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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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	**16-1542712**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**
40 La Riviere Drive, Suite 300 **Buffalo, New York**	**14202**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (716) 853-1362

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 August 3, 2018, there were 38,965,241 shares of the registrant's common stock outstanding.

SYNACOR, INC. AND SUBSIDIARIES

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PART I. FINANCI AL INFORMATION

ITEM 1. CONDENSED CONSOLI DATED FINANCIAL STATEMENTS

SYNACOR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
AS OF JUNE 30, 2018 AND DECEMBER 31, 2017
(In thousands except for share and per share data)

	June 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,954	$ 22,476
Accounts receivable, net of allowance of $100 and $99, respectively	21,754	31,696
Prepaid expenses and other current assets	5,702	4,516
Total current assets	42,410	58,688
PROPERTY AND EQUIPMENT, net	20,400	20,505
GOODWILL	15,947	15,955
INTANGIBLE ASSETS, net	11,624	12,695
OTHER ASSETS	623	937
Total assets	$ 91,004	$ 108,780
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 16,527	$ 25,931
Accrued expenses and other current liabilities	5,929	7,075
Current portion of deferred revenue	8,443	11,605
Current portion of capital lease obligations	2,364	2,444
Total current liabilities	33,263	47,055
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATIONS	2,188	3,371
DEFERRED REVENUE	2,442	3,682
DEFERRED INCOME TAXES	145	264
OTHER LONG-TERM LIABILITIES	102	63
Total liabilities	38,140	54,435
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock – par value $0.01 per share; authorized 10,000,000 shares; none issued	—	—
Common stock – par value $0.01 per share; authorized 100,000,000 shares; 39,704,820 shares issued and 38,856,066 shares outstanding at June 30, 2018 and 39,625,980 shares issued and 38,783,760 shares outstanding at December 31, 2017	393	396
Treasury stock – at cost, 848,754 shares at June 30, 2018 and 842,220 shares at December 31, 2017	(1,893)	(1,881)
Additional paid-in capital	143,720	142,486
Accumulated deficit	(89,152)	(86,627)
Accumulated other comprehensive loss	(204)	(29)
Total stockholders' equity	52,864	54,345
Total liabilities and stockholders' equity	$ 91,004	$ 108,780

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

SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In thousands except for share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
REVENUE	$ 35,923	$ 31,216	$ 68,838	$ 57,756
COSTS AND OPERATING EXPENSES:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	18,256	14,462	33,473	27,024
Technology and development (exclusive of depreciation and amortization shown separately below)	6,069	6,904	12,756	14,202
Sales and marketing	6,904	6,185	12,840	12,846
General and administrative (exclusive of depreciation and amortization shown separately below)	4,320	4,361	9,337	8,325
Depreciation and amortization	2,444	2,224	4,879	4,408
Total costs and operating expenses	37,993	34,136	73,285	66,805
LOSS FROM OPERATIONS	(2,070)	(2,920)	(4,447)	(9,049)
OTHER (EXPENSE) INCOME	(133)	67	(14)	73
INTEREST EXPENSE	(88)	(114)	(185)	(201)
LOSS BEFORE INCOME TAXES	(2,291)	(2,967)	(4,646)	(9,177)
INCOME TAX PROVISION	293	309	313	755
NET LOSS	$ (2,584)	$ (3,276)	$ (4,959)	$ (9,932)
NET LOSS PER SHARE:				
Basic	$ (0.07)	$ (0.09)	$ (0.13)	$ (0.29)
Diluted	$ (0.07)	$ (0.09)	$ (0.13)	$ (0.29)
WEIGHTED AVERAGE SHARES USED TO COMPUTE NET LOSS PER SHARE:				
Basic	38,823,056	37,284,973	38,808,690	34,228,367
Diluted	38,823,056	37,284,973	38,808,690	34,228,367

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

SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS – UNAUDITED
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net loss	$ (2,584)	$ (3,276)	$ (4,959)	$ (9,932)
Other comprehensive income:				
Changes in foreign currency translation adjustment	(111)	(1)	(175)	44
Comprehensive loss	$ (2,695)	$ (3,277)	$ (5,134)	$ (9,888)

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

SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In thousands)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,959)	$ (9,932)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,879	4,408
Capitalized software impairment	—	256
Stock-based compensation expense	1,090	1,323
Provision for deferred income taxes	(119)	219
Increase in estimated value of contingent consideration	—	107
Changes in operating assets and liabilities:		
Accounts receivable, net	9,942	9,611
Prepaid expenses and other assets	(882)	(136)
Accounts payable	(9,479)	(3,132)
Accrued expenses and other liabilities	(1,107)	(3,436)
Deferred revenue	(1,946)	(764)
Net cash used in operating activities	(2,581)	(1,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,978)	(3,576)
Net cash used in investing activities	(3,978)	(3,576)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from offering of common stock, net of underwriting costs	—	20,258
Payments of public offering issuance costs	—	(212)
Repayments of long-term debt	—	(5,000)
Repayments on capital lease obligations	(867)	(701)
Proceeds from exercise of common stock options	103	786
Treasury stock received to satisfy minimum withholding liabilities	(12)	(117)
Deferred acquisition payments	—	(1,300)
Net cash (used in) provided by financing activities	(776)	13,714
Effect of exchange rate changes on cash and cash equivalents	(187)	6
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,522)	8,668
Cash and cash equivalents, beginning of period	22,476	14,315
Cash and cash equivalents, end of period	$ 14,954	$ 22,983
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 175	$ 109
Cash paid for income taxes	$ 185	$ 394
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Property, equipment and service center contracts financed under capital lease	$ —	$ 3,488
Minimum capital lease payments in accounts payable	$ 436	$ —
Accrued property and equipment expenditures	$ 208	$ 550
Stock-based compensation capitalized to property and equipment	$ 36	$ 86

