similar form, even if signed by the parties after the date hereof, shall have no force or effect. The parties hereto are independent contractors, and no agency, partnership, joint venture, or employment relationship is created as a result of this Agreement and neither party has any authority of any kind to bind the other in any respect. This Agreement is intended for the sole and exclusive benefit of the parties hereto. Except for the parties hereto or as may be expressly provided in any Supplement, no third party shall have any right to rely upon this Agreement for any purpose whatsoever. The failure of either party to enforce its rights under this Agreement at any time for any period shall not be construed as a waiver of such rights. In the event that any provision of this Agreement shall be determined to be illegal or unenforceable, that provision will be limited or eliminated to the minimum extent necessary so that the Agreement shall otherwise remain in full force and effect and enforceable. A party's non-performance under this Agreement shall be excused if and only to the extent that such non-performance is due to an act of God or other cause beyond such party's reasonable control; if such non-performance continues for such a period of time as to materially undermine the other's party's enjoyment of the expected benefits of this Agreement, such other party may, after giving the non-performing party 30 days to renew performing in all material respects (and if no such renewal of performance occurs), elect to terminate this Agreement. All notices under this Agreement will be in writing and will be deemed to have been duly given: (a) when received, if personally delivered; (b) when receipt is electronically confirmed, if transmitted by facsimile or e-mail; (c) the day after being sent, if sent for next day delivery by recognized overnight delivery service; or (d) upon receipt, if sent by certified or registered mail, return receipt requested. Notices should be directed to the attention of the person named on the first page of this Master Agreement, and a copy must be sent to the attention of the Legal Department, attention: General Counsel. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, USA without regard to the conflicts of laws provisions thereof. Exclusive jurisdiction and venue for any action arising under this Agreement is in the federal and state courts located in Buffalo, New York if the claim is brought by Client and in Denver, Colorado if brought by Synacor, and both parties hereby consent to such jurisdictions and venues, as applicable, for this purpose. Headings are for convenience of reference only and shall in no way affect interpretation of the Agreement. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Execution of a facsimile copy shall have the same force and effect as execution of an original, and a facsimile signature shall be deemed an original.

[signature page follows]

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

SYNACOR, INC.

**QWEST CORPORATION on behalf of itself and as agent of its
Affiliates, including Embarq Management Co. for purposes of
Section 16**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**SCHEDULE A
TO
MASTER SERVICES AGREEMENT
PRODUCT & PRICING SCHEDULE**

1. **Definitions** - The following terms shall have the meanings set forth below for purposes of this Schedule A and the Agreement:
- a. “Activated Email Box” means an Email box that has been created under the CenturyLink Agreement and has not been destroyed and which is stored by Synacor in its or its third party data center, all in accordance with the conversion plan to migrate hosting of Email boxes as provided in § 2.1 of the Agreement.
 - b. “Advertising Costs” mean any fees directly payable to third parties by either party to this Agreement for advertising or the provision of such advertising, including but not limited to ad serving and advertising management fees, [*].
 - c. “Advertising Sales Fee” means [*] of the Net Advertising Revenue from direct advertising sold by either party under the Agreement.
 - d. “Business Portal” means that certain web portal originally created by Synacor for CenturyLink under the CenturyLink Agreement and will be provided by Synacor to Client for use by Client’s and its Affiliates’ small business customer Users as more fully described in Section 2.b below.
 - e. “Client Branded Portal” means, collectively and individually, the Residential Portals as more fully described in Section 2.a. and the Business Portal described in Section 2.b below.
 - f. “Commitment Period” means that period beginning on July 1, 2011 (except as otherwise provided in Section 4.a.(iii), below) and continuing until December 31, 2013.
 - g. “Email Fee” means a fee of [*] per month, per Activated Email Box that is due to Synacor monthly throughout the Term.
 - h. “Employee Users” means employees of Client or its Affiliates who are authorized by Client and have registered to have access to the Residential Portal, the Email Service, and/or the Internet Security Service.
 - i. “Gross Advertising Revenue” means all money payable to Synacor or Client from all third party video advertising, banner advertising and other forms of advertising that appear on or within the Client Branded Portal or the e-mail services provided hereunder, whether sourced by Client, Synacor or from a third party advertising partner of either party.
 - j. “Net Advertising Revenue” shall mean for each month Gross Advertising Revenue less Advertising Costs and, if sold directly, any Advertising Sales Fee.
 - k. “Net Search Revenue” means all revenue received from a Search Services Provider related to the Client Branded Portal less actual Search Costs paid in the particular period.
 - l. “Platform Fee” means a monthly amount of [*] per HSI Subscriber during the Commitment Period, Renewal Term, and Wind-Down Period, to be recovered by Synacor as described more specifically in Section 4 below. For purposes of calculating this fee, any Internet access customers acquired by Client or its Affiliates through a merger or acquisition are not counted as HSI Subscribers until such time as such customers, through a migration plan determined by Client, are provisioned to use the Service(s) on the infrastructure provided for under this Agreement. For purposes of calculating this fee, upon the termination of the Business Portal pursuant to Section 2.b. of this Schedule A, any small business customer HSI Subscriber shall not be counted as HSI Subscribers (except to the extent such business customers continue to use the email services, the Platform Fee shall apply [*]). For purposes of calculating this fee, Employee Users shall not be counted as HSI Subscribers. At the end of each month, Client will provide Synacor with the count of applicable HSI Subscribers for which Platform Fees are due as of the last day of such month, and the Platform Fee for that month will be calculated by multiplying such number by the applicable rate.

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CONFIDENTIAL TREATMENT REQUESTED

- m. “Residential Portals” means, individually and collectively, a) the original residential customer portal created and operated by Synacor for CenturyLink under the CenturyLink Agreement, and b) the residential customer portal created by Synacor for Qwest under the Original Agreement, each as they are more fully described in § 2.a below.
 - n. “Search Costs” are all direct payments, if any, made by Synacor to the Search Services Provider or Complimentary Search Services Provider(s) for such services related to the Agreement (which costs shall be reasonable and customary within industry practices). [*]
 - o. “Service Area” means those locations where Client or any of its affiliates serve as the incumbent local exchange carrier or provides high speed Internet services.
2. **Services Provided to Client by Synacor** – Synacor shall provide Client the following Services (which list is not exhaustive or intended to be exclusive):
- a. Residential Portals – Synacor will, until consolidated into one portal in connection with the Residential Portal Consolidation, provide each Residential Portal, each branded in Client’s reasonable discretion and each utilizing a URL to be provided by Client that allows Users to search the Internet via the included search bar, provides direct access to Synacor provided e-mail, allows Users to incorporate certain third party provided e-mail, provides for gadgets and widgets for User customization, provides Client a platform to develop unique communications services offerings and allows Users to select RSS feeds, news and content for customization in accordance with prevailing industry standards. In addition, Synacor will provide Users access to industry standard Content (the initial set of which is included in Exhibit 1 to this Schedule A), but will not offer Users any premium or paid Content in the music, video and gaming categories without Client’s prior written consent. Provision of content on each Residential Portal shall be subject to the terms and conditions of Schedule E, and specific content may change from time to time as Synacor modifies its Content Providers and the Synacor Sourced Content mix (provided that such changes are reasonable in frequency and scope and Client is given at least 3 months’ advance notice thereof in order to train necessary Client personnel, except to the extent Synacor receives less than 3 month’s notice from the Synacor Provider, in which case Synacor will give Client as much notice as is reasonably practical). Each Residential Portal will include Search Services as more fully described in Schedule B, and Advertising Services as more fully described in Schedule C. Synacor will make Premium Content available to Client under the terms and conditions specified in Schedules D and E. Client will receive dedicated space on the front page of each Residential Portal, above the fold, for links or access to Client destinations (e.g., My Account, customer support, CenturyLink.com, CenturyLinkZone, integrated third-party or jointly-sponsored web pages such as a CenturyLink-DirecTV page, etc.); other than the above-the-fold requirement, the specifics of where on the page and how much space will be allotted to Client will be mutually agreed by the parties during development planning.
 - b. Business Portal - Synacor shall operate a Business Portal (as originally created under the CenturyLink Agreement for CenturyLink to be used by CenturyLink’s small business customers) that may be offered to all of Client’s and its Affiliates’ small business high speed Internet subscribers. Users of the Business Portal will have content available to them that is relevant for business customers such as news, financial content, and weather as well as any other content mutually agreed upon by the parties. At Client’s option, Synacor will include the Premium Products offered for the Business Portal as indicated in Schedule D. Provision of content on the Business Portal shall be subject to the terms and conditions of Schedule E and specific content may change from time to time as Synacor modifies its Content Providers and the Synacor Sourced Content mix (provided that such changes are reasonable in frequency and scope and Client is given at least 3 months’ advance written notice thereof in order to train necessary Client personnel, except to the extent Synacor receives less than 3 months notice from the Synacor Provider, in which case Synacor will give Client as much notice as is reasonably practicable. The Business Portal will include Search Services as more fully described in Schedule B, and Advertising Services as more fully described in Schedule C. Client may, at its option at any time during the Term upon not less than sixty (60) days prior written notice to Synacor, terminate the use of the Business Portal and Synacor shall cease operating the Business Portal as instructed by Client.

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CONFIDENTIAL TREATMENT REQUESTED

- c. Consumer and Business E-mail – Synacor will provide managed business and consumer customer e-mail capability (including integration development) for Users utilizing (except in connection with Activated Email Boxes) hosting services and equipment to be provided by Client as identified below. The e-mail solution (which as of the Effective Date is offered on the Zimbra platform) shall be consistent with capabilities, functions, ease of use, aesthetic quality and overall consumer satisfaction to prevailing industry practices which, as of the Effective Date, are delineated in Exhibit 2 to this Schedule A. Client will at all times (throughout the Term and thereafter) own the User e-mail accounts and have complete control of the domain naming rights. Provided that Client continues to supply hosting services in accordance with Section 3 below, Client will determine storage limits, retention practices and deactivation rules (with input from Synacor). Synacor will also provide Advertising Services as set forth in Schedule C as part of the e-mail Services. Such advertising shall be subject to Section 2 of Exhibit 2 to this Schedule A. Client may, at its option at any time during the Term, terminate the requirement of Synacor to provide email capability for its business customers. Client will provide written notice to Synacor of its desire to terminate Synacor’s email obligation for small business customers at least ninety (90) days prior to its desired start date for migration. For a mutually agreed upon fee, if any, and in a mutually agreed timeframe, Synacor will assist and cooperate with Client to migrate data associated with the Email Service for its small business customers to Client or Client’s designated third party.
 - d. Cross-Sell / Up-Sell Marketing Display – Synacor will provide a carousel display (or such other display method to be agreed upon by the parties) and other inventory on the Client Branded Portal as mutually agreed upon by the parties, in which advertisements for Client’s and its Affiliates’ services (communications or other) may be included at no additional cost to Client. The parties will discuss in good faith the ability to target market specific offerings using Synacor’s or Client’s (or its Affiliates’) and any business model associated therewith.
 - e. Development Services – Synacor will provide development services as “Additional Services” as described in Section 2.2 of the Agreement.
 - f. Support Services and Service Level Agreement Compliance – as described in Schedule F.
3. **Responsibilities of Client** – Client shall provide the following (which list is not exhaustive or intended to be exclusive):
- a. [*]
 - b. [*]
 - c. [*]
 - d. **Domain and URL** – Client will obtain and provide a unique domain for residential and business customer e-mail and a unique URL for the Residential and Business Portals.

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- e. Marketing Services – Client will use reasonable efforts to market the Services as a value proposition of Client’s high speed Internet offerings in the Service Area. The manner and amount of such marketing efforts shall be reasonably determined solely by Client.
- f. Installation Routine – Throughout the Term (except during the Wind-Down Period), Client will set the Residential Portal as the home page during Client’s residential high speed Internet modem installation process. The installation process will also set as a default the automatic download of a Synacor-provided (and Client approved) Client branded toolbar (as discussed more fully in Section 6.a., below).
- g. Best Practices – Client will follow the best practices identified in Section 6 below.

4. **Financial Terms** –

- a. **Reserved**
- b. **Commitment Period and Renewal Terms** – During the Commitment Period and any Renewal Term, the following financial payment terms shall apply:
 - (i) Search Services Revenue Share : Synacor shall distribute to Client, on a monthly basis, [*] of the Net Search Revenues. Synacor will retain for its own share [*] of monthly Net Search Revenues.
 - (ii) Advertising Revenue Share : Synacor and Client’s applicable share of advertising revenue on the Client Branded Portal and e-mail Services will be calculated as follows:
 - (A) Where advertising is sold by third parties (such as Advertising.com, Specific Media, etc.), all associated Net Advertising Revenue shall be split [*] to Client and [*] to Synacor [*].
 - (B) Where advertising is sold directly by Synacor or Client (in accordance with Schedule C), the party making such direct sale shall retain the Advertising Sales Fee to cover its own direct internal advertising costs and the remaining [*] of Net Advertising Revenue shall be split [*] to Client and [*] to Synacor [*].
 - (iii) Premium Content Sales: If Client offers and sells any Premium Products offered by Synacor pursuant to Schedule D, Client shall collect revenues from Users who subscribe to such Premium Products (at rates to be established by Client) and remit payments to Synacor at the rates identified and in accordance with the procedures set forth in Schedule D.
 - (iv) Excessive Employee Users Fee: Client (and its affiliates) may have up to [*] Employee Users’ use of the relevant Services each month without charge. In the event that the number of Employee Users exceeds [*] in any month, Client shall pay Synacor an additional monthly fee of [*] for each additional [*] Employee Users above [*] in such month. For purposes of determining the amount of any additional fee for Employee Users in any month, the number of Employee Users for each month will be rounded to the nearest [*] at the end of the month.
 - (v) Platform Fees : Client shall pay Synacor the applicable monthly Platform Fees and Email Fees in accordance with Section 4(f) below.
- c. **Wind-Down** – During the Wind-Down Period (as defined in Section 7.4 of the Agreement), the following financial payment terms shall apply:
 - (i) Search Services Revenue Share : Synacor shall distribute, on a monthly basis, a Search Services Revenue Share as follows:
 - (A) In the event the Wind-Down Period follows any non-renewal of the Agreement or the termination by Client in accordance with any termination right in this Agreement or termination of the Agreement by Synacor other than cause (pursuant to Section 7.2), [*] of the Net Search Revenues will be distributed to Client and Synacor will retain for its own share [*] of the monthly Net Search Revenues.

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CONFIDENTIAL TREATMENT REQUESTED

- (B) In the event the Wind-Down follows termination by Synacor in accordance with any termination right in this Agreement for cause (Section 7.2), the Net Search Revenue will be split [*] to Client and [*] to Synacor.
- (ii) Advertising Revenue Share : Synacor and Client's applicable share of advertising revenue on the Client Branded Portal and e-mail Services will be calculated as follows:
- (A) In the event the Wind-Down Period follows any non-renewal of the Agreement, or a termination by Client in accordance with any termination right in this Agreement, or termination of the Agreement by Synacor other than cause (pursuant to Section 7.2):
- Where advertising is sold by third parties (such as Advertising.com, Specific Media, etc.), all associated Net Advertising Revenue shall be split [*] to Client and [*] to Synacor.
 - Where advertising is sold directly by Synacor or Client (in accordance with Schedule C), the party making such direct sale shall retain the Advertising Sales Fee to cover its own direct internal advertising costs and the remaining [*] of Net Advertising Revenue shall be split [*] to Client and [*] to Synacor.
- (B) In the event the Wind-Down follows termination by Synacor in accordance with any termination right in this Agreement for cause (Section 7.2):
- Where advertising is sold by third parties (such as Advertising.com, Specific Media, etc.), all associated Net Advertising Revenue shall be split [*] to Client and [*] to Synacor.
 - Where advertising is sold directly by Synacor or Client (in accordance with Schedule C), the party making such direct sale shall retain the Advertising Sales Fee to cover its own direct internal advertising costs and the remaining [*] of Net Advertising Revenue shall be split [*] to Client and [*] to Synacor.
- (iii) Premium Content Sales : If Client offers and sells any Premium Products offered by Synacor pursuant to Schedule D, Client shall collect revenues from Users who subscribe to such Premium Products (at rates to be established by Client) and remit payments to Synacor at the rates identified and in accordance with the procedures set forth in Schedule D.
- (iv) Excess Employee Users Fee: Client (and its affiliates) may have up to [*] Employee Users' use of the relevant Services each month without charge. In the event that the number of Employee Users exceeds [*] in any month, Client shall pay Synacor an additional monthly fee of [*] for each additional [*] Employee Users above [*] in such month. For purposes of determining the amount of any additional fee for Employee Users in any month, the number of Employee Users for each month will be rounded to the nearest [*] at the end of the month.
- (v) Platform Fees : Client shall pay Synacor the applicable monthly Platform Fees in accordance with Section 4(f) below.
- d. **Outstanding Platform Fees** – If at any point during the Commitment Period, any Renewal Term or Wind-Down Period, Client's share of Net Search Revenue and Net Advertising Revenue in any month is less than the Platform Fee for such month, Synacor will waive any portion of the Platform Fee for such month that exceeds Client's share of Net Search Revenue and Net Advertising Revenue for such month.
- e. **Carriage Fees** – From time to time, Client may request Synacor to integrate Client Sourced Content into the Client Branded Portal and to utilize Synacor's single sign-on functionality associated therewith. In such event, Synacor will provide the initial integration without cost to Client, and Client will pay to Synacor a monthly fee to be determined by the parties (and in the event the parties cannot come to agreement on such fee, such fee will be [*] of Client's monthly revenue associated with such Client Sourced Content; provided however, in no event shall such fee exceed [*] per Client Sourced

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CONFIDENTIAL TREATMENT REQUESTED

Content per subscriber per month). In such event where Client does not sell such Client Sourced Content to end users for a fee, Client and Synacor shall mutually agree upon a fee to be paid to Synacor related to the inclusion of such Client Sourced Content on the Client Branded Portal. Any fee paid to Synacor in accordance with this subparagraph (e) shall be referred to as a "Carriage Fee". [*]. However, in the event Synacor has contractual relationships with such providers, Client may consider, in its sole and absolute discretion, having Synacor implement such Content pursuant to Synacor's relationship with the provider instead of Client's direct relationship with such provider; provided however, the parties understand and agree that nothing contained in this sentence shall create any obligation for Client to implement such Content through Synacor's direct relationships with any of such providers. In addition, no fees (including but not limited to Carriage Fees or integration fees) shall apply to the following Client Sourced Content offerings: [*]

- f. **Payment Terms** – Any fees due from Client to Synacor shall be due [*] after receipt of the applicable invoice, or in the case of Client-sold advertising, [*]. Client's applicable share of Net Search Revenue and Net Advertising Revenue that is due to Client from Synacor pursuant to the terms and conditions above will be due [*] after the end of each quarter in which the applicable fee was incurred. All invoices, supporting documentation and revenue reconciliation data shall be transmitted via secure and encrypted communication.
 - g. **Bandwidth Fees** - Commencing on the Effective Date, Client shall pay Synacor [*] per month (the "Bandwidth Fee") for any month in which Synacor is hosting any Services in its data center. This Bandwidth Fee is intend to compensate Synacor for its incidental expenses related to hosting Services in its data center, including telecommunications bandwidth to support the email, portal, Internet Security, and Premium Product Services. The Bandwidth fee shall be paid monthly in accordance with Section 4.f. The parties anticipate that the Bandwidth Fee will be eliminated in connection with the successful completion of the Residential Portal Consolidation.
5. **Optional Services** - In addition to the Services identified in Section 2 of this Schedule A, Synacor shall make available to Client, but Client is under no obligation to utilize or offer, the following optional Services:
- a. Premium Products as identified in Schedule D and subject to the terms and conditions of Schedule E.
 - b. Distribution of Client Sourced Content as identified in Schedule E.
 - c. DNS Redirect Services – The parties will discuss in good faith DNS and HTTP error traffic redirect services to determine if Synacor is able to provide a solution that (i) meets all of Client's then-current privacy, security and internal corporate policies, (ii) provides services and service levels similar to Client's current offerings, and (iii) provides Client with no less compensation in revenue share (utilizing similar practices to what Client utilizes currently).
 - d. Employee Users – During the Term and any Wind Down Period, each Employee User will have access to (a) the Residential Portal (excluding any Premium Products), (b) the E-mail Service for up to five (5) Users, and (c) the Internet Security services set forth in Schedule D. Client shall provide Synacor with a report of all authorized Employee Users, within thirty (30) days after the end of the applicable month. Synacor will notify (and ask for permission to deactivate access to the Services) of those Employee Users that have not been active for the previous 90 days. In addition, Synacor will automatically terminate Employee Users' access to the Services upon notification by Client of an Employee User's termination of employment with Client. Employee Users that have had their access to the Services deactivated due to inactivity, employee termination, or otherwise will no longer be included in the total number of Employee Users.
6. **Best Practices** – At all times during the Term, Client shall comply with the following best practices. Failure to comply with these best practices shall be a material breach of the Agreement.
- a. [*]

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- b. [*]
- c. [*]
- d. [*]

7. **Restrictions** -

- a. The search bar shall only be located on the Client Branded Portal, included Search results page, and included e-mail page. Client's commercial webpage, small business pages (to the extent not included as part of the Client Branded Portal), business markets group pages (if any) and wholesale pages (if any) are separate and independent of this Agreement and not included in or covered by any obligations herein.
- b. All Services shall be provided by Synacor in accordance with prevailing industry practices and subject to Client's reasonable approval.

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CONFIDENTIAL TREATMENT REQUESTED

Exhibit 1
To
Schedule A
Of the
Master Services Agreement

Included Content

<u>Category</u>	<u>Description</u>	<u>Providers</u> (Providers may change from time-to-time)
News	[*]	[*]
National News	[*] delivers [*] headlines, briefs and stories from around the world. Stories contain data links to photos, audio clips and video. News items are offered in more than 70 categories and prioritized in the top 10 headlines.	
World News		
Sports News		
Entertainment News (including box office snapshots, top movies, entertainment news and gossip from the [*], updated daily)		
Health News		
Business and Finance News (including market snapshot, market movers (top gainers/losers), most active portfolio tracking and personal finance stories from [*])		
Science and Technology News		
Sports	News, scores, schedules, videos, and photos	[*]
Local	Local news, events, lottery results, restaurants & entertainment, weather forecasts, radio, gas prices, traffic, driving directions, maps, and shopping based on zip code; local news from newspapers across North America.	[*]
Horoscopes		[*]
Music	Music news, gossip, videos, radio, and photos.	[*]
Movies	Box office results.	[*]
Finance & Business	Market summary, stock quotes, charts, news, press releases, blogs, videos, SEC filings, company profiles, historical data, sector data, market movers, Treasury rates, currencies, world markets, S&P, NSDQ quotes.	[*]
	Stock quotes from [*].	
	Articles, videos, and podcasts from [*].	
	Text and video content from [*].	
Games	News, reviews, tips, advice, and casual games.	[*]

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CONFIDENTIAL TREATMENT REQUESTED

Video	A variety of video content from the Content Providers specified herein and Synacor-provided video segments featuring Cartoon Classics and Classic Commercials.	[*] * With the exception of [*] videos, the video content will have “pre-roll” ads.
Travel		[*]
Family	Family, parenting, and health tips and advice with special columns.	[*]
Careers		[*]
Shopping		[*]

Custom Widgets

<u>Content in Widget</u>	<u>Description</u>	<u>Provider</u>
Facebook		Facebook – provided through open API
Quicklinks		Synacor
Twitter		Twitter – provided through open API
Flickr		Flickr – provided through open API

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CONFIDENTIAL TREATMENT REQUESTED

Exhibit 2
To
Schedule A
Of the
Master Services Agreement

1. The e-mail Service as of the Effective Date will incorporate the following features and functionality, which the parties agree are consistent with prevailing industry standards as of the Effective Date (and the parties may, by agreement, change these features and functionality during the Term):

- (a) Easy-to-use, intuitive webmail User interface consistent with and comparable to existing competitive webmail interfaces.
- (b) Support for full RFC-compliant POP protocol; IMAP compatibility will also be provided.
- (c) Commitment to maintain, throughout Term, competitive User features such as HTML messages, capacity to handle large attachments (10 megabytes), contacts/address book, inline spell checking and other features driven by AJAX or similar technologies providing dynamic right-click menus, roll-over informational pop-outs, and competitive AJAX-related technologies.
- (d) Large mailboxes; minimum 1 GB standard.
- (e) Rich, interactive calendar functionality using a web browser or mobile device with compliant browser using IMAP or POP protocols. CalDAV standard support is also available (currently in beta).
- (f) Robust filtering rules capable of features such as forwarding, filtering based on headers, subject to, from, body, attachments, and other variables, auto-sorting into designated folders or tags, and the ability to auto-delete messages based on filter criteria.
- (g) Anti-virus, anti-phishing, and anti-spam filtering consistent with and comparable to industry standards and that is compatible with and will not interfere with typical desktop security and anti-virus software; ability to auto-file or tag identified messages to junk or similar folder, and ability to auto-delete such detected messages. Additional User configurable anti-spam filtering will be provided.
- (h) Search technologies; ability to search within messages, contacts, and calendars based upon headers, subject, to, from, body, and other variables.
- (i) Organization: delivering the ability to view threaded conversations, to organize by folder and by tags, to drag and drop items among elements, to resize panes, to preview messages in preview pane via AJAX or similar technologies, to dynamically detect and act upon dates, e-mail addresses, and URLs within messages, and to store drafts and track sent messages.
- (j) Topology: ability for Client and User to create and manage parent and child account hierarchies with associated control mechanisms through API and web-based administrative interface. Ability of parent to manage and control child accounts such as adding, deleting, and modifying.
- (k) Administrative API and web-based interfaces which permit Client to provide Tier 1 support to Users.
- (l) Synacor shall provide Tier 2 and beyond support.

2. Neither Synacor nor any vendor or contractor to Synacor (including Zimbra or any replacement e-mail provider) shall use any information contained in User e-mails (inclusive of the content of the e-mails and also the header, subject and packet-type information, etc.), for advertising or any other purpose. The foregoing notwithstanding, Synacor and Synacor contractors, agents or partners may use such information for purposes of blocking or reducing SPAM or as otherwise necessary to provide the e-mail Service, to respond to or resolve User complaints, to investigate (at Client's request) violation(s) of the TOU, to respond to subpoena requests or other legal requirements (subject to Section 5.7 of the Agreement), and as required to investigate suspicious activity.

3. The e-mail Services shall comply with the following retention rules, subject to change by Client upon reasonable notice to Synacor:
- (a) Messages reasonably deemed to be SPAM will reside in the User's SPAM folder for 2 days and will then be purged.
 - (b) Messages in the User's Trash folder will be purged after 14 days.
 - (c) Unread messages in a User's Inbox for more than 90 days will be deleted.

**SCHEDULE B
TO
MASTER SERVICES AGREEMENT
SEARCH SERVICES**

The following establishes the terms and conditions by which the Parties will work together to facilitate the delivery of search related Services to Users.

1. Definition of Search Services and Selection of Search Services Provider. Synacor shall be the exclusive provider of search Services on the Client Branded Portal that enable Users to receive descriptions and links associated with search results from search boxes (“Search Services”) placed within the Client Branded Portal, through its agreement with one or more Search Services providers (“Search Services Provider(s)”). As of the Effective Date, the sole Search Services Provider for the Qwest Residential Portal is Google Inc. As of the Effective Date, the sole Search Services Provider for the CenturyLink Residential Portal and the Business Portal is Google Inc. with complementary Search Services provided by Ask.com as the Complimentary Search Services Provider (as defined herein). [*]. “Search Services” are a subset of “Services” for all purposes of this Agreement. Search Services do not include searches or other entries in an address bar or mis-typed URLs in an address bar, and none of those shall be subject to the exclusivity provisions of this Schedule.

a. Operation of Search Services. Each time a User enters a search request in a search box (a “Search Query”), Synacor shall return to such User a set of up to 10 search results (each such set being referred to as a “Search Results Set”) and additional paid links (“Sponsored Links” or “AFS Ads”) as agreed to by the Parties. A Search Query will only return search results (including Sponsored Links) unless otherwise authorized in writing by Client; information entered as a Search Query may not be used to or for User profile-building by Synacor or the Search Services Provider.

b. Hosting and Control. At all times during the Term Synacor shall: (a) deliver and manage any and all pages that comprise the Client Branded Portal on which Search Services are provided; (b) maintain complete technical and editorial control of such Client Branded Portal (provided that the Client Branded Portal complies with Section 7 of Schedule C, with the exception of certain Content as provided in Section 1 of Schedule D); and (c) act as the intermediary for all transmissions between Search Services Provider and such sites.

c. Context Sensitive Advertising. Synacor may also provide context sensitive advertising (“AdSense for Content Ads” or “AFC Ads”) within the Client Branded Sites. Such context sensitive advertising will not be based on personally identifiable User information, and will comply with all applicable laws.

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

2. Disclaimers. Client understands and agrees that, to the extent permitted by law, Search Services Provider shall not be liable for any damages, whether direct, indirect, incidental or consequential, arising from the Client Branded Portal's access to or use of the Search Services.

3. No Warranties. Client understands and agrees that Search Services Provider, to the extent permitted by applicable law, makes no warranties, express or implied, with respect to the Search Services, including without limitation, warranties of merchantability, fitness for a particular purpose, and non-infringement.

4. Client Not Third Party Beneficiary . Client expressly acknowledges and agrees that Client is not a third party beneficiary under any agreement between Synacor and Search Services Provider.

5. Search Bar. Client expressly grants Synacor permission to include a search bar on the Client Branded Sites above the fold in a location mutually agreeable to the parties, such search bar to be of a reasonable size and positioning.

6. Competitive Search Results. Synacor will use commercially reasonable efforts to filter and block paid search results related to Client's competitors listed in Schedule M2. However, Client understands and agrees that such filtering may not block out all paid competitor-related search results; however, Synacor shall take down any such paid competitor-related search results as soon as practical after discovery thereof (either on its own or by notice from a third party or Qwest). As of the Effective Date, Synacor is not able or allowed pursuant to its agreement with its Search Services Provider to filter or block non-paid search results. If, during the Term, Synacor is able and allowed to do so, Synacor shall use commercially reasonable efforts to filter and block non-paid search results related to Client's competitors listed in Schedule M2. Just as with paid search results, Client understands and agrees that such filtering may not block out all non-paid competitor-related search results, but Synacor will take down any such paid competitor-related search results as soon as practical after discovery thereof.

**SCHEDULE C
TO
MASTER SERVICES AGREEMENT
ADVERTISING**

The following establishes the terms and conditions by which the parties will work together to facilitate the delivery of Advertising Services to Client.

1. Advertising Services .

- a. The advertising Services provided by Synacor may include, without limitation, the integration of e-commerce, video, banner advertising and other forms of advertising or advertising support content (videos with pre-roll ads included), in contextually relevant programmed areas (which areas are to be agreed upon in writing by the parties prior to implementation or change) throughout the Client Branded Portal and Email Service solely to the extent provided for or authorized by Client in Section 4 below (“Advertising Services”). Either party may sell advertising inventory directly to advertisers, and Synacor may sell advertising through advertising networks or other third parties. Any changes to Advertising Services or the types of Advertising Services that may, in Client’s reasonable opinion, have a negative impact on Client’s legal or regulatory risk (such as, for example, whether or not Synacor can engage in direct behavioral targeting of Users, which, as of the Effective Date, it may not without Client’s express written approval, but not including changes to the advertisers or ad networks placing the ads or other similar changes) must be approved in writing by Client prior to implementation. All Advertising Services shall be subject to the content restrictions in Section 7, below.
- b. Each party will ensure that any third party advertising networks through which it provides advertising on the Client Branded Portal are either (i) members of the Network Advertising Initiative (“NAI”) or (ii) agree to the NAI’s self-regulatory principles regarding Internet advertising practices and privacy and participate in the NAI’s related opt-out process. Ad networks utilized by Synacor in the provision of advertising may not gather personally identifiable information about Users on the Client Branded Portal without express User consent; accordingly, ad networks Synacor engages to provide advertising on the Client Branded Portal may not gather such information on the Client Branded Portal with cookies. In addition, neither the ad networks or any other third parties that Synacor might engage may collect, without User consent, individualized data, anonymous or otherwise, through cookies or otherwise on the Client Branded Portal, to use such data for retargeting of individuals on third party sites or sharing with third parties. With respect to ads Synacor places directly, Synacor either will not place a cookie (or similar software) on a User’s computer, or only use any data it collects through such software for Client, and not provide it to any third party (effectively allowing only first-party cookie use by Synacor). Synacor may not use User profile data to present ads on the Client Branded Portal or for ads on any third party sites (but ads on the Client Branded Portal may be targeted based on content viewed and clicked on by Users, in combination with the information otherwise lawfully collected). Synacor may not share individualized User profile data, anonymous or otherwise, with any other third party. The requirements set forth in this Section b will be applicable unless otherwise agreed to by Client in writing.

2. User Rights Regarding Advertising . Client agrees to include language in its privacy policy clearly disclosing that third parties may be placing and reading cookies on Users’ browsers, or using web beacons to collect information, in the course of ads being served on its websites. Client’s privacy policy should also include information about User options for cookie management. Client will provide to Synacor a copy of its privacy policy for reference. Synacor will review Client’s privacy policy in effect as of the Effective Date for the purpose of verifying that the foregoing requirements are included.

3. Advertisement Removal and Excluded Advertising. Client reserves the right to request that Synacor remove any advertisement related to which a User or any other person complains. Synacor shall disable such advertisement from the Client Branded Portal after receiving written notice from Client.

4. [*]
5. **Client Provided Advertising** . Client may sell advertising inventory on the Client Branded Portal provided it meets the following criteria:
- a. The advertising is direct advertising (which includes advertising made available through a given advertiser's advertising agency), not advertising sold through advertising networks or other third parties (such as Advertising.com or Specific Media).
 - b. The CPM for such advertising shall be greater than the reasonable minimum threshold set by Synacor on a quarterly basis.
 - c. Any advertising must have a frequency cap no greater than 5 times in a 24-hour period or such other frequency cap as the parties may reasonably agree from time to time.
6. **Training Related to Advertising Sales.** Synacor agrees to provide training to Client related to advertising on the Client Branded Portal up to twice per year during the Term upon Client's request. Such training will be provided to Client in a "train the trainer" format allowing the attendees to subsequently train other Client employees. Any such training can be provided at Client's site, and the expenses related to such training shall be reimbursed by Client. If Client requires additional training, such training will be provided at Synacor's then-standard rate.
7. **Content Restrictions.** No advertising or other content included in Advertising Services by either party shall: (i) be obscene, defamatory, libelous, slanderous, profane, indecent or unlawful; (ii) infringe or misappropriate third party intellectual property rights; (iii) constitute "hate speech," whether directed at an individual or a group, and whether based upon the race, sex, creed, national origin, religious affiliation, sexual orientation or language of such individual or group; (iv) facilitate or promote the sale or use of liquor, tobacco products or illicit drugs; (v) facilitate, promote or forward pyramid schemes, chain letters, or illegal contests; (vi) be otherwise intended to restrict or inhibit any person's use or enjoyment of Services; or (vi) promote unlawful activities or (vii) contain fraudulent offers for good or services. Each party will follow industry standards designed to prevent the inclusion in its provided Content or advertising of viruses, worms, corrupted files, cracks, hackz or other materials that are intended to damage or render inoperable software, hardware or security measures of Client, any User or any third party.