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

1. The Company and Summary of Significant Accounting Principles

Synacor, Inc., together with its consolidated subsidiaries (collectively, the “Company” or “Synacor”), is the trusted technology development, multiplatform services and revenue partner for video, internet and communications providers, device manufacturers, governments and enterprises. Synacor enables its customers to provide their consumers engaging, multiscreen experiences and advertising to their consumers that require scale, actionable data and sophisticated implementation.

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 (“U.S. GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. 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.

The accompanying condensed consolidated balance sheet as of December 31, 2017 was derived from the audited financial statements as of that date, but does not include all the information and footnotes required by U.S. GAAP. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Accounting Estimates —

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. The Company bases its 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 June 30, 2018 and December 31, 2017, the Company had concentrations equal to or exceeding 10% of the Company’s accounts receivable as follows:

	Accounts Receivable	
	June 30, 2018	December 31, 2017
Google advertising affiliate	*	16%
Google search	*	7%
Advertising customer	*	12%

* - Less than 10%

For the three months and six months ended June 30, 2018 and 2017, the Company had concentrations equal to or exceeding 10% of the Company’s revenue as follows:

	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Google search	14%	16%	14%	14%
Google advertising affiliate	12%	21%	14%	17%

* - Less than 10%

For the three months and six months ended June 30, 2018 and 2017 , the following customers received revenue-share payments equal to or exceeding 10 % of the Company's cost of revenue:

	Cost of Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Customer A	*	13%	*	16%
Customer B	30%	18%	26%	10%
* - Less than 10%				

Recent Accounting Pronouncements —

Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* which amends lease accounting by lessors and lessees. This new standard will require, among other things, that lessees recognize a right-to-use asset and related lease liability for all significant financing and operating leases, and specifies where in the statement of cash flows the related lease payments are to be presented. The standard is effective for years beginning after December 15, 2018, including interim periods within those years (beginning in calendar year 2019 for the Company), and early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements, but currently expects that all of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon the adoption of ASU 2016-02, which will increase the total assets and total liabilities that it reports as compared to those reported prior to adoption. The Company will adopt the standard on the required effective date, which for the Company will be January 1, 2019.

Recently Adopted

On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under Topic 606; however, prior period amounts are not adjusted and continue to be reported in accordance with the accounting standards in effect for those periods. The Company recorded a reduction to the opening balance of the accumulated deficit of $2.5 million as of January 1, 2018 due to the cumulative impact of the adoption of Topic 606. The impact to revenue recorded for the quarter ended June 30, 2018 was an increase of approximately $0.3 million with the adoption of Topic 606 as compared to Topic 605. The impact to revenue for the six months ended June 30, 2018 was an increase of approximately $0.1 million with the adoption of Topic 606 as compared to Topic 605.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* . This ASU reduces the diversity in reporting of eight specific cash flow issues due to accounting guidance that is unclear or does not exist. The eight issues relate to certain debt activities, business combination activities, insurance settlements and other various activities. The Company adopted this ASU as of January 1, 2018 and it did not have an impact on our consolidated financial statements.

2. Revenue from Contracts with Customers

The following is a description of principal activities from which the Company generates revenue. Revenue is recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that is expected to be received in exchange for those goods or services. The Company generates all of our revenue from contracts with customers.

Search & Digital Advertising

The Company uses internet advertising to generate revenue from the traffic on our Managed Portals and Advertising solutions, categorized as search advertising and digital advertising. For search advertising, the Company has a revenue-sharing relationship with Google, pursuant to which the Company includes a Google-branded search tool on our Managed Portals. When a Google consumer makes a search query using this tool, the Company delivers 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. The net payment received from Google is recognized as revenue. Digital advertising includes video, image and text advertisements delivered on our Managed Portals. Advertising inventory is filled with advertisements sourced by our direct sales force and advertising network partners. Revenue is generated when an advertisement displays, otherwise known as an impression, or when consumers view or click an advertisement, otherwise known as an action. Digital advertising revenue is on a cost per impression or cost per action basis. Digital advertising also includes advertising fees received for the placement of syndicated digital advertisements with other digital advertising publishers, for which the Company acquires and pay for the space (inventory) on a cost per impression or cost per action basis. Revenue is recognized based on amounts received from advertising customers as the impressions are delivered or the actions occur, according to contractually-determined rates.

Recurring and Fee-Based

Recurring and Fee-Based revenue includes subscription fees and other fees that are received from customers for the use of our proprietary technology, including the use of, or access to, email, Cloud ID, security services, games and other premium services and paid content. Monthly subscriber levels typically form the basis for generating Recurring and Fee-Based revenue. This revenue is typically determined by multiplying a per-subscriber per-month fee by the number of subscribers using the particular services being offered or consumed, except in the case of software licenses and support, which are based on a fixed fee. Revenue earned as subscription fees and maintenance and support fees is recognized from customers as our obligation to deliver the service is satisfied, which is when the service is delivered. Revenue is also recognized from the licensing and distribution of our Email/Collaboration products and services, including licenses of intellectual property. Software license revenue is recognized up front upon delivery of the licensed product and the utility that enables the customer to access authorization keys, provided that a signed contract has been received. The Company typically sells term-based software licenses that expire, which are referred to as subscription licenses, but also sell perpetual licenses for our Email products. The software is delivered before related services are provided and is functional without professional services, updates, and technical support.