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8. **Advertising of Client Services.** Synacor will make available, at no cost to Client, one slide in the dynamic content component (“DCC” – the Content carousel above the fold on the Client Branded Portal) area for promotion of Client’s services. The Client promotions slide will appear in the 6th position or higher of the rotation unless otherwise agreed upon by the parties. Synacor and Client may also mutually agree from time to time to use a portion of the DCC area for cross channel promotions. Client’s promotion slides will adhere to Synacor’s technical guidelines which will be provided upon Client’s request to include a given promotion.
9. **Competitive Advertising Limitations.** Synacor shall use commercially reasonable efforts to filter and block all ads for any of the companies set forth on Schedule M2 on any page within any of the Services. Client may only place companies on the list in Schedule M2 which market, promote, or advertise products or services that are competitive with Client’s long distance services, local telephony services, broadband access services, ATM Services, frame relay services, private telephone line services, business website hosting services, multi-channel video, VoIP, or wireless voice telephony services. Client may, upon written notice to Synacor, update Schedule M2, provided that Client understands and agrees that any additions to the list will not take effect for 15 business days from Synacor’s receipt of the notice. In the event a competitive advertisement is not appropriately filtered, it will be promptly removed upon identification of such advertisement.

**SCHEDULE D
TO
MASTER SERVICES AGREEMENT
PREMIUM PRODUCT & PRICING SCHEDULE**

The Premium Products and related fees payable by Client to Synacor pursuant to the Agreement are set forth below.

1. Premium Products and Associated Fees For Residential Portal.

Related premium content has been bundled into packages as described below (the “Premium Products”) and is hereby made available to Client for placement on the Residential Portal. In the event Client elects to place any of the Premium Products on the Residential Portal, Synacor shall bill Client each month for an amount determined by multiplying the number of Subscription Accounts (as defined below and as reported by Client to Synacor monthly) in a given month (based on the number of Subscription Accounts existing on the last day of the given month) by the monthly fees relating to the pertinent Premium Product(s) subscribed to by the specific Subscription Account, as applicable. Client shall have the right at any time to terminate any given Subscription Account, including, but not limited to, in the event the User has not paid for the applicable Content. For purposes herein, a “Subscription Account” is defined as an account that allows a User of a Residential Portal access to the identified Premium Products, Client Sourced Content for which Client requires authentication, and/or Synacor Sourced Content from the Residential Portal or other location as may be agreed to by the parties. In addition to other rights Client may have under this Agreement (including but not limited to Client’s right to eliminate or replace Synacor Sourced Content with Client Sourced Content at any time), Client may elect to require Synacor to use reasonable commercial efforts to provide reasonably equivalent Synacor Sourced Content at fees equal to or lower than those attributable to then-current Synacor Sourced Content, or to modify the Synacor Sourced Content mix as necessary to result in a mutually agreeable Premium Product. Synacor will use commercially reasonable efforts to ensure that its Synacor Sourced Content is current and relevant in the market. Synacor will not source Premium Products with the intent that such Content will not comply with the content restrictions in Section 7 of Schedule C. However, certain Content, such as movie or music related Content, may include some of the restrictions included in Section 7 of Schedule C.

- (a) Premium Products . The following Premium Products and Content are proposed, pending prior Content Provider approval, as an offering to be made available (on promotional and packaging terms mutually acceptable to Client and Synacor) to Client for distribution to Users with a Subscription Account for the Premium Product fees described below:
 - (i) General Interest Package available on mycenturylink.com:
 - A. Encyclopedia Britannica** – Unlimited access to the updated 32-volume Encyclopedia Britannica, plus: Britannica’s Student and Concise encyclopedias, and thousands of exclusive video and audio clips.
 - B. Nick Jr. Boost** – An educational online service available from the creators of Nick Jr. and Noggin. Preschoolers can acquire math, literacy and Spanish language skills with their favorite Nickelodeon friends.
 - C. American Greetings** – The ultimate card store on the Internet; enables Users to enhance their relationships by sending premium eCards and printed greetings and projects.
 - D. MLB.com Live Baseball** – Allows Users to listen to every regular season and postseason game (both home and away feeds), catch all the key plays with game highlights, watch the entire game or parts of archived games, and stay updated with daily fantasy baseball news and notes.
 - E. NASCAR.com RaceView** – Allows Users to see live racing action from 3 virtual camera angles, track pit stats and times, get instant crash and caution updates and view real time driver data positions. Users can move effortlessly between the entire field of drivers without missing a moment of the race, track driver speeds and times behind the race leader, and listen to driver and team communication.
 - F. NHL® Premium Video** – Select condensed NHL game videos available shortly after each game.

- G. **Fox Sports Video** – Hundreds of ad-free videos across dozens of sports, easy to search and find what Users want; top sports news, spotlights and editors picks included.
 - H. **weather.com® (Weather Channel Video Service)** – local, regional and national video weather reports and special feature categories.
- (ii) Education Package available on mycenturylink.com:
- A. **Nick Jr. Boost** – An educational online service available from the creators of Nick Jr. and Noggin. Preschoolers can acquire math, literacy and Spanish language skills with their favorite Nickelodeon friends.
 - B. **Clever Island** – 90 interactive games and activities targeting 27 learning skills, with regular updates. Clever parent center with kids’ progress reports developed by experts from Hanna Barbara, The Learning Company and Harvard University.
 - C. **Award Funways** – Funways is a 3D virtual world that children explore with the help of a personalized avatar, compelling learning tools, games and activities. The product is designed to promote learning in four key areas: literacy, math, creativity, and values.
 - D. **Encyclopedia Britannica** – Unlimited access to the updated 32-volume Encyclopedia Britannica, plus: Britannica’s Student and Concise encyclopedias, and thousands of exclusive video and audio clips.
 - E. **iKnowthat.com** – Allows children from ages 2 to 12 to discover the magic and power of lifelong learning skills. All activities are highly interactive, and use state-of-the-art web multimedia, including heavy animation, sound, and digitized children’s voices.
 - F. **DK® Learning Games** – DK Learning is high-caliber content from well-known children’s publisher Dorling Kindersley. Includes a wide range of a educational games and activities. Titles are specially designed for kids of all ages, including 3D World Atlas, I Love Spelling, Punctuation Made Easy, and many more.
 - G. **Boston Test Prep** – Online SAT prep course makes the preparation process easy and quick. Practice with over 2500 SAT-style questions. Evaluate strengths and weakness immediately. Study with more than 30 audio/video lessons.
 - H. **Hoopah**
- (iii) Games Package available on centurylink.net:
- A. **LEGO PC Games** – Access to download any of 18 Lego-branded PC games such as Lego Racers and Lego Island. Enjoy the safety and reliability of official, unmodified, Lego software offering full versions of Lego’s PC games for download.
 - B. **Yummy Arcade from Yummy Interactive** – Hundreds of games for the everyday gamer with unlimited access, no time limits or annoying ads. Play your favorite games anytime, including Diner Dash, Bejeweled and many more.
 - C. **Atari Classics from Yummy Interactive** – Bring back memories with original Atari 2600 and arcade games with unlimited access, no time limits or annoying ads. Play your favorite games anytime including Centipede, Breakout, Missile Command and many more.
 - D. **IGN Insider** – IGN.com’s premier Insider Access, which includes exclusive ad-free access to reviews, codes, and previews.
 - E. **Shockwave® Unlimited™** – An advertising-free, premium games service, which provides Users with online and download access to a vast selection of games—hundreds of them.
- (iv) General Interest Package available on centurylink.net:
- A. **American Greetings**
 - B. **Clever Island**
 - C. **Encyclopedia Britannica**
 - D. **OX Sports**
 - E. **MBL.com Gameday Audio**
 - F. **NASCAR.COM RaceView**
 - G. **NHL Premium Videos**

- H. Nick Jr. Boost**
- I. Shockwave Unlimited**
- J. The Weather Channel Premium Weather Video**
- (v) Education Package available on Centurylink.net.
 - A. Award Funways**
 - B. Boston Test Prep**
 - C. Clever Island**
 - D. DK Learning Games**
 - E. Encyclopedia Britannica**
 - F. Hoopah**
 - G. iKnowthat.com**
 - H. Nick Jr. Boost**
- (vi) Internet Security: Synacor will make available a private label/white label security solutions suite (currently made available from F-Secure) that shall be branded as determined by Client in its sole and reasonable discretion subject to any limitations set by the security suite provider, consisting of the following components: virus & spyware protection, firewall, spam and phishing protection, automated software and virus signature upgrades, standard side grade (detects and/or removes competing security products at install of the security product) support for removing competitive programs on install, and Parental Control (for Consumer customers). Client will offer the Internet Security Premium Product to its Residential Portal Users throughout the Term [*]. Notwithstanding anything to the contrary contained in this Section 1.a (iv), Client may independently offer internet security services (including those provided from a third party supplier) directly to Users without Synacor's consent or without termination of its offering of the private label/white label security solutions suite made available by Synacor as described in this Section 1.a(iv).
- (vii) Subscription Music Services : Synacor will make available a music service as described in Exhibit 1 to this Schedule D.

As Client's existing related contracts expire, and/or as the need arises, Client will discuss with Synacor and consider in good faith Synacor's then-current Premium Product offerings, including relevant economic terms, in the area of security, back-up and storage, and PC optimization tools.

(b) Premium Product and Content Fees .

Monthly Subscription Fees (the fees identified below are the sole and only fees payable by Client to Synacor for the following Premium Products; no other costs, such as content delivery network costs, etc., shall be payable by Client to Synacor related to such Premium Products):

- General Interest Package available on mycenturylink.com: Client's cost shall be [*] per Subscription Account per month.
- Education Package available on mycenturylink.com: Client's cost shall be [*] per Subscription Account per month.
- Games Package available on centurylink.net: Client's cost shall be [*] per Subscription Account per month.
- General Interest Package available on centurylink.net: Client's cost shall be [*] per Subscription Account per month.
- Education Package available on centurylink.net: Client's cost shall be [*] per Subscription Account per month.

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CONFIDENTIAL TREATMENT REQUESTED

- Internet Security: Client's cost shall be [*] per month (unless such Service is terminated and no longer offered in accordance with Section 1(a)(iv)).
- Music: Client's cost will be [*] per Subscription Account per month.

The foregoing fees are valid for these Premium Products to the extent the relevant Premium Product is implemented and offered by Client to Users within [*] of the Effective Date. If any such Premium Product is not implemented and offered to Users by such time, Synacor may set new fees at the time Client requests implementation of such Premium Product. Once implemented and offered to Users, the applicable fees at the time it is implemented and initially offered to Users shall remain constant for the remainder of the Term, unless Client suspends or terminates its offering of such Premium Products for a period of time during the Term.

2. Premium Products for the Business Portal: Synacor hereby agrees to make the Premium Products set forth below available, subject to Content Provider approval and the terms and conditions herein, for Synacor to include on the Business Portal at Client's option. For purposes herein, a "Business Subscription Account" is defined as an account that allows a User of the Business Portal access to the identified Premium Products, Client Sourced Content for which Client requires authentication, and/or Synacor Sourced Content from the Business Portal. In the event Client elects to place any of the Premium Products on the Business Portal, Synacor shall bill Client each month for an amount determined by multiplying the number of Business Subscription Accounts in a given month (based on the number of Business Subscription Accounts existing on the last day of the given month) by the monthly fees relating to the pertinent Premium Product(s) subscribed to by the specific Business Subscription Account. Client will report the number of Business Subscription Accounts in any given month to Synacor by the second business day of the following month. Client shall have the right at any time to terminate any given Business Subscription Account, including, but not limited to, in the event the Business User has not paid for the applicable Content.

- a. **Business Pack** – As of the Amendment Effective Date, the following three Business Pack Services are available for Synacor to include on the Business Portal and Client may in turn offer them to its Business Users: Notwithstanding anything to the contrary in this Exhibit or in the Agreement, the Business Pack Premium Bundle shall be made available by Client only to its Business Users and not to any individual User.
- 3M Business Pack Service ("3M Service"): 3M Service shall include one free year vanity domain registration, Moonfruit Premium A, Zimbra Business Class.
 - 5M Business Pack Service ("5M Service"): 5M Service shall include one free year vanity domain registration, Moonfruit Premium B, Zimbra Business Class.
 - 10M Business Pack Service ("10M Service"): 10M (and higher speeds). Service shall include one free year vanity domain registration, Moonfruit Premium B, Zimbra Business Class.

Each of the Business Packs will also include the ability for the Activated Business User to register as many domain names as they choose (for an additional fee paid by the Activated Business User) and any one of those domain names are free as part of the Business Pack. The parties understand and agree that the free domain registration will not be available immediately, but Synacor will use commercially reasonable efforts to provide the one year of free domain registration by or before August 2009. Additionally, any Activated Business User subscribed to any of the Business Packs above will have the ability to use its own pre-existing domain name with such Business Pack, whether such domain name is registered with eNOM or another 3rd party domain registrar. However, the pre-existing domain name may not be used for the one year free domain registration promotion.

The Content that is included in the Business Packs is described as follows:

- **Moonfruit Website Building Service (2 Offerings)** – Moonfruit Premium A and Moonfruit Premium B will be included in the Business Packs as indicated above. Such products are described in Section (b) of Exhibit 3.

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- **Zimbra Business Class** - Messaging and collaboration application that integrates email, contacts, shared calendar, and document sharing. Zimbra Business Class provides domain level administration and allows a company's employees to utilize the same domain, share documents internally, use group scheduling, and inter-company calendar sharing.
- b. **Business Pack Pricing** - Client shall pay Synacor [*] per month if it has [*] or more Activated Business Users in a given month (including any Pre-existing Business Pack Users). Alternatively, if Client has between [*] Activated Business Users in any given month, Client will pay Synacor [*] per month. Alternatively, if Client has between [*] Activated Business Users in any given month, Client will pay Synacor [*] per month. Activated Business Users in a given month shall be calculated as the combined total of Activated Business Users of the 3M, 5M and 10M and higher speeds within the Business Pack Services. For administration purposes, the number of Activated Business Users may be adjusted every [*] based on the reports created by Synacor. Each Business User subscribed to the Business pack will only be counted as an Activated Business User once, and therefore Client will only be billed once per month for each subscription to the Business Pack.
- c. **Internet Security** - Included in the fee paid for Internet Security for the Residential Users, Synacor will make available a private label/white label security solutions suite (currently made available from F-Secure) for Business Portal Users that shall be branded as determined by Client in its sole and reasonable discretion subject to any limitations set by the security suite provider, consisting of the following components: virus & spyware protection, firewall, spam and phishing protection, automated software and virus signature upgrades, standard side grade (detects and/or removes competing security products at install of the security product) support for removing competitive programs on install, and Parental Control (for Consumer customers). Client will offer the Internet Security Premium Product to its Business Portal Users throughout the Term [*]. Notwithstanding anything to the contrary contained in this Section 1.a (iv), Client may independently offer internet security services (including those provided from a third party supplier) directly to Business Users without Synacor's consent or without termination of its offering of the private label/white label security solutions suite made available by Synacor as described in this Section 2(c).
- d. **Marketing and Reporting :**
 - i. **Client Marketing Obligations.** Client will market and provide sales support related to the Business Pack and free domain registration as mutually agreed by the parties, including without limitation, marketing information about the Business Pack in Client's welcome kit to new Business Users and during the installation of the HSI service.
 - ii. **Synacor's Activated Business User Reporting Obligations.** Synacor will provide monthly reporting to Client specifying the new Activated Business Users, new Active Business Users and the total Activated Business Users and total Active Business Users in the relevant month. Synacor will provide a detailed user report that has a Total Active Business Users and Total Activated Business Users on a monthly basis, which will include the following data items:
 1. Account ID (This is the key identifier for the Client system – currently it is a 23 digit code, but this will be changing with the conversion to CenturyTel)
 2. Account Username
 3. Activated Term start date
 4. Dates customer became an Active Business User of products other than the initial product such customer used.
 5. Products or Services for which customer was an Active User in such month

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CONFIDENTIAL TREATMENT REQUESTED

6. Customer's Activated Term Status (Tracking how far along the customer is in its 12 month term or whether such customer is now month to month)
7. Product(s) for which each customer is an Activated Business User
8. Business Collaboration Suite Vanity Domain (if applicable)
9. Moonfruit Domain (if applicable)
10. eNOM Domain Registered (if applicable)

(iii.) Synacor's Moonfruit Reporting Obligations . Synacor will provide a Moonfruit data report which will include the following data items:

1. Synacor ID
2. Moonfruit Username
3. Email entered during setup
4. Signup date
5. Last login into site editor
6. Moonfruit Product Code
7. <subdomain>.embarqspace.com
8. Site locked (Y/N)
9. Date site was locked
10. Site deleted (Y/N)
11. Date site was deleted
12. Site last updated
13. Date site was last visited
14. Cumulative visit counts
15. Date visit counter was reset by owner
16. Number of members
17. Pages
18. Files
19. Size of site
20. Status of User as Active/Inactive

e. **Support.** The party shall have the following product-specific support obligations with regard to the Business Packs:

Zimbra

- Synacor will provide webforms to add Client's customers' vanity domain to their Client account for user management, and documentation for such customers to modify their mail exchanger ("MX") records, at no additional cost to Client.
- Client will (i) ensure that its customer support representatives are familiar with basic vocabulary for domain registration and DNS, (ii) provide e-mail support for customer questions, and (iii) provide customer assistance (including, without limitation, user training, user interface redesign, domain deactivation) with migrating e-mail and address book entries into the Zimbra environment.