Many of the Company’s contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices of software licenses are typically estimated using the residual approach. Standalone selling prices of services are typically estimated based on observable transactions when these services are sold on a standalone basis. The Company usually expects payment within 30 to 90 days from the invoice date (fulfillment of performance obligations or per contract terms). None of our contracts as of June 30, 2018 contained a significant financing component. Differences between the amount of revenue recognized and the amount invoiced, collected from, or paid to our customers are recognized as deferred revenue.

Disaggregation of revenue

The following table provides information about disaggregated revenue for the three and six months ended June 30, 2018 by primary geographical market and timing of revenue recognition, and includes a reconciliation of the disaggregated revenue with reportable types (in thousands):

	Three Months Ended June 30, 2018 Geographic Area		Timing of Revenue Recognition		
	United States	International	Products transferred at a point in time	Products and services transferred over time	Total
	(in thousands)		(in thousands)		
Revenue:					
Search and Digital advertising	$ 20,461	$ 517	$ 20,978	$ —	$ 20,978
Recurring and Fee-based	8,893	6,052	3,935	11,010	$ 14,945
Total revenue	$ 29,354	$ 6,569	$ 24,913	$ 11,010	$ 35,923

	Six Months Ended June 30, 2018 Geographic Area		Timing of Revenue Recognition		
	United States	International	Products transferred at a point in time	Products and services transferred over time	Total
	(in thousands)		(in thousands)		
Revenue:					
Search and Digital advertising	$ 39,128	$ 1,678	$ 40,806	$ —	$ 40,806
Recurring and Fee-based	17,264	10,768	6,149	21,883	$ 28,032
Total revenue	$ 56,392	$ 12,446	$ 46,955	$ 21,883	$ 68,838

Remaining Performance Obligations

Deferred revenue is recorded when cash payments are received or due in advance of revenue recognition from software licenses, professional services, and maintenance agreements. The timing of revenue recognition may differ from the timing of billings to customers. The changes in deferred revenue, inclusive of both current and long-term, are as follows:

(in thousands)	
Beginning balance - January 1, 2018	$ 15,287
Record the cumulative effect of ASC 606 implementation	(2,456)
Recognition of deferred revenue	(7,200)
Deferral of revenue	5,254
Ending Balance - June 30, 2018	$ 10,885

The majority of the deferred revenue balance above relates to the maintenance and support contracts for Email software licenses. These are recognized straight-line over the life of the contract, with the majority of the balance being recognized within the next twelve months.

Practical Expedients

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

3. Acquisitions

In August 2015, the Company and Zimbra, Inc. (now known as "TZ Holdings") entered into an agreement under which the Company acquired certain assets relating to TZ Holdings' email/collaboration products and services business, including certain of its wholly-owned foreign subsidiaries, for cash consideration of $17.3 million, 2.4 million shares of common stock and warrants to purchase 480,000 shares of common stock (collectively valued at $3.2 million). The Company held back an additional 600,000 shares of common stock and warrants to purchase an additional 120,000 shares of common stock (collectively valued at $0.8 million at the acquisition date) to secure TZ Holdings' indemnification obligations including pending claims. The held back common shares and warrants were released to TZ holdings in March 2017. The warrants expire on September 14, 2018.

Additionally, TZ Holdings was eligible to receive cash consideration of up to $2.0 million (the "Earn-Out Consideration") upon the satisfaction of certain business performance milestones following the closing of the transaction, subject to and contingent upon any reduction to satisfy indemnification claims including pending claims. The acquisition date fair value of this contingent consideration was estimated to be $1.6 million. The Company paid $0.9 million of the Earn-Out Consideration to TZ Holdings in November 2016, and the Company paid the remaining $0.7 million of the Earn-Out Consideration in May 2017.

In connection with the Company's February 2016 acquisition of Technorati, the Company withheld $0.5 million of the purchase price to secure Technorati's indemnification obligations under the Asset Purchase Agreement, and the Company owed approximately $0.1 million in post-closing working capital adjustments. These amounts were paid in March 2017.

4. Intangible Assets

Intangible assets consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Customer and publisher relationships	$ 14,780	$ 14,780
Technology	2,330	2,330
Trademark	300	300
	17,410	17,410
Less accumulated amortization	(5,786)	(4,715)
Intangible assets, net	$ 11,624	$ 12,695

Amortization of intangible assets totaled $0.5 million and $0.5 million for the three months ended June 30, 2018 and 2017 , respectively, and $1.1 million and $1.1 million for the six months ended June 30, 2018 and 2017 respectively.

5. Property and Equipment – Net

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

	June 30, 2018	December 31, 2017
Computer equipment	$ 28,970	$ 28,845
Computer software	26,280	23,690
Furniture and fixtures	1,623	1,497
Leasehold improvements	1,246	1,215
Work in process (primarily software development costs)	4,500	3,758
Other	181	159
	62,800	59,164
Less accumulated depreciation	(42,400)	(38,659)
Property and equipment, net	$ 20,400	$ 20,505

Depreciation expense totaled $1.9 million and $1.7 million for the three months ended June 30, 2018 and 2017 , respectively, and $3.8 million and $3.3 million, for the six months ended June 30, 2018 and 2017, respectively.