Moonfruit

- Client will provide first level support.
- Synacor will provide second level support

Exhibit 1
To
Schedule D
Of the
Master Services Agreement

1. Service Description and General Overview. Synacor agrees to provide to Client the Music Service (as defined below) that Client may at its sole discretion, but is not required to, offer to Users. Synacor represents that Music Provider (as defined below) has the right to provide its service to Client and Synacor customers in the United States. "Music Provider" means MusicNet or another provider of music services as specified by Synacor. "Music Service" means the Music Provider's music service, which includes a "music-on-demand" subscription service and a permanent download service containing music from multiple genres, available in CD-quality audio (encoded at I28kbps). Playback of downloaded tracks is currently accomplished through Windows Media Player.

2. Purchase Options

A PC subscription license (the "PC Subscription Model") enables subscribers to stream or download music tracks to up to three (3) personal computers. Subscribers' may, however, only access the Service from a single personal computer at a time.

A portable subscription license (the "Portable Subscription Model") extends the PC Subscription Model and enables subscribers to transfer PC subscription downloads to Windows Media 10 supported portable devices. Subscribers may utilize a maximum of two (2) portable music players per subscription.

Permanent download license (the "Purchase Model") enables subscribers to download and own individual music tracks or albums. Once a subscriber has been granted a Permanent download license, either by purchasing tracks for a fee or from a promotion, the tracks can be burned to a CD or transferred to an unlimited number of portable music players.

8. Digital Rights Management.

The Music Service uses Windows Media Digital Rights Management ("DRM") to ensure that songs that are downloaded as part of a subscription or purchased on a permanent download to own basis are not used in a manner that violates the rights of the copyright owner. Client will not interfere with or circumvent the DRM measures.

Songs selected on a PC Subscription Model or Portable Subscription Model basis can be streamed for immediate listening, or can be downloaded to a subscriber's hard drive for playback later while off-line. The tracks and playlists selected as part of a PC Subscription Model or Portable Subscription Model will continue to be accessible as long as the subscriber's subscription to the Service via the Client Portal is valid and their DRM license has been updated. Once a subscription under either the PC Subscription Model or Portable Subscription Model has been terminated or canceled, the licenses are automatically deactivated and downloaded songs can no longer be played. If the track license for a song downloaded by a subscriber has expired, the subscriber must reconnect to the Service via the Client Portal to revalidate the track license.

4. Blended Subscription/Portable Pricing

The PC/Portable Blended Subscription Service fees set forth in Section 1(b) of Schedule D is based on the assumption that no more than [*] of the subscribers will take the portable option. The Parties agree to renegotiate the rates set forth in this Section if greater than [*] of the subscribers utilize the portable functionality during a sixty (60) day period; provided that if such renegotiation period exceeds sixty (60)

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days, Synacor shall have the right to specify the new rates to Client in its sole reasonable discretion. Wholesale rates charged to Client for subscribers to the Music Service before any such rate change will remain unchanged for the lesser of (i) [*] and (ii) [*], after which the wholesale fees per User shall be the then current fees for the PC/Portable Blended Subscription Service.

Synacor may adjust the price for the PC / Portable Blended Subscription Service any time, provided that Synacor may increase its fees only to reflect increased fees charged by any Music Provider, and any such new pricing shall become effective on the date specified in Synacor's written notice, but not less than [*] days after such notice was sent by Synacor. Wholesale rate charged to Client for Users who subscribed to the Music Service before any such rate change will remain unchanged for the lesser of (i) [*] and (ii) [*], after which the wholesale rates charged to Client for such Users shall be the then current wholesale fees for the PC/Portable Blended Subscription Service.

5. Purchase Model. The Parties agree that all revenues and Client's portion of the costs of the Purchase Model (including, but not limited to, actual and direct costs to Synacor assessed with respect to obtaining content from its music provider, additional actual and direct per transaction charges imposed by its music provider on, or passed through to, Synacor (*e.g.*, studio fees), label and publishing fees, Verisign or other third party transaction costs, and credit card processing fees (collectively, "Costs")) shall be aggregated and that Synacor shall share the Net Revenues (as defined herein) equally with Client in accordance with the applicable provisions of the Agreement. Net revenues shall be calculated as total gross revenues generated from Users of Client's music service through the Purchase Model from all purchases of music tracks or albums, less (a) Client's portion of the Costs, (b) refunds that Synacor or Client's agents refund to a User, and (c) charge-backs (*i.e.*, charges that credit card merchant pay to a customer after the customer successfully disputes an item on his or her credit card statement) ("Net Revenues").

6. Terms of Use

Subscribers to the Client Music Service must abide by the Terms of Use of the Music Service, which may be updated from time to time by Synacor and will be accessible as a hyperlink from the Music Service.

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**SCHEDULE E
TO
MASTER SERVICES AGREEMENT
CONTENT DISTRIBUTION TERMS AND CONDITIONS**

1. Definitions

- (a) “Client Provider” means a third party from whom Client obtains distribution rights for the Client Sourced Content.
- (b) “Client Sourced Content” means the content (whether Portal Content or Premium Content) provided by Client or Client Providers which has been integrated into the Synacor platform technology and is offered either separately or as part of the Service.
- (c) “Content” means the Synacor Sourced Content and/or the Client Sourced Content, depending on the context of its use.
- (d) “Content Provider” means the Client Providers and Synacor Providers, collectively.
- (e) “Portal Content” means Content that is free to the User and that is available without entering a username and password.
- (f) “Premium Content” means subscription- and fee-based Content that requires a username and password to access.
- (g) “Premium Products” means two or more Premium Content offerings that are bundled into a single product.
- (h) “Synacor Provider” means a third party from whom Synacor obtains distribution rights for the Synacor Sourced Content.
- (i) “Synacor Sourced Content” means the content (whether Portal Content or Premium Content) provided by Synacor or Synacor Providers through Synacor and offered to Users, whether individually or bundled as part of a Premium Product.
- (j) “Activated Business User” shall mean any Business User that has subscribed to any one or more of the products or services in the Business Pack. Once an Activated Business User has subscribed to a product or service, such User shall remain an Activated Business User throughout the Activated Term.
- (k) “Activated Term” shall mean a period consisting of:
 - (i) an initial twelve (12) months from the date a Business User becomes an Activated Business User of the initial product or service subscribed to within the Business Pack even if such User was not an Active Business User within such timeframe, plus
 - (ii) an automatic renewal:
 - a. on a monthly basis for customers of either Business Vanity Collaboration Suite or Moonfruit Premium Website Services that have been Active Business Users of either of such products in the prior consecutive three months, or
 - b. on a twelve (12) month basis for Active Business Users of eNOM, even if such customer is no longer an Active Business User of the other products in the Business Pack, and even if such customer terminates its domain registration through eNOM during such 12 month period.

Automatic renewal of the Activated Term for a given customer will not occur if the relevant customer has been terminated from all services provided by Client.
- (l) “Active Business User” shall mean any Activated Business User that has used the applicable product or service within a given month. For purposes of the Premium Products on the Business Portal, it will be determined whether the applicable product or service has been used based on the following criteria:
 - (i) For the Business Vanity Collaboration Suite: Customer will be considered to have used the product if such customer has a configured Zimbra Collaboration Suite to use a vanity domain.

- (ii) For Moonfruit: Customer will be considered to have used the product if such customer has built a User Website and such user website has shown activity during a calendar month as evidenced by (1) the user making a change or modification to the user website, (2) visitor traffic to the user website.
- (iii) For the eNOM Domain Name: Customer will be considered to have used the service once such customer has registered a domain through eNOM until the end of the Activated Term during which such customer terminates the domain registration.

(m) “Business User” shall mean any business customer of Client or its Affiliates that is a User.

2. Content. The Content to be included in the Client Branded Portal may be Synacor Sourced Content and/or Client Sourced Content, as agreed upon by the parties. All Portal Content and Premium Content are subject to the terms and conditions included in this Schedule. Client’s right to distribute the Synacor Sourced Content is a non-exclusive distribution right. Synacor will use commercially reasonable efforts to ensure that Content complies with the content restrictions in Section 7 of Schedule C; provided, however, that Client understands and agrees that some Content, including but not limited to movies and music, may not be in compliance with such restrictions.

3. Users, Registration Pages. It is intended that the Content will be accessed by Users through the System described in Section 4, below. Synacor may require the use of user interfaces or other identification verification methods in order for the Users to access the Content. As may be determined by the parties and subject to revision during the Term as the parties may determine, System web pages and/or Content will be hosted and served by Synacor or Client, subject to the approval of Synacor (such approval not to be unreasonably withheld).

4. Content Hosting and Delivery System. Synacor will provide to Client a content provisioning solution, and, with respect to Premium Content, Synacor will maintain a User registration and login system that is integrated with its Content provisioning solution (the “System”) which will be used to control User access to the Content and to manage the updating and delivery of the Content to the User. Depending upon the System implementation for Client, as such may be revised during the Term by consent of the parties, hosting and serving of Content may be provided by Client, Client Providers, Synacor and/or by Synacor Providers. To the extent that Synacor Provider’s systems are used to host or serve Content, the service levels and availability of such systems for Users will be no lower than the service levels and availability of such systems to other content distributors or consumers. Through the System, Synacor may, with Client’s permission: (i) offer new Content which it has obtained for distribution; (ii) create and modify bundles of Content to be made available to Users; (iii) edit or modify the editorial Content and design of the web pages with which the consumer interacts in order to access the Content; and (iv) remove any or all of the Content from availability to Client’s Users. Client shall notify Synacor of its decisions regarding the offering of Content through the System in writing, and Synacor shall take all commercially reasonable steps necessary to implement any such Client decisions as soon as is reasonably practicable; provided, however, that where Client requests that any specified piece of Content be removed from the System, Synacor shall remove such title or titles from the System as expeditiously as possible, and in all events within 72 hours after receipt of notice (e-mail or phone call will suffice) from Client.

5. Subscriber Billing. User billing will be the sole responsibility of Client.

6. Terms of Use . During portal registration, each Residential User or Business User must be presented with Client’s Terms of Use (including any restrictions related to use of the Content) (the “TOU”) which shall be presented as a link on the Client Branded Portal. Prior to acceptance of the TOU, Synacor shall present each Residential User or Business User with the opportunity to review and agree to the TOU. Synacor shall not amend, modify or otherwise change the TOU without the consent of Client, which will not be unreasonably withheld or delayed; provided, however, that the terms of the TOU may need to be updated by Client to the extent necessary to comply with the requirements of a Synacor Provider or applicable law. Prior to opening a Subscription Account for any given Premium Content or Premium Product, Synacor may require Residential Users and Business Users to agree to terms of use related to the given Premium Content or Premium Product, and User will be presented with Client’s TOU, which shall be presented as a link on the Client Branded Portal. Prior to acceptance of the TOU,

Synacor shall present each Residential User or Business User with the opportunity to review and agree to the TOU. Client reserves the right to approve any such additional terms of use related to the given Premium Content or Premium Product.

7. Licenses.

(a) Subject to the provisions of the Agreement, Synacor grants to Client during the Term a limited, non-exclusive, non-transferable right and license to: (i) copy, transmit and distribute individual copies of the Synacor Sourced Content, solely for purposes of distributing the Synacor Sourced Content to Users located in the United States and otherwise fulfilling its obligations under this Agreement and under applicable laws and regulations; and (ii) use and utilize such Synacor and Synacor Provider trademarks, logos and other works which are protected by intellectual property rights laws (the "Synacor Properties") in connection with the distribution of Content to Users pursuant to this Agreement. Client expressly agrees that it shall not, and shall not through contract, the TOU, or otherwise, give consent to any third party to duplicate, copy, modify, amend, add to, delete from or otherwise make any change whatsoever in or to the Synacor Sourced Content or otherwise violate any intellectual property rights in the Synacor Sourced Content, including, but not limited to, copyrights of third parties therein.

(b) Subject to the provisions of the Agreement and any applicable, disclosed supplier agreement, Client grants to Synacor during the Term a limited, non-exclusive, non-transferable right and license (royalty free to Synacor) to: (i) transmit and distribute individual copies of the Client Sourced Content, solely for purposes of distributing the Client Sourced Content to Users; and (ii) use and utilize such Client and Client Provider trademarks, logos and other works which are protected by intellectual property rights laws (the "Client Properties") in connection with the distribution of Content to Users pursuant to this Agreement. Synacor expressly agrees that it shall not, and shall not permit any third party to, duplicate, copy, modify, amend, add to, delete from or otherwise make any change whatsoever in or to the Client Sourced Content or otherwise violate any intellectual property rights in the Client Sourced Content, including, but not limited to, copyrights of third parties therein.

(c) As to individual pieces of Content, the rights and licenses to use such Content as granted herein shall expire upon the expiration or earlier termination or expiration of the agreement pursuant to which distribution rights and license to such Content were obtained. Either party (the "Terminating Party") shall have the right to terminate this Agreement immediately as to any particular Content upon notice to the other party: (i) if the Terminating Party reasonably believes the distribution of such Content exposes it to potential legal liability; or (ii) in the event a Synacor Provider or Client Provider ceases to operate a site or produce or distribute such Content.

8. Proprietary Rights.

(a) Subject to the rights and licenses granted in the Agreement, Synacor (and its licensors, including, but not limited to, the Synacor Providers) retains all rights, title and interest in and to all their respective copyrights, trademarks, trade names, logos, patents and other intellectual property and proprietary rights in and to the Synacor Sourced Content. No title to or ownership of any Synacor Sourced Content and/or any part thereof is hereby transferred to Client or any third party.

(b) Subject to the rights and licenses granted in the Agreement, Client (and its licensors, including, but not limited to, the Client Providers) retains all rights, title and interest in and to all copyrights, trademarks, trade names, logos, patents and other intellectual and proprietary rights in and to the Client Sourced Content. No title to or ownership of any Client Sourced Content and/or any part thereof is hereby transferred to Synacor or any third party. Client also retains all rights, title and interest in and to Client's trademarks, trade names and logos. Synacor shall comply with all reasonable requests of Client to protect the proprietary rights of Client and its licensors.

(c) Except for any license granted herein or licenses otherwise granted to a party pursuant to its agreement with a Content Provider, neither party claims any licenses, rights, title, interest or intellectual property rights in the Content Provider Content, and the parties agree that all licenses, rights, title, interest and intellectual property rights of any kind in and to the Content Provider Content are claimed to be entirely owned or licensed by and reserved to the applicable Content Provider and may be used by the Content Provider in such manner as

the Content Provider may choose. Each party agrees that to the extent it acquires or creates any rights in the Content Provider Content that may inure to such party in connection with this Agreement or from such party's use of the Content Provider Content hereunder (hereinafter referred to as "Derivative Content"), it will (a) assign to the applicable Content Provider all right, title and interest in the Derivative Content, together with the goodwill attaching thereto, and (b) not register or attempt to register an intellectual property right in the Derivative Content. Each party agrees to execute and deliver to a Content Provider or the other party, as requested, any documents required to register it as a registered user of any Content Provider Content and to follow any instructions of a Content Provider or the other party as to the use of any Content Provider Content.

9. Content Provider Requirements.

(a) For Client Sourced Content that Client wants to make available on the Client Branded Portal, Client agrees to utilize the user interfaces or other identification verification methods of the System, as described in Section 3 of this Schedule, without modification, including, but not limited to, framing or co-branding, unless Client has obtained the prior written consent of Synacor to do otherwise.

(b) Client acknowledges and agrees that the look, feel, size and placement of any Synacor Sourced Content on the User access web pages (and any change or modification thereof), as described in Section 2 of this Schedule, is subject to Synacor's approval, which may include terms, conditions and restrictions on the use of such Synacor Sourced Content or which may be withdrawn at any time.

(c) Access to the Premium Content may be included as part of a premium Client Internet service package which may be offered, on User terms to be solely determined by Client, as part of a premium tier of Internet service or at an additional charge payable by the User. Client will not, at any time, permit access to the Synacor Sourced Content by any person via the general Internet or other access method other than through Synacor's System.

(d) Neither Synacor nor a Synacor Provider shall have any liability in the event a Synacor Provider exercises its rights to terminate the rights and licenses to use Synacor Sourced Content as provided in Section 6(c) of this Schedule.

(e) Client agrees that Synacor has the right to withdraw all Content upon termination or expiration of the Agreement (inclusive of any Wind-Down Period) without liability and, upon such termination or expiration, and at Client's option, to provide for the seamless migration of any Users or subscribers of Synacor Sourced Content to the Synacor Provider.

(f) Without the consent of Synacor, and to the extent Synacor does not have the right to do the following, Client will not: (i) send any interstitials, pop-up windows, or other messages or files to Users during the time in which any Synacor Sourced Content is displayed, other than customer service or network security related messages; or (ii) sell any advertising in, on, or related to any Synacor Sourced Content, including but not limited to banners, buttons, links, streaming audio or streaming video advertisements. In connection with Synacor Sourced Content distributed pursuant to this Agreement, without the prior submission to Synacor of any relevant materials which Synacor may request (including, but not limited to, web pages), and unless Client has obtained Synacor's or the relevant Synacor Provider's written approval, Client will not use the name, logo or any of the proprietary marks of any Synacor Provider in any sales, advertising or marketing materials; provided, however, that: (1) Synacor agrees that it has permission from all necessary Synacor Providers to use, and to the extent such use is deemed a use by Client, to allow Client to use, such Synacor Provider's name, logo and proprietary marks on the Client Branded Portal specifically as provided by Synacor for the Client Branded Portal; and (2) that Synacor shall review and approve or disapprove (in its reasonable discretion), or, where necessary, get the Synacor Provider's approval or disapproval, of such proposed use of a Synacor Provider's name, logo or proprietary marks within 5 calendar days of Client's request to use such Synacor Provider's name, logo or proprietary marks.

(g) Client and Synacor expressly acknowledge that each Content Provider is a third party beneficiary to the Agreement solely for purposes of enforcement of the provisions of this Agreement relating to the Content Provider's Content, and that any Content Provider may, in its sole discretion, take any and all action, including but not limited to commencing any legal action, to enforce its rights pursuant to this Agreement.

**SCHEDULE F
TO
MASTER SERVICES AGREEMENT**

SERVICE LEVEL AGREEMENT AND CUSTOMER SUPPORT PROCEDURES

SERVICE LEVELS

The parties agree that Terms of Sections I through X shall not apply to Activated Email Boxes. For Activated Email Boxes, the provisions of Sections XI through XX shall apply.

I. General

A. Client wishes to host Synacor's Software and Client data related to the Service within a data center it designates on hardware purchased or leased by Client. Synacor will provide Client a list of recommended hardware which Client may purchase or lease. Client will procure and provision all hardware reasonably necessary to support and maintain the Services. Client will ensure that (i) the hardware and equipment associated with the Services are dedicated solely to the Service (unless otherwise agreed to by the parties), and are located in a caged, dedicated space within the data center, (ii) subject to reasonable facility access rules and restrictions and emergency or exigent circumstances during which access may be denied entirely, Synacor has authorized remote access to the data center and the relevant hardware 24x7x365 and physical access to the data center as necessary, and (iii) Client and any of its employees, agents or representatives will not access, modify, move, or otherwise disrupt the hardware or equipment related to the Service, either in person or remotely, except in emergency situations or when otherwise agreed to by the parties.

B. Client will be responsible for any outage of the data center or portions thereof caused by Client, its employees or agents and not caused by the equipment, Software or personnel (or agents) of Synacor. Synacor will perform daily onsite backups of all data to ensure recoverability of data in the event of an outage; Client will archive the images of such backups and store offsite in accordance with Client's current business continuity/disaster recovery practices. Additionally, Client will be responsible to obtain and maintain 24x7x365 support for all hardware throughout the Term. Client will upgrade the hardware as reasonably necessary, including in the following instances: (a) if the Software stack that Synacor is maintaining, whether it is Synacor Software or other Software used in the provision of the Services, is no longer compatible with the underlying hardware or operating system (provided that Synacor is making the same or similar upgrade to similar equipment it uses to provide hosting for other clients for services similar to the Services). Synacor will provide Client with the appropriate new hardware bill of materials ("BOM") for Client to procure and provision; (b) if the hardware vendor no longer supports the underlying operating system or firmware on such hardware, then Synacor will provide a recommended new hardware BOM for Client to procure and provision and Client will upgrade such hardware accordingly; and (c) if any of the hardware components fail, Client will be responsible to replace the failed component or ensure that its hardware vendor has access to the failed hardware for replacement, such replacement to occur as soon as reasonably practicable after notice from Synacor or when Client otherwise becomes aware of the hardware failure. In the event any hardware has failed, Client will ensure that it or its hardware support vendor works in good faith with Synacor to transition any Software or data to the new hardware as necessary.

C. Synacor shall provide, 7x24x365, the service levels in this Service Level Agreement ("SLA"), as follows, as measured on a monthly basis.

D. Contact Information:

Synacor Technical Service Support : 866.535.8286 or tss@synacor.com

Synacor Network Operations Center: [*]

Client Technical Services Support: [*]

Client NOC: [*]

Client hosting center (for escalations only): [*]

Each party will use commercially reasonable efforts to provide the other party at least 30 days' prior notice if the foregoing contact information changes.

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II. Monitoring and Reporting

A. In an effort to detect potential problems before they impact the availability and performance of the System or Services, Synacor continuously monitors the status of the systems using both automated and manual tools employed in its 24 by 7 network operations center (“NOC”). Synacor shall report to Client, via email to [*] and via phone call to Technical Support Jeopardy Management at [*], immediately after discovery, all instances (however brief) of failures to meet Portal Availability (as defined below), Email System Availability (as defined below) and all other instances of incidents, outages or downtime affecting the User registration and login system or the Service (or portions thereof), regardless of whether or not Synacor bears responsibility for such failures, incidents, outages or downtime.

B. Synacor shall also provide Client monthly reports providing detailed information regarding incidents, outages or downtime affecting the Client Branded Portal (inclusive of Synacor provided Portal Content that is hosted by Synacor in a Synacor or QCC data center) and email Service, the duration of such, resolution and impact to monthly SLAs. Client will provide Synacor monthly reports providing detailed information regarding incidents, outages or downtime affecting the Client managed network infrastructure (network hardware and Internet connectivity). Synacor’s monthly reports to Client shall also include the following information:

1. MTA email server connections (measuring of the number of connections dropped due to email IP blacklists or reputation services):
 - (i) Total number of connections made to Synacor email servers for Users; and
 - (ii) Total number of connections dropped that are made to Synacor email servers for Users.
2. Email statistics (measuring the effectiveness of spam filtering);
 - (i) Total number of emails accepted for Users;
 - (ii) Total number of emails not delivered to Users due to spam filtering;
 - (iii) Total number of emails for Users identified as infected with malware attachments;
 - (iv) Total number of emails for Users identified with malicious URL links in the email; and
 - (v) Total number of emails for Users delivered to Users but placed in their “junk” or “spam” email folders but not automatically deleted.
3. User complaints (measuring other malicious activities directed against Users):
 - (i) Total number of phishing attempts of which Synacor becomes aware for email delivered to Users on Synacor’s email platform;
 - (ii) Total number of compromised User accounts of which Synacor becomes aware; and
 - (iii) Total number of automated and manual responses Synacor sent out to Users who sent in abuse complaints.
4. ISP complaints: any known blacklisting of Synacor IP space or email services that would affect delivery, sending or receiving of User email.

C. The parties will schedule a standing monthly operations review meeting that will cover all metrics covered in the monthly report (which schedule of meetings may be modified upon agreement of the parties).

III. Portal Availability

A. “Portal Availability” means that the Client-Branded Portal (inclusive of Synacor provided Portal Content that is hosted by Synacor in a Synacor or QCC data center) is fully functional with [*] average uptime in any calendar month. As an example, Content Synacor includes on the Portal from STATS and Grab Networks is not currently hosted by Synacor, but Content from AP and Events Media is hosted by Synacor. For these purposes, “Fully Functional” means that the applicable Service is continuously operable, available, and responsive to Client’s Users without delay or malfunction, [*]. Portal Availability excludes:

- (i) downtime or degradation due to Maintenance (as described in Section VII, below) provided that prior written notice of the maintenance window is given to Client;

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CONFIDENTIAL TREATMENT REQUESTED

- (ii) the inability of Users to access the Client Branded Portal, Content, or any other Services as a result of such Users' Internet/network connection;
- (iii) the inability of Client Providers to update or deliver Content, provided that the inability is not due, in whole or in part, to Synacor.
- (iv) downtime or degradation due to a security intrusion event as described in Section VI SECURITY, below, or a 'denial-of-service' attack from external sources outside Synacor's control;
- (v) downtime or degradation due to problems with Client-provided data APIs, authentication mechanisms or similar services (except to the extent that such problem is due to an act or omission of Synacor or its agents, provided Synacor knew or reasonably should have known that it had an obligation to act);
- (vi) downtime or degradation of email services, which are covered under the separate service level requirements of Section IV;
- (vii) downtime or degradation due to Client's or its data center's unreasonable failure to permit Synacor remote access, in accordance with Schedule I, to the data center or the hardware on which the Service related Software and data reside;
- (viii) downtime or degradation due to a failure of Client's hardware or bandwidth dedicated to the Services;
- (ix) downtime or degradation due to Client's failure to comply with its obligations under this Schedule F or Schedule I; and
- (x) downtime or degradation due to Client's failure to provide notice as set forth in Section V, below.
- (xi) downtime or degradation due to a failure of Client data center (including, but not limited to, any failure related to power or cooling) not resulting from the act or omission of Synacor or its agents.

B. Portal Availability Credits. If Synacor fails to meet the monthly SLAs above for any month during the Term (inclusive of the Wind-Down Period), as identified in the monthly report given to Client, and if Client makes a request to Synacor within [*] of the end of the month in which Synacor failed to meet the SLA, the Portal Availability credits set forth below will be applied to Client's account for each month during which Synacor failed to meet the required Portal Availability. To the extent possible, the credits will be applied during the billing period following the month in which such failure occurs and shall be detailed as a separate line item on the invoice. For example, if SLA credits are due for failures that occurred in the month of September, such credits will be applied to the October billing period.

- a. A credit of [*] of the monthly Platform Fees identified in Attachment A in the applicable month, plus an additional [*] of such fees for every increment of [*] by which Portal Availability fails to meet the required percentage, up to a maximum of [*] of the Platform Fees which would otherwise have been payable by Client to Synacor for the applicable month.
- b. Chronic Portal or Synacor-hosted Content Unavailability. Client shall receive the credits set forth in (a) above, and in addition shall have the right to terminate the Agreement for cause upon 30 days written notice to Synacor, in the event that the Client Branded Portal or Synacor-hosted Content is unavailable for the duration of any of the following:

[*]

[*]

IV. Email System Availability

A. "Email System Availability" means that the email Services provided to Client, as described in subsections (i) through (iv) below, are Fully Functional with [*] average uptime in any calendar month.

(i). Webmail – core webmail features, including login, folder view, message view, and message composition.

(ii). Post Office Protocol ("POP") – POP and Internet message access protocol ("IMAP") access will be subject to the [*] Portal Availability measurement.

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CONFIDENTIAL TREATMENT REQUESTED

(iii). Incoming SMTP – [*] of incoming email will be delivered to the recipient’s mailbox within [*] minutes of receipt at Synacor’s SMTP servers, except where Synacor is receiving substantially more email than is normally received a denial-of-service attack or a severe increase in the amount of unsolicited email.

(iv). Outgoing SMTP – delivery of outgoing messages can be affected by a number of factors, including deferrals or rejections by receiving SMTP servers, faulty mail exchanger (“MX”) records, and Internet transit. However, Synacor guarantees that [*] of all outgoing email will be sent to its destination within [*] minutes, provided, however, that Synacor shall not be responsible for whether emails are received or accepted by the destination email.

B. For all email transactions and processing, Synacor shall, for security reasons, use Port 587 and exclude the use of Port 25.

C. Email System Availability excludes the following situations (to the extent beyond Synacor’s reasonable control):

- (i) mass mailings [*] by Client without prior notification to Synacor (so Synacor can mitigate systems impacted by such actions);
- (ii) a User being blocked or Client being blacklisted by a third-party as a result of mass mailings by Users;
- (iii) attacks perpetrated by compromised accounts (defined as an email account that an unauthorized user has gained access to and is able to act on behalf of the authorized User);
- (iv) open email relays on the Client’s network that are not managed by Synacor;
- (v) downtime or degradation due to Client’s or its data center’s failure to permit Synacor remote access to the data center or the hardware on which the Service related Software and data reside;
- (vi) downtime or degradation due to a failure of Client’s hardware or bandwidth dedicated to the e-mail Services;
- (vii) downtime or degradation due to Client’s failure to comply with its obligations under this Schedule F or Schedule I; and
- (viii) downtime or degradation due to Client’s failure to provide notice as set forth in Section V, below.
- (ix) downtime or degradation due to a failure of Client’s data center (including, but not limited to, any failure related to power or cooling) not resulting from the act or omission of Synacor or its agents.

D. Due to the distributed architecture Synacor uses to deliver email services, it is likely that downtime (email system unavailability) or degradation may only affect a subset of the total user base. In the event of a failure of one or more mail-drop servers, downtime (system unavailability) will be calculated based on the affected Users as a percentage of the total User base. For example, if 10% of the User base was affected by the email system unavailability for 30 minutes, the official downtime would be 3 minutes. [*]

E. Email System Availability Credits. If Synacor fails to meet the monthly SLAs above for any month during the Term (inclusive of the Wind-Down Period), as identified in the automated monthly report given to Client, and if Client makes a request to Synacor within 30 days of the end of the month in which Synacor failed to meet the SLA, the Email System Availability credits set forth below will be applied to Client’s account for each instance of Synacor’s failure to meet the required Email System Availability. To the extent possible, the credits will be applied during the billing period following the month in which such failure occurs and shall be detailed as a separate line item on the invoice. For example, if SLA credits are due for failures that occurred in the month of September, such credits will be applied to the October billing period.

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- a. A credit of [*] of the monthly Platform Fees identified in Attachment A in the applicable month, plus an additional [*] of such fees for every increment of [*] by which Email System Availability fails to meet the required percentage, up to a maximum of [*] of the fees for email Services which would otherwise have been payable by Client to Synacor for the applicable month.
- b. Chronic Email System Unavailability. Client shall receive the credits set forth in (a) above, and in addition shall have the right to terminate the Agreement upon 30 days written notice to Synacor, in the event that email Services are unavailable for the duration of any of the following:

[*]

[*]

V. Client Changes and/or Actions

Prior to taking any of the actions identified below, and unless different (or no) notice requirements with respect to any such actions are agreed upon in a written implementation plan, Client shall give Synacor notice, as set forth below, with respect to the various actions set forth below:

Action / Change

Addition, by the Client, of third-party Content or application to the System (for example, advertising or marketing promotions) that is not routine or otherwise the subject of an integration plan.

Insertion, by the Client or its delegates, of HTML Content using Synacor’s content publishing interfaces and APIs.

Addition of new cookies to portal or webmail domain or q.com domain (or other domains managed by Synacor on behalf of the Client under this Agreement) by Client or third party acting on behalf of Client.

Promotions or other marketing activities that Client reasonably believes will increase Client Branded Portal usage by [*] or more.

Material changes to Synacor-facing APIs and data exchange mechanisms.

Changes to the hosting facilities (inclusive of managed network infrastructure, and exclusive of a move of the data center which would require more advanced notice) and/or bandwidth provided to Synacor hereunder.

Sending of mass emails by Client.

Changes / configurations to name service, including MX record.

Required Notification

Client will provide full technical details of proposed change to Synacor [*] prior to implementation.

Client will notify Synacor at least [*] prior to insertion.

Client will notify Synacor at least [*] prior to implementation.

Client will notify Synacor at least [*] prior to undertaking such promotions or marketing activities.

Client will use reasonable efforts to notify Synacor at least [*] prior to implementation.

Client will notify Synacor at least [*] prior to undertaking maintenance or testing that Client reasonably believes will impact Synacor’s provision of the Services.

Client will notify Synacor at least [*] prior to mailings to [*] or more of HSI Subscribers.

Client will notify Synacor at least [*] prior to implementation.

VI. Security

A. Synacor’s security team proactively evaluates network security risk, inclusive of risk to the system and Services, develops and implements policies and incident prevention programs, educates management and staff about security policies, and handles computer security incidents.

B. **System Intrusion** . In the event of a System intrusion by an unauthorized person or malicious code, affected parties will be notified and a solution will be implemented. Notification of such events to Client by Synacor will occur upon confirmation by Synacor’s security team that there was a bona fide intrusion event, but in no event later than 3 days after the event.

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C. Network Security . Synacor will at all times during the Term maintain network firewalls, load balancers and intrusion detection devices to prevent, among other problems, unauthorized access to the network infrastructure and Systems. Network attacks such as denial-of-service attacks are logged. Synacor will notify Client when such attacks are detected and collaborate with Client to assess the validity of such attacks. Synacor shall at all times during the Term encrypt data during the Client authentication process and Synacor shall update Client should changes occur to such process.

D. Physical Security. As between the parties, Client shall be responsible to ensure the physical security of the data center and the hardware and equipment dedicated to the Services and System within the hosting center used by Client. With regard to any failure by Client to maintain security of the hardware Synacor shall be entitled to relief from the applicable SLAs as outlined above. Additionally, Synacor will not be responsible for, and Client agrees to indemnify Synacor for, any third party Claims related to data loss that results from Client's failure to maintain physical security of the hardware, provided that the loss is not caused by Synacor or its agents or representatives.

E. Phishing Attacks/Attempts. In addition to the foregoing, Synacor shall immediately notify Client's security team, at [*] (or such other number or e-mail address (Client may request that these notifications occur via email) as provided by Client to Synacor), of all instances or attempts of phishing directed at Users.