6. Accrued Expenses and Other Current Liabilities

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

	June 30, 2018	December 31, 2017
Accrued compensation	$ 3,673	$ 4,361
Accrued content fees and other costs of revenue	795	655
Accrued taxes	230	426
Other	1,231	1,633
Total	$ 5,929	$ 7,075

7. Information About Segment and Geographic Areas

Operating segments are 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 and operating unit structure.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
United States	$ 29,354	$ 25,190	$ 56,392	$ 46,858
International	6,569	6,026	12,446	10,898
Total revenue	$ 35,923	$ 31,216	$ 68,838	$ 57,756

	June 30, 2018	December 31, 2017
Long-lived tangible assets:		
United States	$ 19,790	$ 19,775
International	610	730
Total long-lived tangible assets	$ 20,400	$ 20,505

8. Commitments and Contingencies

Contract Commitments —

The Company is obligated to make minimum payments under various contracts with vendors and other business partners, principally for revenue-share and content arrangements. Contract commitments as of June 30, 2018 are as follows (in thousands):

Year ending December 31,	
2018 (remaining six months)	$ 450
2019	1,353
2020	753
Total	$ 2,556

Capital Lease Commitments —

Capital lease commitments for the remainder of 2018 and for the following two years as of June 30, 2018 are summarized as follows (in thousands):

Years Ending December 31,		Capital Lease Commitments
2018 (remaining six months)	$	1,727
2019		2,348
2020		1,152
Total minimum capital lease commitments		5,227
Less-amount representing interest		(239)
Total capital lease obligations		4,988
Less-minimum capital lease obligations in accounts payable		(436)
Less-current portion of capital lease obligations		(2,364)
Long-term portion of capital lease obligations	$	2,188

Litigation —

From time to time, the Company is a party to legal actions. In consultation with counsel, as it relates to any current pending matters, the outcome of these matters is not expected to have a material impact on the consolidated financial statements of the Company.

The Company and two of its executive officers were recently named as defendants in a putative securities class action lawsuit filed April 4, 2018 in the United States District Court for the Southern District of New York. The complaint makes various allegations regarding statements related to the contractual arrangement between the Company and AT&T Inc. (“AT&T”), and the effect of that arrangement on the Company’s revenue. The complaint seeks unspecified damages, interest and other costs. The court appointed a lead plaintiff and approved plaintiff’s selection of lead counsel on July 6, 2018. On August 2, 2018, plaintiffs filed an amended complaint asserting the same claims arising from similar allegations as the first complaint. The Company’s pre-motion letter regarding its anticipated motion to dismiss the amended complaint is due on August 17, 2018. The Company and its officers dispute these claims and will defend vigorously against any allegations of wrongdoing.

9 . Stock-based Compensation

The Company has stock-based employee compensation plans for which compensation cost is recognized in its financial statements. The cost is measured at the grant date, based on the fair value of the award, determined using the Black-Scholes option pricing model, and is recognized as an expense over the employee’s requisite service period (generally the vesting period of the equity award).

No income tax deduction is allowed for incentive stock options (“ISOs”). Accordingly, no deferred income tax asset is recorded for the potential tax deduction related to these options. Expense related to stock option grants of non-qualified stock options (“NSOs”) results in a temporary difference, which gives rise to a deferred tax asset.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the periods indicated:

		Six Months Ended June 30, 2018		Six Months Ended June 30, 2017
Weighted average grant date fair value	$	0.98	$	1.55
Expected dividend yield		-%		-%
Expected stock price volatility		48%		47%
Risk-free interest rate		2.7%		2.1%
Expected life of options (in years)		6.25		6.39

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Technology and development	$ 134	$ 206	$ 268	$ 414
Sales and marketing	126	190	264	358
General and administrative	277	280	558	551
Total stock-based compensation expense	$ 537	$ 676	$ 1,090	$ 1,323

Stock Option Activity – A summary of the stock option activity for the six months ended June 30, 2018 is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2018	8,478,213	$ 2.60		
Granted	894,100	1.96		
Exercised	(59,241)	1.65		
Forfeited or expired	(571,711)	2.32		
Outstanding at June 30, 2018	8,741,361	$ 2.56	6.60	$ 591
Vested and expected to vest at June 30, 2018	8,493,707	$ 2.56	6.52	$ 576
Vested and exercisable at June 30, 2018	5,951,234	$ 2.60	5.64	$ 371

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 Global Market as of June 30, 2018 was $2.00 per share. The total intrinsic value of options exercised for the six months ended June 30, 2018 was minimal. The weighted average fair value of options granted during the six months ended June 30, 2018 amounted to $0.98 per option share.

As of June 30, 2018, the unrecognized compensation cost related to options granted, for which vesting is probable, and adjusted for estimated forfeitures, was approximately $3.2 million. This cost is expected to be recognized over a weighted-average remaining period of 2.6 years.

10 . Net Loss Per Common Share Data

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. The Company's potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, and to a lesser extent, shares issuable upon the release of RSUs. The dilutive effect of these potential common shares is reflected in diluted earnings per share by application of the treasury stock method.

Stock options, warrants and RSUs are not included in the calculation of diluted net loss per share for the three and six months ended June 30, 2018 and 2017 because the Company had a net loss for each of those periods. The inclusion of these equity awards would have had an antidilutive effect on the calculation of diluted loss per share. As such, the Company's calculations of basic and diluted net loss per share are identical.

The following table presents the calculation of basic and diluted net loss per share for the three and six months ended June 30, 2018 and 2017 :

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Basic net loss per share:				
Numerator:				
Net loss (in thousands)	$ (2,584)	$ (3,276)	$ (4,959)	$ (9,932)
Denominator:				
Weighted average common shares outstanding	38,823,056	37,284,973	38,808,690	34,228,367
Basic net loss per share	$ (0.07)	$ (0.09)	$ (0.13)	$ (0.29)
Diluted net loss per share:				
Numerator:				
Net loss (in thousands)	$ (2,584)	$ (3,276)	$ (4,959)	$ (9,932)
Denominator:				
Weighted average common shares outstanding - basic	38,823,056	37,284,973	38,808,690	34,228,367
Add - potentially dilutive securities (options, RSUs and warrants)	—	—	—	—
Weighted average common shares outstanding - diluted	38,823,056	37,284,973	38,808,690	34,228,367
Diluted net loss per share	$ (0.07)	$ (0.09)	$ (0.13)	$ (0.29)

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Anti-dilutive equity awards:				
Stock options	8,741,361	9,475,205	8,741,361	9,475,205
Restricted stock units	34,607	189,443	34,607	189,443
Warrants	600,000	600,000	600,000	600,000

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 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, 2017. 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 operations appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Our Business

We enable our customers to better engage with their consumers. Our customers include video, internet and communications providers, device manufacturers, governments and enterprises. We are their trusted technology development, multiplatform services and revenue partner. Our customers use our technology platforms and services to scale their businesses and extend their subscriber relationships. We deliver managed portals, advertising solutions, email and collaboration platforms, and cloud-based identity management.

We enable our customers to provide their consumers engaging, multiscreen experiences with products that require scale, actionable data and sophisticated implementation. Through our Managed Portals and Advertising solutions, we enable our customers to earn incremental revenue by monetizing media among their consumers. At the same time, because consumers have high expectations for their online experience as a result of advances in video, mobile and social, we provide, through our Recurring and Fee-Based revenue solutions, a suite of products and services that helps our customers successfully meet those high expectations by enabling them to deliver to their consumers access to the same digital content across all devices, including PCs, tablets, smartphones and connected TVs.

Overview

We generate search and digital advertising revenue from consumer traffic on our Managed Portals and Advertising solutions, which we collect from our search partner, Google Inc., or Google, our advertising network providers and directly from advertisers. We typically share a portion of this Managed Portals and Advertising revenue with our customers. Growth in this portion of our business is dependent on expansion of relationships with our existing customers and new customers adopting our Managed Portals and Advertising solutions and increased engagement by their consumers with these solutions.

We also generate revenue from our Recurring and Fee-Based revenue solutions for the use of our technology, email and messaging, premium services and paid content. We generate this revenue in the form of licensing fees including perpetual licenses, subscription licenses, maintenance and support fees and professional services. As we expand our Cloud ID, syndicated content, Email/Collaboration and other premium services offerings, we expect to generate increased Recurring and Fee-Based revenue from our customers.

During the three months ended June 30, 2018, Managed Portals and Advertising revenue was $21.0 million, an increase of 17% as compared to $18.0 million for the three months ended June 30, 2017. During the six months ended June 30, 2018, Managed Portals and Advertising revenue was $40.8 million, an increase of 29% as compared to $31.5 million for the six months ended June 30, 2017.

Search revenue decreased by $0.1 million, or 3%, for the three months ended June 30, 2018 compared to the same period in 2017, due to the effects of ongoing migration of search activity at other portal customers from personal computers to other devices, such as tablets and smartphones, and the residual effect of the placement of our Managed Portals and Advertising solutions on the second tab of the default Windows 8 and Windows 10 internet browsers, part ially offset by search revenue attributable to the AT&T Portal (including personal computers, smartphones and tablets), which was fully deployed by the end of the second quarter in 2017. Search revenue increased by $2.0 million, or 26 %, for the six months ended June 30, 201 8 as compared to the same period in 201 7 , primarily due to revenue attributable to the AT&T Portal (including personal computers, smartphones and tablets), which was not fully deployed until the end of the second quarter in 2017.

Digital advertising revenue increased by $3.1 million, or 24%, during the three months ended June 30, 2018 as compared to the same period in 2017, and by $7.2 million, or 31%, during the six months ended June 30, 2018 as compared to the same period in 2017 . These increases in digital advertising revenue were driven by advertising on the AT&T Portal and higher syndicated advertising revenue, partially offset by effects of ongoing migration of other portal customers from personal computers to other devices, such as tablets and smartphones.

We expect that both search and digital advertising activity and revenue will increase in future quarters due to our three-year portal services contract with AT&T Services, Inc., or AT&T, to provide Managed Portals and Advertising solutions (including the AT&T Portal) for use by AT&T's consumers. We entered into the portal services contract with AT&T in May 2016, we completed deployment of the AT&T Portal in June 2017, and we expect to see increasing search and digital advertising revenue as monetization of the AT&T Portal is optimized. In addition, we expect a future increase of search activity on smartphones and tablets as we believe our continuing investment in our next-generation Managed Portals and Advertising solutions will allow us to compete more effectively for search activity on smartphones and tablets.