VII. Maintenance Windows

A. Synacor may reserve one or more windows for weekly application revision/infrastructure maintenance, should the need for such maintenance arise. Typically Synacor conducts maintenance in a 4 hour window from 1:00am to 5:00 am Mountain Time every Monday ("Scheduled Maintenance Window") and will use commercially reasonable efforts to perform such maintenance during times of least impact to Users. However, Synacor may move or add maintenance windows as necessary. In the event maintenance will be needed during the Scheduled Maintenance Window, Synacor will notify the Client no less than 2 business days prior to the window. In the event a maintenance window needs to be moved or added, Synacor will gain written approval from Client of the day and specified window of time for such maintenance prior to conducting such maintenance. If it is determined during the conduct of any maintenance that the maintenance will run over the allotted or agreed window, Client will be notified immediately via e-mail to [*] and via phone call to Technical Support Jeopardy Management at [*] and be asked to provide, at its reasonable discretion, approval for the extension, and receive regular updates until the maintenance is complete. During these maintenance windows and any approved extensions thereof, the System and Services may be unavailable to Client and Client's Users. Scheduled Maintenance Windows and any approved extensions thereof are not counted against Portal or Email Availability percentages.

VIII. Emergency Maintenance Notification

A. In the event that maintenance is required outside of the Scheduled Maintenance Window and it will adversely affect Client's Users, Synacor will notify Client about the emergency maintenance window as soon as Synacor determines such emergency maintenance window is needed. Notification will detail the expected degree of adverse effect on the applicable Service or availability thereof. Emergency maintenance windows are counted against Portal or Email Availability percentages (as applicable), unless Synacor and Client mutually agree otherwise in writing (email being sufficient for this purpose).

IX. Customer Support Procedures

A. Incident Management.

Tier 1 – Client will provide first level support to Users, consisting of: (i) handling questions from Users regarding customer/technical support, order processing, data center related issues, network infrastructure (network hardware and Internet connectivity) and related issues and use of the Service; and (ii) accepting and responding to problem calls from Users relating to the Service; (iii) supporting User devices and underlying Client systems and architecture; and (iv) providing notification to Synacor of changes, maintenance, and outages of underlying systems that may affect Service.

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Tier 2/Tier 3 – Synacor will provide second level support to Client and Users, consisting of: (i) accepting and responding to problem escalations reported by Users or representatives of Client with regard to problems that cannot be resolved by Client; (ii) resolving reported problems; (iii) providing notification to Client of changes, maintenance, and outages of underlying systems that may affect Service.

Synacor will provide Client and Users (in the case of Users, Tier 2 and Tier 3 level support) the following:

- (i) Technical support offered in English.
- (ii) Email address for submitting 2nd level support incidents to Synacor.
- (iii) Phone support (via warm transfer) 24 hours a day, 7 days a week.

B. Priority. Client will estimate the priority at the time the incident is reported. The priority can change at any time during the process. Incidents will be categorized by product category, with the following priorities definitions:

Priority 1 (P1) means that the system or Service is substantially non-operational such that it causes severe commercial impact and there are no known workarounds.

Priority 2 (P2) means a problem with the system or Service that causes significant commercial impact which cannot be resolved (temporarily) by workarounds.

Priority 3 (P3) means a non-critical problem or incident with the system or Service where Client is able to continue to utilize the System or Service and a workaround is not available.

Priority 4 (P4) means an incident that is not a P1, P2, or P3 incident, is non-critical, and for which an applicable workaround is available.

“Support Response Time” means the elapsed time between the incident escalation by Client and the time within which Synacor begins support as verified by a verbal or email confirmation to Client.

Standard Support Response Times are as follows:

<u>Incident Priority</u>	<u>Initial Synacor Response</u>	<u>System Fix or Workaround Implemented</u>
P1	[*]	[*]
P2	[*]	[*]
P3	[*]	[*]
P4	[*]	[*]

[*]

C. Synacor will be responsible for the control and management of incident calls and assignment of priority and escalation to resources within Synacor in its sole and absolute discretion. Client reserves the right to escalate as reasonably required should stated response times not be met or response is not detailed enough for Client to manage overall customer response (IVR, internal escalation, etc). Synacor shall provide Client a monthly report detailing Tier 2 and 3 calls made to Synacor during the month (inclusive of incident description, duration/resolution of incident, impact of incident and response times for each incident).

X. Escalation Path

A. The escalation process consists of the reporting, troubleshooting, diagnosis, and resolution processes. The table below sets forth the time within which a specified Synacor employee or agent will respond to contacts regarding any system or Service incidents, outages or failures or any support inquiries identified by either Client, Synacor or any Content Provider. All incidents are initially assigned to a Synacor support engineer to be addressed

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substantially in accordance with the Standard Support Response Times set forth above and will thereafter follow the escalation path set forth below; upon reasonable request by Client, Synacor will move an escalation from the Standard Support Response Times to the escalation path set forth below. However, Synacor may choose from time to time to handle issues outside of the escalation path indicated below if, in Synacor's reasonable judgment, such issues either need to be escalated more quickly or can be resolved without escalation, but in any such event Synacor's response time shall not exceed the response times set forth above.

<u>Escalation Levels</u>	<u>Escalation Response Time</u>	<u>Synacor</u> (individual contacts and phone numbers may change from time to time upon written notice)
Level 1	Synacor Technical Support Agents available 24 hours per day, 7 days per week for portal issues. M-F for vendor issues, provided that severe incidents will be initially supported by Synacor and escalated to the relevant vendor during weekends as well.	Synacor TSS Team tss@synacor.com 1.866.535.8286
Level 2	Level 2 should be contacted if the issue is not answered within 15 minutes.	Support Supervisor [*]
Level 3	Level 3 should be contacted if the issue is not answered within 15 minutes from either Level 1 or Level 2.	Operations Support Manager
Level 4	Level 4 should be contacted if the issue is not answered within 30 minutes from Level 1, Level 2 or Level 3.	Director of IT [*]
Level 5	Level 5 should be contacted if the issue is not answered within 60 minutes from Level 1, Level 2, Level 3 or Level 4.	VP of IT [*]

Sections XI through XX below shall only apply to Activated Email Boxes.

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XI. General

Synacor shall provide the agreed to service levels seven (7) days a week, twenty-four (24) hours a day, consisting of monitoring, notification, repair of service outages and maintenance, as set forth in this SLA.

It is expected that the evaluation of Synacor's performance against this SLA will be evaluated on a monthly basis beginning ninety (90) days from the date of activation of this SLA.

This agreement excludes events resulting from failures of Content Providers' hosting and/or delivery systems, acts of God, war, acts by civil or military authorities, energy shortages, or other causes beyond Synacor's control, whether or not similar to the foregoing.

Client should direct all requests for support to Synacor's Technical Support Group. To reach Synacor's Technical Support by phone dial 1-866-5358286 or by e-mail at tss@synacor.com

XII. Monitoring

In an effort to detect potential problems before they impact the availability and performance of the system or services, Synacor monitors the status of the systems using both automated and manual tools employed in its 24 by 7 network operations center (NOC). [*]

This monitoring includes but is not limited to:

System availability, Service availability, System load and performance, Network availability and performance, System Usage

XIII. System Availability

A. "System Availability" means that the Synacor Services and any software application running on the servers that support Client are fully functional with [*] average uptime, as measured continuously on a calendar month basis. For these purposes, fully functional means that the environment and links are continuously operable, available and responsive to User without delay or malfunction. System Availability excludes: (i) downtime attributable to Scheduled Maintenance (as defined herein); (ii) the inability of Users to access Content as a result of such Users' Internet/network connection; (iii) impediments affecting the path (route) traveled in accessing Synacor's systems except for those facilities owned, operated or maintained by Synacor or by a third party on behalf of Synacor; and (iv) the inability of Synacor Providers and Client Sourced Content Providers to update or deliver Content, provided that the inability is not due, in whole or in part, to Synacor.

B. Client shall have the right to separately measure System Availability in order to ascertain and report System Availability deficiencies provided that such measuring does not adversely affect System availability. In the event of discrepancies between Synacor's testing results and those of Client, the Parties shall establish a workgroup of individuals from both Parties to ascertain the source of and reason for the discrepancy, to identify the correct measurements, resolve in good faith any issues pertaining to the testing methods, and if applicable, to determine whether a remedy is due to Client.

C. System Availability Credits - The System Availability credits set forth below will be applied to Client's account for each instance of Synacor's failure to meet the required System Availability of [*] during any calendar month during the Term of this Agreement. To the extent possible, the credits will be applied during the calendar month in which such failure occurs and shall be detailed as a separate line item on the invoice:

a. [*]

b. [*]

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c. Chronic System Unavailability after Change in Control of Synacor: If a Change in Control of Synacor occurs as set forth in Section 6.3(b) of the Master Services Agreement, Client shall receive the credits set forth in (a) above, and in addition shall have the right to terminate the Master Service Agreement upon thirty (30) days written notice to Synacor, in the event that System Availability is out or impaired for the duration of any of the following: (i) two (2) or more separate occasions lasting eight (8) or more hours each in any rolling two (2) month period; (ii) twelve (12) hours aggregated over any rolling thirty (30) day period; (iii) thirty-two (32) hours aggregated over any rolling ninety (90) day period; (iv) sixty-four (64) hours aggregated over any rolling six (6)-month period; or (v) one hundred (100) hours aggregated over any twelve (12) month period.

XIV. Data Integrity and Retention

A. Data Integrity - Synacor employs sophisticated RAID techniques to ensure the integrity of the data on its servers; the data is written to two disks simultaneously to prevent data loss in the event of hardware failure. Synacor performs routine server backups for disaster recovery purposes only. Server backup scope and scheduling is at Synacor's sole discretion. Synacor shall not perform backup or restore of the data upon your request unless such backup is provided as a service under your purchase agreement. In addition, Synacor will maintain the highest level of data security and confidentiality as is commercially reasonable in this industry.

B. [*]

XV. Security

Synacor's Security Department maintains the security, stability and integrity of Synacor's systems and networks as well as to ensure proper conduct by the Users.

System Intrusion - In the event of a system intrusion by a "cracker" or "hacker", the affected party(ies) will be notified and a solution will be implemented. Notification will occur upon identification of intrusion and the investigation of such identifications by Synacor'

Network Security — Synacor maintains network firewalls and intrusion detection devices to prevent unauthorized access to the network infrastructure and systems. Network attacks such as Denial —of-Service attacks are logged and notification will occur when such attacks are verified.

XVI. Scheduled Maintenance Windows

Synacor has reserved a two (2) hour window from 3:00am - 5:00am EST every Monday morning for weekly maintenance, should the need for such maintenance arise. In the event that this window will be needed in a given week, Synacor will notify the Client no less than two business days prior to the window. If it is determined during the window that the scheduled maintenance will run over the two (2) hour window, the Client will be notified immediately and receive regular updates until the period is complete. During these scheduled maintenance periods, the system and services may be unavailable to Client and Client's Users. Scheduled Maintenance Windows are not counted against System Availability percentages.

XVII. Emergency Maintenance Notification

In the event that emergency maintenance is required, during which time the system and services will be unavailable to Client and Client's Users. Synacor will notify Client during this window via email to a designated distribution list of Client employees. Emergency maintenance windows are counted against System Availability percentages.

XVIII. Incident Management

Synacor's Client Support Group will be responsible for the control and management of incident calls and their assignment of priority and escalation to resources within Synacor in their sole and absolute discretion.

When analyzing a case, it is important that the client understand that the Client Support Group will expect the partner or the Users to aid in the analysis by providing any information and performing any actions or tasks requested by the analyst. The client who is not willing to assist the analyst must understand that the case may take longer to solve and will not be included in the measurement of this service level agreement.

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The following priority allocations will apply:

Priority 1 -

These cases are defined as a Synacor system condition where [*] or more of the User population is affected in their ability to access services as a result of outage across a service location, and/or the Synacor system that supports new data subscriber activations is unresponsive.

Time Frame - Response to the client and efforts to resolve the problem will occur within [*] of identification or receipt of notification

Follow-up - Provide updates to the client at appropriate intervals until problem is resolved.

Priority 2 - These cases are defined as a Synacor system condition where less than [*] of the User population is affected in their ability to access services.

Time Frame - Response to the client and efforts to resolve e problem will occur within [*] of identification or receipt of notification

Follow-up - Provide updates to the client every [*] until problem is resolved.

Priority 3 - These cases are problems other than those meeting the specifications of Priority 1 or Priority 2.

Time Frame - Response to the client within [*] of identification or receipt of notification

Follow-up - Provide updates to the client at appropriate intervals until problem is resolved.

Upon the identification of a system event, Synacor will make every commercially reasonable effort to correct the system or service event if the most expeditious manner possible.

XIX. Customer Care Escalations

Escalation and Tracking Process. Synacor will provide and track trouble-call escalations from Client's Technical Support Group. Synacor Customer Service will utilize two (2) escalation methods from Client:

(a) E-mail: Client will e-mail Synacor its request for support: tss@synacor.com A Synacor customer agent will respond to the question with the answer or will issue a Tracking number to each matter that is escalated (as set forth above). The Synacor customer agent will then notify the Client escalation group with the appropriate timeline for any escalation to be resolved.

(b) Phone: Client can reach Client Care group [*] by calling 1-866-535-8286. In the event that a support issue requires Priority 1 treatment, or is otherwise better addressed by a telephone call rather than e-mail, Client may bypass Escalation Level 1 (as defined below) support and apply Escalation Level 3 support and initiate a call directly to a Synacor support specialist. Such calls will be placed solely from the Client escalation group person(s) who is/are responsible for initiating Level 3 support requests. Following each such call, a Client escalation Level 3 support person will send an e-mail confirming all the technical details regarding the issue. Synacor will then follow the same process of tracking such issues via the e-mail Tracking system. Synacor will provide prior written notice to Client of any change in the telephone contact number.

The escalation process begins with the troubleshooting, diagnosis, and resolution processes. As Client's service team receives alerts they will be prioritized by Synacor based on the gravity and urgency of the underlying problem and assigned to a Synacor support technician in accordance with the Synacor Escalation Response Times and the Issue Severity tables set forth below.

Each time Synacor escalates an issue to the next level, Synacor shall send an email confirming escalation. The email shall go to Client's designated contact for the applicable Level.

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Escalation Levels

Level 1 - Email

Technical Support Agent: Synacor Technical Support Agents available [*].

Level 2 — Voice

Support Specialist: If Level 1 issue is not resolved within [*] from the time the issue is reported to Level 1, then Synacor will automatically escalate to Level 2.

Level 3

Support Management: If Level 2 issue is not resolved within [*] from the time the issue is escalated to Level 2, then Synacor will automatically escalate to Level 3.

Level 4

Account Manager: If Level 3 issue not resolved within [*] from the time the issue is escalated to Level 3, then Synacor will automatically escalate to Level 4.

Level 5

Product Management: If Level 4 issue not resolved within [*] from the time the issue is escalated to Level 4, then Synacor will automatically escalate to Level 5.

Level 6

Vice President: If Level 5 issue not resolved within [*] from the time the issue is escalated to Level 5, then Synacor will automatically escalate to Level 6.

Synacor will maintain a table with contact information for the Level 1— Level 6 contacts and will be responsible for keeping it current. The contacts and response times will be distributed to Client and/or provided in Client's administration information section located at admin.Synacor.com.

XX. Reporting

Synacor will provide to Client, through a web-based interface, any and all User reporting that Synacor tracks following a schedule mutually agreed upon by the Parties. Furthermore, Synacor will use its best efforts to provide, through the same web-based interface, access to the following reporting tools, to the extent any of the following data points are not normally tracked by Synacor. All data points below will be differentiated between Business and Consumer Users:

EMAIL USAGE DATA

1. Number of Users (Primary and Secondary)
2. Storage Capacity Used
3. POP vs. Webmail
4. Anti-spam Statistics
5. Total Unread & Deleted Messages

Such reporting tools can be enhanced as mutually agreed at Synacor's standard professional services rate.

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**SCHEDULE G
TO
MASTER SERVICES AGREEMENT
[Reserved]**

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**SCHEDULE H
TO
MASTER SERVICES AGREEMENT
DEVELOPMENT SERVICES**

1. Phase 1 (the time period for Phase 1 shall be set forth in Schedule J).

- A. Support Representative Authentication: With regard to the support tool for Client's support representatives, during Phase 1, authentication will be provided on an individual representative level basis using a proxy to an active directory source managed by Client.
- B. Links to Client Content: Synacor shall provide Client Branded Portal links to Client Content, including Client's "qZone."
- C. Registration Flow: Synacor will provide a registration flow for new Users, but Client will be responsible to either (i) utilize Synacor's standard APIs with Client's Quick Connect integration flow tool for the registration process, or (ii) utilize a walled-garden hand-off to Synacor's registration flow from Client's Quick Connect installation flow tool, as will be further described in Schedule J.

2. Phase 2 (the time period for Phase 2 shall be set forth in Schedule J).

- A. Support Representative Authentication: With regard to the support tool for Client's support representatives, during Phase 2, and provided Client's LDAP is available, Synacor will integrate with Client's LDAP to allow for authentication for single sign-on at an individual representative level.
- B. APIs: Synacor shall provide Client with authentication and session management APIs. These APIs shall be subject to the Portal Availability requirements and credits sections of Schedule F as if they were the Client Branded Portal thereunder. The APIs shall allow Client to: (1) programmatically authenticate Users; (2) distinguish between primary and secondary accounts; (3) link Users back to a Client account; and (4) programmatically manage User sessions.
- C. Account Creation Mask: At Client's request, Synacor will provide an account creation mask that will provide Users that are not HSI Subscribers with a 4 digit number and name.

3. Phase 3 (the time period for Phase 3 shall be set forth in Schedule J).

- A. Integration with Client's "MyAccount" and Parental Controls: Synacor shall integrate Client's "MyAccount" and parental control features into the Client Branded Portal.

**SCHEDULE I
TO
MASTER SERVICES AGREEMENT
HOSTING SERVICES**

1. General.

(a) All aspects of where the hosting of the Services will be provided and how the hosting of the Services will be provided shall be determined in Client's reasonable discretion, provided that Client will discuss any proposed changes thereto with Synacor to the extent such changes have the potential to impact delivery of the Services; Client may change the where or how of hosting on reasonable advance notice to Synacor. The hosting provided by Client includes a high-speed network connection to the Internet via an Ethernet LAN connection from the CPE to the Qwest Communications Corporation ("QCC") backbone through which Synacor will have continuous access, subject to the Hosting SLA set forth in Exhibit 1 to this Schedule I. Neither QC nor QCC exercises any control over Synacor's content (e.g ., text, data, images, sounds, programs, code, etc.) and other materials transmitted through the hosting services hereunder.

2. Hosting Terms.

(a) Premises.

(i) License Grant. Client hereby grants Synacor a limited, personal, non-exclusive, non-transferable license ("License") to, when invited by Client, access the area within a QCC CyberCenter (the "Premises") where the System and Services equipment and Software are hosted, as reasonably necessary in order to install, maintain and operate the System, Software and Services resident in or provided via equipment located in the Premises. Synacor, through its Authorized Representatives (with "Authorized Representative" meaning one of no more than 6 individuals (e.g ., employee, contractor, etc.) that Synacor designates in writing as having authority to access the Premises on Synacor's behalf), may, when permitted, access and use the Premises only for the foregoing purposes and to interconnect with QCC's network.

(ii) Direct Physical Access to Premises. Whenever accessing the Premises, Synacor and its Authorized Representatives will comply with the requirements of any lease, policies, rules and regulations of QCC or its lessor, including, but not limited to, the Qwest Standards for Facility Security and Rules of Conduct (the "Standards") to the extent provided to Synacor by Qwest. Such Standards are subject to change at QCC's sole discretion, and Qwest will provide Synacor with updates as changes are made. The following items are prohibited in the Premises: explosives, tobacco-related products, weapons, cameras (e.g ., video, web, etc.), video tape recorders, hazardous materials, flammable liquid or gases or similar materials, electro-magnetic devices, or other materials or equipment that QCC, at any time and at its sole discretion, deems prohibited. Only Authorized Representatives are permitted to access the Premises on Synacor's behalf. QCC, at its sole but reasonable discretion, may refuse to allow an Authorized Representative to enter the Premises. If refusal of Authorized Representative is unreasonable and is the cause of Service downtime or degradation, Synacor will not be liable for SLA credits under Schedule F to the extent of Client's cause of the downtime or degradation. Authorized Representatives entering the Premises may, at QCC's sole discretion, be required to be accompanied by an authorized employee or agent of QCC (the "Escort"). All of Synacor's work in the Premises will be performed in a safe and workmanlike manner. Synacor and its Authorized Representatives will not alter or tamper with any property or space within the CyberCenter. Synacor's work operations in the Premises may be suspended if, in Escort's sole discretion, any hazardous conditions arise or any unsafe or insecure practices are being conducted. In order to provide Synacor with physical access to the Premises and proximity to equipment owned by third parties, Synacor will at all times during which it or its agents access(es) the Premises, at its own cost and expense, carry and maintain the following insurance coverage with insurers having a minimum "Best's" rating of A VII (A-7): (a) commercial general liability insurance covering claims for bodily injury, death, personal injury, or property damage (including loss of use) occurring or arising out of the license, use or occupancy of the Premises by Synacor, including coverage for premises-operation, products/completed operations, and contractual liability with respect to the liability assumed by Synacor hereunder, with limits not less than \$2,000,000 for each occurrence, \$4,000,000 for general aggregate, \$2,000,000 for products/completed operations, and \$2,000,000 for personal and advertising injury; (b) workers' compensation insurance with statutory

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limits as required in the state(s) of operation and providing coverage for any employee entering onto the Premises, even if not required by statute; (c) employer's liability or "Stop Gap" insurance with limits of not less than \$100,000 each accident; and (d) comprehensive automobile liability insurance covering the ownership, operation, and maintenance of all owned, non-owned, and hired motor vehicles used in connection with travel to, from and around the CyberCenter and Premises, with limits of at least \$1,000,000 per occurrence for bodily injury and property damage. The insurance limits required herein may be obtained through any combination of primary and excess or umbrella liability insurance. Synacor will forward to Client certificate(s) of such insurance upon the effectiveness of this Schedule and upon any renewal of such insurance during the term. The certificate(s) will provide that: (x) Client and QCC be named as additional insured; (y) 30 days prior written notice of cancellation, material change or exclusion to any required policy will be given to Client; and (z) coverage is primary and not excess of, or contributory with, any other valid and collectible insurance purchased or maintained by Client or QCC. If Client moves the hosting services to a different facility, Synacor may be required to obtain different or additional insurance and/or to have additional parties named as additional insureds.

(iii) Remote Access. Subject to subsection (iv), below, Synacor will be given by Client the continuous ability to remotely access the System, Software and Services resident in or provided via equipment located in the Premises. Such remote access shall be conducted at all times in accordance with industry standard practices with regard to the safety, security and integrity of the System, Software and Services and all equipment in the Premises. Synacor's remote access may be suspended if, in Client's sole and reasonable discretion, any hazardous conditions arise or any unsafe or insecure practices are being conducted.

(iv) Synacor may not use any Client or QCC equipment or the Premises for any purposes other than as minimally necessary to do so in order to fulfill its obligations under the Agreement. SYNACOR UNDERSTANDS AND AGREES THAT, TO THE EXTENT IT DISTURBS, INTERRUPTS OR DAMAGES ANY QCC OR CLIENT EQUIPMENT OR PROPERTY IN THE PREMISES WHILE ACCESSING (DIRECTLY OR REMOTELY) THE PREMISES OR THE SOFTWARE OR SYSTEMS OR EQUIPMENT IN THE PREMISES UPON WHICH THE SERVICES RESIDE OR ARE PROVISIONED, SYNACOR SHALL HAVE FULL RESPONSIBILITY AND LIABILITY FOR SAME AND SHALL NOT BE RELIEVED OF ANY OBLIGATIONS IN THE AGREEMENT RELATED TO THE PERFORMANCE OF THE SERVICES, INCLUDING, BUT NOT LIMITED TO, THE OBLIGATIONS IN SCHEDULE F. Synacor will defend, indemnify, and hold harmless Client and QCC and their Affiliates and contractors from any third party Claims arising out of or related to any damages caused by Synacor, its Authorized Representatives, employees, agents or contractors to any part of the CyberCenter or the equipment, data or networks of Client, QCC or QCC's customers.

(b) Maintenance. QCC will conduct routine, scheduled maintenance within its CyberCenters, during which time the Premises and equipment, Software and Systems therein may be inaccessible by Synacor or unable to transmit or receive data. QCC or Client will notify Synacor at least 2 business days prior to such maintenance being performed, and of the potential implication or impact thereof. Client shall not be entitled to any credits under Schedule F to the extent any downtime or degradation of the Software, Systems, or Services occurs as a result of such maintenance. Client and/or QCC may periodically enter the Premises to conduct routine or emergency inspections of the space and all equipment located therein.

(c) Disclaimer of Warranties. CLIENT AND QCC DISCLAIM ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF TITLE, NONINFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE, RELATED TO THE HOSTING AND OTHER SERVICES PROVIDED UNDER THIS SCHEDULE.

(d) Escalations. Initial hosting escalation calls/requests shall be made to QCC's First Touch Response ("FTR") desk at [*]. FTR will escalate as necessary with a QCC manager. [*] should also be contacted or copied on all calls/requests. Additional escalation contacts may be provided by Client, as appropriate, at installation of Synacor software/equipment in the CyberCenter. When making escalation calls/requests, Synacor shall define the nature of the emergency in accordance with the following tables:

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Table 1: Trouble Ticket Severity Level Definitions

Severity	Description	Example
1 Trouble	Entire CyberCenter affected	<ul style="list-style-type: none"> Multiple network circuit outage Router/switch problem Network outage
2 Trouble	<ul style="list-style-type: none"> Multiple customers affected Single customer server(s) inoperable Web site inaccessible QCC-managed firewall inoperable Hacking issue <p>All backups for all customers in one CyberCenter failed to start and/or complete.</p>	<ul style="list-style-type: none"> Multiple servers down for multiple customers Server(s) down for single customer Web site down QCC-managed firewall down Master backup servers down Entire silo down
3 Trouble	<ul style="list-style-type: none"> Partial server outage Single client hardware device impaired Customer software application issue Network latency Customer firewall partially impaired Scheduled backup failed within customer's defined backup window (single or multiple customers, but not all customers in CyberCenter) QCC internal machine impairments or outages HPOV configuration issues <ul style="list-style-type: none"> QCC finds that it is monitoring an invalid IP QCC finds that it is not monitoring all the IPs that belong to the customer (customer added one, but QCC didn't know that QCC needed to be monitoring because QCC wasn't notified) 	<ul style="list-style-type: none"> Hardware on server is inoperable (drive, CPU board, or memory chip) Third party software application issue (Cold Fusion, database or email issue, application release caused server impairment) High disk usage High CPU utilization Web site accessible, but customer is having problems with their firewall. QCC internal machines, such as jumpstarts, BUNS, syslogs are impaired or down completely Received alarm on invalid or incorrect IP Master server down when no backups are running.

Table 2: Request, Informational, and Question Ticket Types and Severity Levels

Request, Informational, and Question tickets are all coded as severity 4. All service requests are coded as Requests; Informational Tickets are company records of events that serve to inform the organization of non-service impacting issues. Table 2 shows examples of each ticket type. Although NTM allows users to open Question tickets, Hosting Operations does not recognize them and all customer questions or requests for information should be opened as Request tickets.

Ticket Type	Example
Severity 4 – Informational	<ul style="list-style-type: none"> • Scheduled backup failed on first or second attempt, but the re-scheduled backup was completed within the customer’s defined backup window • Alarm created by monitoring applications, but there was no problem found after troubleshooting. • Server inoperable due to maintenance work performed by customer • Server removed or uninstalled by Qwest or QCC • Customer contacts FTR to inform that they are performing maintenance on their Basic or Enhanced machine • CyberCenter contacts FTR to inform of customer escort
Severity 4 – Request	<ul style="list-style-type: none"> • All service requests such as the following: <ul style="list-style-type: none"> • Reboot on a machine that is operable • Restore (data, web page, application) • Run backup • New IP address • Modification of HOT data • After Action Report • CyberCenter or CyberCentral tour
Question	<ul style="list-style-type: none"> • All Question tickets should be opened as Request tickets

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Exhibit 1
To
Schedule I
of the
Master Services Agreement

Hosting and Network SLA

1. Definitions. Unless defined herein, capitalized terms will have the definitions assigned to them in the Agreement or as defined in an applicable Schedule thereto.

2. Hosting SLA. The Service Level Agreements (“SLAs”) applicable to the hosting services obtained by Client are as set forth below. Client will provide Synacor with dedicated bandwidth to access the hosting facilities provided by Client and Client’s equipment therein dedicated to the Synacor Services (as described in this Schedule) with [*] average service availability (uptime) measured during each calendar month (the “Hosting SLA”).

3. Service Credit Exceptions; Maximum Credits. Service credits will not be available in cases where the Hosting SLA is not met as a result of: (i) the negligence, acts, or omissions of Synacor, its authorized representatives, employees, contractors, or agents, including, without limitation, any breach of the obligations of Synacor under the Agreement; (ii) the failure or malfunction of equipment, applications or systems not owned, leased, licensed, or operated by Client; (iii) scheduled maintenance, alteration, or implementation (provided that Client provides prior notice as required by the Agreement); or (iv) the inability of Synacor to access Client’s equipment or the dedicated bandwidth used to access the hosting facility attributable to problems with the Synacor APIs, internal systems, software, hardware not hosted within the Client obtained hosting facilities, third party attacks of any kind, or internet failure. The Hosting SLAs only apply to dedicated bandwidth and hosting services obtained by Client for the hosting of Client equipment dedicated to the Client Branded Portal and e-mail Service. Accordingly, Synacor is solely responsible for administering and managing all aspects of its application(s). There are no SLAs associated with the availability (or unavailability), administration, or management of Synacor’s applications, database tables, or other internal features. Synacor’s remedies for any and all claims relating to the hosting services provided by Client will be limited to those set forth in this Hosting SLA.

4. Credits. If Client fails to meet the Hosting SLAs, as measured by Synacor or QCC, Synacor shall be entitled to a service credit in the amount of: [*] Additionally, Synacor shall be relieved of its obligation to pay credits under Schedule F to the extent such obligation would otherwise result from Client’s failure to meet the Hosting SLAs.

5. Credit Requests. To receive Hosting SLA credits, Synacor must request such credit from Client (based upon monthly reporting to be provided by Client during the monthly service quality meetings) within 30 calendar days from the date the relevant Hosting SLA goal was not met. A credit will be applied only to the month in which the event giving rise to the credit occurred. Outages spanning month-end will be handled as a single outage and credited appropriately.

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**SCHEDULE J
TO
MASTER SERVICES AGREEMENT**

[Reserved]

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**SCHEDULE K
TO
MASTER SERVICES AGREEMENT
[Reserved]**

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**SCHEDULE L
TO
MASTER SERVICES AGREEMENT**

[reserved]

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**SCHEDULE M1
TO
MASTER SERVICES AGREEMENT**

List of Competitors

[*]

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

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**SCHEDULE M2
TO
MASTER SERVICES AGREEMENT**

List of Competitors

Suppress ads and paid search results from the following Client competitors:

[*]

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

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**AMENDMENT #1
TO
AMENDED AND RESTATED MASTER SERVICES AGREEMENT**

This Amendment (“Amendment”) effective July 1, 2012 (“Amendment Effective Date”) is between **Synacor, Inc.** (“Synacor”) and **Qwest Corporation** on behalf of itself and as agent for its Affiliates (“Client”) under which the parties hereto mutually agree to modify and amend the **Amended and Restated Master Services Agreement**, with an effective date of January 1, 2012 (including the exhibits, schedules and amendments thereto, the “Agreement”). All terms defined herein shall be applicable solely to this Amendment. Any capitalized terms used herein, which are defined in the Agreement and not otherwise defined herein, shall have the meanings ascribed to them in the Agreement.

Whereas, the parties desire to revise the Effective Date of the Agreement.

Therefore, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

- 1.0 Effective Date:** The Effective Date of the Agreement is changed from January 1, 2012 to April 1, 2012.
- 2.0 Financial Terms.** Each reference to [*] in Sections 4(b)(i) and 4(b)(ii)(A) and 4(b)(ii)(B) of Schedule A, is hereby changed to [*].
- 3.0 General**

Other than as set forth above, the Agreement remains unchanged and in full force and effect. If there is a conflict between the terms of the Agreement and this Amendment No. 1, this Amendment No. 1 will control.

This Amendment No. 1 executed by authorized representatives of Qwest and Synacor incorporates the terms and conditions of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the Amendment Effective Date.

SYNACOR, INC.

**Qwest Corporation on behalf of itself and as agent for its
Affiliates:**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

AMENDMENT # 2

TO

MASTER SERVICES AGREEMENT

This Amendment (“Amendment”) effective as of August 23rd, 2012 (“Amendment Effective Date”) is between **Synacor, Inc.** (“Synacor”) and **Qwest Corporation** (“Client”) under which the parties hereto mutually agree to modify and amend the **Amended and Restated Master Services Agreement**, dated January 1, 2012 (including the exhibits, schedules and amendments thereto, the “Agreement”). All terms defined herein shall be applicable solely to this Amendment. Any capitalized terms used herein, which are defined in the Agreement and not otherwise defined herein, shall have the meanings ascribed to them in the Agreement.

Therefore, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1.0 Schedule N: Attached hereto is Schedule N to the Agreement.

2.0 Scope of Amendment: This Amendment supersedes all proposals, oral or written, all negotiations, conversations, or discussions between or among parties relating to the subject matter of this Amendment and all past dealing or industry custom. This Amendment shall be integrated in and form part of the Agreement upon execution. All terms and conditions of the Agreement shall remain unchanged except as expressly modified in this Amendment; and the terms of the Agreement, as modified by this Amendment, are hereby ratified and confirmed. Where the terms of the Agreement conflict with those of this Amendment, however, the terms of this Amendment shall control. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the Amendment Effective Date.

SYNACOR, INC.

QWEST CORPORATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**SCHEDULE N
TO
MASTER SERVICES AGREEMENT**

The following are the terms and conditions upon which Synacor will provide Client the TV Everywhere Services.