Our Recurring and Fee-Based revenue consists of fees charged for the use of our proprietary technology and for the use of, or access to, services, such as e-mail and messaging, security, Cloud ID, online games, music and other premium services and paid content. For the three months ended June 30, 2018, Recurring and Fee-Based revenue was $14.9 million, an increase of $1.7 million compared to the same period in 2017. For the six months ended June 30, 2018, Recurring and Fee-Based revenue was $28.0 million, an increase of $1.8 million, or 7%, compared to the same period in 2017. This increase was primarily attributable to increased portal licensing revenue, hosted email revenue and increased professional services revenue, offset by decreased premium services and the effects of the transition of e-mail customers from perpetual to subscription license revenue.

As we obtain new customers and those new customers introduce our Managed Portals and Advertising solutions to their consumers, and as new customers migrate their consumers from their existing technology to our technology over a period of time, we expect usage of our solutions and revenue from those Managed Portals and Advertising solutions to increase. 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.

Revenue attributable to our customers includes the Recurring and Fee-Based revenue earned directly from them, as well as the Managed Portals and Advertising revenue generated through our relationships with our search and digital advertising partners (such as Google for search advertising and advertising networks, advertising agencies and advertisers for digital advertising). This revenue is attributable to our customers because it is produced from the traffic on our Managed Portals. These search and advertising partners provide us with advertisements that we then deliver with search results and other content on our Managed Portals. 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 six months ended June 30, 2018, search revenue through our relationship with Google generated $4.9 million and $9.9 million, or approximately 14% of our revenue for both periods. For the three and six months ended June 30, 2018, Managed Portals and Advertising solutions and other services attributable to one customer accounted for $10.5 million and $19.0 million, or approximately 29% and 28% of our revenue, respectively.

The initiatives described below under "Key Initiatives" are expected to contribute to our ability to maintain and grow revenue and return to operating 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 rates 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

Our strategy is supported by four key pillars to drive our business, with operational discipline and sound financial footing as its base. We plan to:

- increase value for existing customers by optimizing consumer experience and monetization;
- innovate on Synacor-as-a-platform for advanced services;

- win new customers in current and related verticals; and
- extend our product portfolio into emerging growth areas.

Key Business Metric

In addition to the line items in our financial statements, we review the number of Multiplatform Unique Visitors to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe disclosing this metric is useful for investors and analysts to understand the underlying trends in our business. The following table reflects the average number of multiplatform unique visitors for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Multiplatform Unique Visitors	201,132,198	198,346,614	201,686,161	199,582,427

We define Multiplatform Unique Visitors as consumers who have visited one of our Managed Portals from either mobile or desktop sources at least once, computed on an average monthly basis during a particular time period, plus the number of consumers who have viewed an advertisement through our advertising network, computed on an average monthly basis during a particular time period. As the number of Multiplatform Unique Visitors increases, we expect that we will generate additional revenue from our Managed Portals and Advertising solutions. 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.

Components of our Results of Operations

Cost of Revenue

Cost of revenue consists primarily of revenue sharing, content acquisition costs, co-location facility costs, royalty costs, and product support costs. Revenue sharing consists of amounts accrued and paid to customers for the internet traffic on Managed Portals we operate on our customers' behalf and where we are the primary obligor, resulting in the generation of search and digital advertising revenue. The revenue-sharing agreements with customers are primarily variable payments based on a percentage of the search and digital 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 on a straight-line basis 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. Royalty costs consist of amounts due to other parties for license of email software with third party technology enabled. Product support costs consist of employee and operating costs directly related to our maintenance and professional services support.

Technology and Development

Technology and development expenses consist primarily of compensation-related expenses incurred for the research and development of, enhancements to, and maintenance and operation of our products, equipment and related infrastructure. Technology and development expenses also include certain costs of operating data centers domestically and internationally.

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.

General and Administrative

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

Depreciation and Amortization

Depreciation and amortization includes depreciation and amortization of our computer hardware and software, including our capitalized internally-developed software, furniture and fixtures, intangible assets, leasehold improvements and other property, as well as depreciation on capital leased assets.

Other (Expense) Income

Other income consists primarily of foreign currency transaction gains and losses, and interest income earned.

Interest Expense

Interest expense consists of interest on capital leases and outstanding bank borrowings, if any.

Provision for Income Taxes

Income tax provision consists of federal and state income taxes in the United States and taxes in certain foreign jurisdictions, as well as any changes to deferred tax assets or liabilities, and deferred tax valuation allowances. Our income tax provision also includes amounts withheld for payment of income taxes upon payment of our invoices by our customers in certain foreign jurisdictions. Those amounts increase the amount of our foreign tax credit which would defray our U.S. tax liability if we were presently a U.S. taxpayer. However, because the deferred income tax assets relating to our federal tax attributes, including our foreign tax credits, are fully reserved, any such foreign tax withholdings are charged to our income tax provision. Such amounts paid may be carried forward to offset future federal income tax liabilities for a period of ten years. Finally, we record a deferred income tax provision to reflect the recognition of deferred tax liabilities relating to goodwill and certain intangible assets that cannot be predicted to reverse for book purposes during our loss carry-forward periods.

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, 2017 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have updated our revenue recognition policies in conjunction with the adoption of ASC 606 as further described in Note 2 to the accompanying condensed consolidated financial statements. No other significant changes have occurred to our critical accounting policies and estimates.

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-U.S. GAAP financial measure. We define adjusted EBITDA as net income (loss) plus: provision (benefit) for income taxes, interest expense, other (income) expense, depreciation and amortization, asset impairments, stock-based compensation, restructuring costs, acquisition costs and certain other one-time items. We have provided a reconciliation below of adjusted EBITDA to net income (loss), the most directly comparable U.S. 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.