1. Definitions.

- (a) **“Active User”** means a customer of Client that, within a given calendar month, is either (i) authenticated by Synacor as an Entitled User on a Programmer’s Property, or (ii) authenticated by Synacor as an Entitled User on the Client Branded Portal and, pursuant to such authentication, clicks on Programmer Content.
 - (b) **“CDN”** means content delivery network.
 - (c) **“Channel”** means an online counterpart to a single television channel. For example: ESPN1 and ESPN2 are each single television channels, and all Programmer Content associated with such television channels that is to be provided online shall be considered a Channel. Any given Programmer may own the rights to Programmer Content on a number of Channels.
 - (d) **“Client Branded Portal”** means the web portal provided by Synacor pursuant to the Agreement.
 - (e) **“Entitled User”** means a residential video subscriber that, based on data provided by Client to Synacor, is authorized to receive the relevant Programmer Content.
 - (f) **“GUID”** means a globally unique identifier
 - (g) **“Programmer”** means a provider of Programmer Content.
 - (h) **“Programmer Content”** means television video programming accessible online only by authenticated users, and any logos, trademarks, service marks, meta data, or other materials owned and/or made available by a Programmer.
 - (i) **“Programmer Launch Date”** shall have the meaning set forth in Section 3 of this Schedule N.
 - (j) **“Programmer Property”** means any mutually agreed digital device, application, or technology provided by a given Programmer on which end users will be able to authenticate as an Entitled User through the TV Everywhere Service pursuant to this Schedule N, which may include Programmer’s website, smart phone or tablet application, Smart TV, or other mutually agreed upon device, application, or technology provided by Programmer.
 - (k) **“SES”** means the Synacor Entitlement System that is a modular mediation platform.
 - (l) **“Transition Period”** shall have the meaning set forth in Section 7(f) of this Schedule N.
 - (m) **“Transition Services”** shall have the meaning set forth in Section 7(f) of this Schedule N.
 - (n) **“TV Everywhere Service(s)”** shall have the meaning set forth in Section 2 of this Schedule N.
2. **TV Everywhere Service** – Client desires to provide a subset or all of its subscribers the opportunity to consume Programmer Content online pursuant to the subscriber’s agreement with Client and Client’s agreement with the applicable Programmers, and to define the criteria by which such consumption will be made available to its subscribers. Synacor will provide an authentication and entitlement service whereby the criteria of eligibility for subscribers will be determined from data provided by Client to Synacor combined with data received by Synacor from Programmers. Such determination will then be communicated as appropriate to enable subscribers to consume relevant associated Programmer Content.

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Subject to the terms and conditions of the Agreement, Synacor shall provide its authentication and entitlement service and other related services as described in Schedule N(1) attached hereto (the “TV Everywhere Services”). [*]

3. **Determination of Programmer launch dates** – The parties shall work together to determine target dates for the TV Everywhere Services to first become operational with regard to each Programmer (the “Programmer Launch Date”) on the Client Branded Portal and/or the Programmer’s Properties. Client agrees not to commit to a Programmer Launch Date for any Channel with any Programmer without Synacor’s input and agreement.
4. **Additional Services** – Upon mutual agreement of the parties, Synacor will provide additional services relating to the delivery of Programmer Content (e.g. , hosting, storage, bandwidth, encoding, transcoding, DRM, and CDN services). In such event, the Client and Synacor will negotiate in good faith any costs and fees associated therewith.
5. **Limitations** –
 - (a) Client acknowledges and agrees that Synacor will not be responsible for, nor liable in connection with (a) the quality, or substance of Programmer Content; (b) Client’s or any Programmer’s negligence, acts or omissions; (c) communications or technical failures outside of Synacor’s facilities, unless caused by Synacor; (d) availability of Programmer Content not hosted by Synacor; (e) incorrect data provided by Client or a Programmer; or (f) any issue outside of Synacor’s control.
 - (b) Client acknowledges and agrees that integration of Programmer Content from certain Programmers may require such Programmer’s prior consent, and Client shall be responsible for obtaining such consent. Synacor shall not be liable for any delays resulting from failure of a Programmer to provide such consent.
 - (c) Client acknowledges and agrees that the TV Everywhere Service, and the fee associated therewith (if applicable), does not include Synacor providing access to content on the Client Branded Portal that is not television based video. Any other video, premium, or other content that the Client would like Synacor to include on the portal will be governed by the rest of the Agreement or a separate amendment as necessary, and may be subject to a separate fee as mutually agreed by the parties.
6. **Client responsibilities:**
 - (a) **Client Cooperation** - Client agrees to provide Synacor reasonable cooperation, assistance, information and access related to integrating each of the Programmers and throughout the Term of this Schedule N, and that failure to do so may negatively impact Synacor’s provision of the TV Everywhere Service. In such event, Synacor shall be excused from such performance to the extent Client’s unreasonable action or omission or those of Client subcontractors or agents has solely caused a delay in or otherwise prevented Synacor’s performance hereunder.
 - (b) **Provision of Programmer Content** - Client will ensure that the Programmer makes available or, as appropriate, provides all Programmer Content and all related players and other third party products or services (including updates thereto and maintenance thereof) necessary to display the Programmer Content as contemplated by this Schedule N.
 - (c) **Rights to Programmers’ Content** - Client shall ensure that it has all rights and licenses necessary from all Programmers with which it wishes Synacor to integrate its SES (a) to allow Synacor to perform its obligations under this Schedule N, (b) to allow Client’s subscribers to access, view, or consume such Programmer’s Content on Client’s website(s), and if agreed between Client and Programmer, then on Programmer’s Properties, (c) to utilize or allow Synacor to utilize all embedded players and other third party products or services necessary to display the Programmer Content as contemplated by this Schedule N, and (d) to allow Synacor to display Programmer trademarks,

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service marks, or other logos for the purpose of providing the TV Everywhere Services. Client hereby grants Synacor such rights and licenses as necessary for Synacor to perform its obligations hereunder. Although Synacor is not obligated to begin integration of the TV Everywhere Service related to any Programmer with whom Client does not yet have an agreement in place granting Client the rights set forth above, Synacor agrees to work cooperatively with Client in an effort to achieve mutually agreeable time lines for integration and launch. If at any time during the Term of the Agreement, such rights or licenses terminate or are modified in any way that affects the Services provided hereunder; Client will provide Synacor written notice thereof within no more than [*] after Client becomes aware of such termination or modification. If the termination or modification will be effective in less than [*] from the date Client becomes aware thereof, Client will provide notice to Synacor immediately upon its awareness thereof. In the event such rights or licenses are terminated, Client will promptly modify its backend systems to disallow Client's subscribers from accessing, viewing or consuming Programmer's Content on Client's website and such Programmer's Properties using the SES. If such rights or licenses are modified, Client will make the necessary changes to comply with such modification.

- (d) **TV Everywhere Data** - Client understands and agrees that the authorization that occurs through the TV Everywhere Services is based on Client's data that identifies which end users are authorized to access certain Programmer Content online because of their subscription to the relevant television channel or otherwise. Client will ensure that it accurately maintains its data with regard thereto, provides Synacor continuous access to such data, and will not, at any time, permit access to the Programmer Content to any end users who are not entitled to such access. Synacor agrees that such data is owned by Client, and Synacor shall only have the right to use such data to fulfill its obligations under this Schedule N and the Agreement. Client shall also ensure that each Programmer provides Synacor the necessary Programmer Content, data and assistance to perform the integration with such Programmer, and that the data provided by each Programmer is accurate.
- (e) **Compliance with Programmer Requirements** - Programmers may from time to time, require Synacor to pass through to Client certain requirements in order to allow the integration of such Programmer's Content with the SES. To the extent a Programmer has specified any such requirements to Synacor, Synacor will provide Client a separate attachment to this Schedule N specifying such Programmer requirements. If Client wishes to allow its end users access to such Programmer Content online, such attachment will be executed by the parties and become a part of this Schedule N.
- (f) **Test Accounts** - Client will, upon Synacor's request, supply test accounts to enable Synacor to effectively test (in test and production environments) all software releases related to the TV Everywhere Services. The number of test accounts provided and the specific attributes of these accounts will be determined in Synacor's reasonable discretion by the overall functionality that must be tested. These accounts are to be maintained by Client throughout the Term for the testing of regular software releases and monitoring of the product functionality in the live environment. As account profiles change and functionality is added, Client will provide additional test accounts or modify existing test accounts as reasonably requested by Synacor. Client understands and agrees that without the test accounts, Synacor is not able to properly test and monitor the proper functioning of the software underlying the TV Everywhere Services and Client's specific implementation thereof.

7. TV Everywhere Services Term, Removal of Programmers, and Transition upon Termination.

- (a) **TV Everywhere Services Term** – Subject to clause (b) below, the term for TV Everywhere Services shall commence as of the Amendment Effective Date and shall continue thereafter in full force and effect [*].
- (b) [*].

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- (c) **Client's Request to Remove Individual Programmers** - Except with regard to termination of Client's rights in Programmer Content which is addressed in Section 6(c), Client shall have the right to request that Synacor disable the Client's integration of the SES with a given Programmer or Channel upon thirty (30) days notice to Synacor.
- (d) **Synacor's Right to Remove Individual Programmers** - Synacor shall have the right to disable any integration with any Programmer's Content upon prior notice to Client: (i) if Synacor reasonably believes the distribution of such Content would result in the violation of third party intellectual property rights; (ii) in the event a Programmer ceases to produce or distribute such Content, (iii) if an agreement between Synacor and a Programmer, that gave Synacor the right to integrate with any Programmer's Content, expires or terminates; [*] (iv) if the Programmer Content or the integration is causing the SES Platform or the TV Everywhere Services to malfunction, (v) the Programmer Content does not display properly (unless such issue is caused by Synacor), or (vi) if Synacor's right to integrate such Programmer Content otherwise ceases. In each case, Synacor will give Client as much notice as is reasonably practical in such circumstances and, if the circumstances allow, will work with Client in good faith to resolve issues prior to disabling any integration.
- (e) **Limited Termination Right** - If Synacor through no fault of Client is unable or unwilling to (i) integrate a particular Programmer for which Client has requested TV Everywhere Services, or (ii) develop the SES to authenticate and authorize users for the purpose of TV Everywhere to view Programmer Content within other Client applications and/or on other Client web sites (provided that for any non-standard integration, such development may be subject to a reasonable, mutually agreed upon fee), then within thirty (30) days after Synacor has so notified Client or 90 days after Client has requested such development, whichever is earlier, Client shall have the right to terminate this Amendment by delivering written notice thereof to Synacor. Such termination will become effective thirty (30) days after Synacor's receipt of the termination notice.
- (f) **Transition Services** - Upon the expiration or termination of this Amendment for any reason other than Client's breach or if Synacor removes a Programmer pursuant to Section 7(d), Client shall have the right, at its option, to require that Synacor continue providing the TV Everywhere Services, in whole or in part (the "Transition Services") for a period not to exceed [*] from the date of such expiration or termination in order that Client may achieve an orderly transition of such Services to another vendor (the "Transition Period"). The terms and conditions upon which Synacor shall provide such Transition Services, shall be the same terms and conditions as shall have been in effect on the day preceding the date of such expiration or termination; provided, however, that in the event that Synacor terminated the TV Everywhere Services or the Agreement for cause due to Client's failure to pay any amounts due and owing to Synacor, then Client shall be required to pay any outstanding amounts prior to Synacor providing such Transition Services unless such amounts are in dispute, in which case Client shall be required to place all outstanding amounts in escrow with an independent third party pending resolution of such dispute.

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8. [*].
9. **Press Release** – The parties agree to put out a press release related to the relationship established hereunder within [*] after the launch of the first Programmer, pending approval from Client’s corporate communications of the final language of the press release.
10. **TV Everywhere Indemnities** - Client shall indemnify, defend and hold Synacor harmless from and against any and all costs, damages, expenses and other losses, including reasonable attorney’s fees suffered or incurred by Synacor relating to any third party claim arising out of or relating to (a) any claim that any Programmer Content infringes the intellectual property rights of any third party, (b) any claim that any Programmer Content is defamatory, obscene or unlawful, (c) violation of Client’s obligations under Section 6(c) of this Schedule N, (d) the inaccuracy of any of the Client-provided data related to the TV Everywhere Services, (e) Synacor’s disabling of an integration with any given Programmer at Client’s request, or (f) any representation, warranty or offer concerning the TV Everywhere Services made by Client or by an employee, agent or authorized representative of Client to any user, Programmer, or other third party that is not in accordance with this Schedule N.

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

**SCHEDULE N(1)
OF THE
SYNACOR MASTER SERVICES AGREEMENT
TV EVERYWHERE SERVICES DESCRIPTION**

The following is a description of the TV Everywhere Service as it will be initially provided to Client. Synacor may update the processes, procedures, tools or technologies it uses from time to time, but the fundamental nature of the TV Everywhere Service will remain consistent unless mutually agreed by the parties.

1. **TV Everywhere System Overview:** Synacor shall provide to Client under the terms and conditions of the Agreement, the TV Everywhere Services utilizing the SES. The SES performs the following functions:
 - Act as identity provider (IdP) to Programmer Properties and other service providers (SPs) authenticating users [*] provided to users by Client.
 - Provide a login page as described in Section 2 below to support the above, branded as desired by the Client and in agreement with Programmers
 - Answer authorization queries regarding content and services to which an authenticated user is entitled based on their current active subscription with Client.
 - Provide to Programmers designated by Client authentication and authorization information related to both [*] as needed and as possible given the [*].
 - Integrate with Client backend systems for both [*].
 - Provide additional user data to Programmers, such as parental control settings, as authorized by Client.
 - Cache data from the Client systems as desired by Client to reduce load on Client backend systems.
 - Provide a rules engine to support additional flexibility in the authorization communication between Client and Programmers.
 - Provide via the Client Branded Portal and other delivery mechanisms a user interface to display[*] as provided by Programmer or other content providers, and enable appropriately authenticated and authorized users to find and view Programmer Content.
 - Ingest metadata to support the User experience on the Client Branded Portal, and availability of such data via APIs as needed by Client.
 - [*].

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

2. Integration of the SES Platform with Programmer's Properties :

Synacor will integrate the Programmers' Properties into the Synacor identity federation such that when the Programmer initiates a request utilizing SAML or other secure authentication and authorization integration technologies and protocols, the Client login page will appear in an iframe on the Programmer web page. Such login page will be branded as agreed upon between the Client and Programmer, including possible co-branding with Client's logo and Programmer logo. The user will enter his/her credentials into such login page, and the SES platform will communicate with Client's backend systems to verify the credentials.

Upon successful login, the SES platform generates a Secure response and redirects the user (from within the iframe) to the requesting Programmer Property. The Programmer Property receives the secure response with a success status and a GUID for the user. The Programmer Property can then use this identifier to create a session on the Programmer Property, honoring any agreed-upon rules for session length.

After authentication, the Programmer Property can then issue an authorization call directly to the SES platform to confirm that the user's subscription contains the required products; the typical case will confirm that the user is authorized to receive a requested channel or set of channels. [*] can be in any one of many web services protocols and contains the [*], among other information. The SES platform matches the GUID[*], queries the source billing and channel line-up systems for Client, and returns a response indicating if the user has the appropriate subscription.

Depending on the response, the Programmer Property will allow access to the Programmer Content or display an agreed upon message that might be an error message or an up-sell message.

Synacor shall revise and/or upgrade existing integrations with each Programmer as often as reasonably required by each Programmer, provided such revisions and/or upgrades are relatively standard in nature and would not negatively affect the Service or the integrations with Client or other Programmers.

3. Client Backend Integration with the SES Platform:

For the purposes of authentication and authorization, the Client will supply appropriate APIs or interfaces to integrate with the SES platform. The parties will mutually agree to the appropriate authentication integration method, but regardless of such integration method, Client will be insulated from the specifics of the Secure communication with each Programmer Property. Only the integration between the Client and the mediation platform will be necessary, which need not involve integration with the Synacor identity federation or use of SAML or similar technologies.

4. Availability of Programmer Content on Client Branded Portal [*]

Synacor will integrate the Client Branded Portal with the SES to properly authenticate and authorize users to view Programmer Content on the Client Branded Portal. Synacor will provide a TV/Video based channel on the portal and a full search and discovery experience using the metadata provided by Programmers. Synacor will work with Client and Programmers to promote Programmer Content as approved by the Client. Where a Programmer has required specific display of metadata and promotion of assets on the Client Branded Portal, Synacor will work with Client in a commercially reasonable manner, to assist Client with its compliance with such requirement and determine the final disposition of the Client Branded Portal, display of metadata, and User experience. However, Client agrees that upon receipt of any such specific requirements from the Programmer, it will collaborate with Synacor prior to committing to such requirements to determine if such requirements are reasonable and achievable. [*].

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

5. [*]

6. [*]

[*] CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CERTIFICATION

I, Ronald N. Frankel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synacor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2012

/s/ Ronald N. Frankel
Chief Executive Officer

CERTIFICATION

I, William J. Stuart, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synacor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2012

/s/ William J. Stuart

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald N. Frankel, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Synacor, Inc. on Form 10-Q for the quarterly period ended September 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Synacor, Inc.

Date: November 14, 2012

/s/ Ronald N. Frankel
Ronald N. Frankel
President and Chief Executive Officer
(Principal Executive Officer)

I, William J. Stuart, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Synacor, Inc. on Form 10-Q for the quarterly period ended September 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Synacor, Inc.

Date: November 14, 2012

/s/ William J. Stuart
William J. Stuart
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Synacor, Inc. and will be retained by Synacor, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. This certification “accompanies” the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company 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 the Form 10-Q), irrespective of any general incorporation language contained in such filing.