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 U.S. GAAP. Some of these limitations are:

- although depreciation and amortization and asset impairments are non-cash charges, the assets being depreciated, amortized or impaired 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 the impact of tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not reflect the impact of principal or interest payments required to service our capital leases or long-term debt borrowings (if any);
- adjusted EBITDA does not reflect the impact of the cost of business acquisitions on the cash available to us;
- adjusted EBITDA does not reflect the impact of non-recurring items, such as the costs associated with reductions in workforce, on the 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 loss and our other U.S. GAAP results. The following table presents a reconciliation of adjusted EBITDA to net loss for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Reconciliation of Adjusted EBITDA:				
Net loss	$ (2,584)	$ (3,276)	$ (4,959)	$ (9,932)
Income tax provision	293	309	313	755
Interest expense	88	114	185	201
Other expense (income)	133	(67)	14	(73)
Depreciation and amortization	2,444	2,224	4,879	4,408
Capitalized software impairment	—	256	—	256
Stock-based compensation expense	537	676	1,090	1,323
Restructuring costs	268	—	268	—
Adjusted EBITDA	$ 1,179	$ 236	$ 1,790	$ (3,062)

Results of Operations

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 June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands)		(in thousands)	
Revenue	$ 35,923	$ 31,216	$ 68,838	$ 57,756
Costs and operating expenses:				
Cost of revenue [1]	18,256	14,462	33,473	27,024
Technology and development [1 2]	6,069	6,904	12,756	14,202
Sales and marketing [2]	6,904	6,185	12,840	12,846
General and administrative [1 2]	4,320	4,361	9,337	8,325
Depreciation and amortization	2,444	2,224	4,879	4,408
Total costs and operating expenses	37,993	34,136	73,285	66,805
Loss from operations	(2,070)	(2,920)	(4,447)	(9,049)
Other (expense) income	(133)	67	(14)	73
Interest expense	(88)	(114)	(185)	(201)
Loss before income taxes	(2,291)	(2,967)	(4,646)	(9,177)
Income tax provision	293	309	313	755
Net loss	$ (2,584)	$ (3,276)	$ (4,959)	$ (9,932)

Notes:

1 Exclusive of depreciation and amortization shown separately

2 Includes stock-based compensation, as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands)		(in thousands)	
Technology and development	$ 134	$ 206	$ 268	$ 414
Sales and marketing	126	190	264	358
General and administrative	277	280	558	551
	$ 537	$ 676	$ 1,090	$ 1,323

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue	100%	100%	100%	100%
Costs and operating expenses:				
Cost of revenue [1]	51	46	49	47
Technology and development [1]	17	22	18	25
Sales and marketing	19	20	19	22
General and administrative [1]	12	14	13	14
Depreciation and amortization	7	7	7	8
Total costs and operating expenses	106	109	106	116
Loss from operations	(6)	(9)	(6)	(16)
Other (expense) income	—	—	—	—
Interest income	—	—	—	—
Loss before income taxes	(6)	(9)	(6)	(16)
Income tax provision	—	1	—	1
Net loss	(6)%	(10)%	(6)%	(17)%

Note:

1 Exclusive of depreciation and amortization shown separately

Comparison of the three and six mo nths ended June 30, 2018 and 201 7 :

Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
	(in thousands)					
Revenue:						
Search and digital advertising	$ 20,978	$ 17,969	17	$ 40,806	$ 31,514	29
Recurring and fee-based	14,945	13,247	13	28,032	26,242	7
Total revenue	$ 35,923	$ 31,216	15	$ 68,838	$ 57,756	19
Percentage of Revenue:						
Search and digital advertising	58%	58%		59%	55%	
Recurring and fee-based	42%	42%		41%	45%	
Total revenue	100%	100%		100%	100%	

Three months - 2018 compared to 2017 . Revenue in the three months ended June 30, 2018 increased by $4.7 million, or 15%, compared to the same period in 2017. Search and digital advertising revenue increased by $3.0 million, or 17% which was primarily due to increased digital advertising revenue attributable to AT&T, partially offset by a decline in other portal advertising revenue.

Recurring and Fee-Based revenue in 2018 increased by $1.7 million, or 13%, compared to the same period in 2017. This was primarily due to increased hosted email services revenue, portal licensing revenue, and professional services revenue and was offset by a decline due to the effects of the transition of e-mail customers from perpetual to subscription license revenue.

Six months - 2018 compared to 2017 . Revenue in the six months ended June 30, 2018 increased by $11.1 million, or 19%, compared to the same period in 2017. Search and digital advertising revenue increased by $9.3 million, or 29%. This was primarily due to increased search revenue and digital advertising revenue attributable to AT&T along with increased syndicated advertising revenue.

Recurring and Fee-Based revenue in the six months ended June 30, 2018 increased by $1.8 million, or 7%, compared to the same period in 2017 primarily due to increased hosted email services revenue, portal licensing revenue, and professional services revenue, which was partially offset by decreased portal valued added services fees and by the effects of the transition of e-mail customers from perpetual to subscription license revenue.

Cost of Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
	(in thousands)			(in thousands)		
Cost of revenue	$ 18,256	$ 14,462	26	$ 33,473	$ 27,024	24
Percentage of revenue	51%	46%		49%	47%	

Three months - 2018 compared to 2017 . Cost of revenue increased by $3.8 million, or 26% for the three months ended June 30, 2018 as compared to the same period in the prior year. The increase in cost was due primarily to the increased revenue sharing costs, unfavorable changes in our revenue mix as lower-margin syndicated advertising revenue increased as a percentage of revenue, and higher IT infrastructure costs.

Six months - 2018 compared to 2017 . Cost of revenue increased by $6.4 million, or 24% for the six months ended June 30, 2018 as compared to the same period in the prior year. The increase in cost was due primarily to the increase in revenue sharing costs, changes in our revenue mix as lower-margin syndicated advertising revenue increased as a percentage of revenue, and higher IT infrastructure costs.

Technology and Development E xpenses

	Three Months Ended June 30, 2018		% Change	Six Months Ended June 30, 2018		% Change
	2018	2017		2018	2017	
	(in thousands)			(in thousands)		
Technology and development expenses	$ 6,069	$ 6,904	(12)	$ 12,756	$ 14,202	(10)
Percentage of revenue	17%	22%		18%	25%	

Three months - 2018 compared to 2017 . Technology and development expenses decreased by $0.8 million, or 12%, in the three months ended June 30, 2018 as compared to 2017, as a result of lower compensation and consulting expenses in the quarter.

Six months - 2018 compared to 2017 . The decrease in the six months ended June 30, 2018 as compared to the same period in 2017 was $1.4 million, or 10%, and was primarily due to incremental costs incurred in the same period last year related to product development and initial support for the AT&T portal services business along with a $0.3 million impairment charge recorded in 2017 to write down the value of a software development project to its estimated net realizable value.

Sales and Marketing Expenses

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2018	2017		2018	2017	
	(in thousands)			(in thousands)		
Sales and marketing	$ 6,904	$ 6,185	12	$ 12,840	$ 12,846	(0)
Percentage of revenue	19%	20%		19%	22%	

Three months - 2018 compared to 2017 . Sales and marketing expenses increased by $0.7 million, or 12%, in the second quarter of 2018 as compared with same period in 2017. The increase was primarily the result of higher sales commissions.

Six months - 2018 compared to 2017 . Sales and marketing expenses were essentially flat for the first six months of 2018 as compared with same period in 2017. Higher sales commission have been offset by decreases in tradeshows, seminars, and conference expenses.

General and Administrative Expenses

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2018	2017		2018	2017	
	(in thousands)			(in thousands)		
General and administrative	$ 4,320	$ 4,361	(1)	$ 9,337	$ 8,325	12
Percentage of revenue	12%	14%		13%	14%	

Three months - 2018 compared to 2017 . General and administrative expenses were essentially flat for three months ended June 30, 2018 as compared with the same period in 2017. Higher professional service fees were offset by decreases in facilities costs and administrative office expenses.

Six months - 2018 compared to 2017 . General and administrative expenses increased by $1.0 million, or 12%, in the six months ended June 30, 2018 as compared with the same period in 2017. This was primarily due to higher professional service fees which were only partially offset by decreased facility costs and administrative office expenses.

Depreciation and Amortization Expense

	Three Months Ended June 30, 2018	2017	% Change	Six Months Ended June 30, 2018	2017	% Change
	(in thousands)			(in thousands)		
Depreciation and amortization	$ 2,444	$ 2,224	10	$ 4,879	$ 4,408	11
Percentage of revenue	7%	7%		7%	8%	

Three months - 2018 compared to 2017 . Depreciation and amortization increased by $0.2 million, or 10%, for the three months ended June 30, 2018 as compared to the same period in 2017 as the effect of increased depreciation of leased equipment and capitalized software development costs was partially offset by the effect of assets becoming fully depreciated.

Six months - 2018 compared to 2017 . Depreciation and amortization increased by $0.4 million or 11% for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 as the effect of increased depreciation of capitalized software development costs and increased amortization of intangible assets in 2017 in connection with our 2016 acquisition of Technorati were offset by the effect of assets becoming fully depreciated.

Other (Expense) Income

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
	(in thousands)		(in thousands)	
Other (expense) income	$ (133)	$ 67	$ (14)	$ 73

Other income consists of interest income and foreign currency transaction and measurement gains and losses related to our international operations. The decreases for both the three and six months ended June 30, 2018 over the corresponding periods in 2017 were due to realized foreign currency transaction loss in the second quarter of 2018.

Interest Expense

	Three Months Ended June 30, 2018	2017	% Change	Six Months Ended June 30, 2018	2017	% Change
	(in thousands)			(in thousands)		
Interest expense	$ 88	$ 114	(23)	$ 185	$ 201	(8)

Interest expense consists of interest on capital leases and long-term debt. Interest expense decreased in both the three and six months ended June 30, 2018 over the comparable periods in 2017 primarily due to the May 2017 pay-off of our bank debt following our public stock offering.

Provision for Income Taxes

	Three Months Ended June 30, 2018	2017	% Change	Six Months Ended June 30, 2018	2017	% Change
	(in thousands)			(in thousands)		
Provision for income taxes	$ 293	$ 309	(5)	$ 313	$ 755	(59)

Provision for income taxes of $0.3 million is comprised primarily of current foreign income tax expense, including foreign withholding taxes, offset by deferred income tax benefit. Prior to 2018, our U.S. deferred income tax assets were offset by valuation allowances, and no benefit was recognized for our net operating losses. Additionally, there was deferred income tax expense due to deferred income tax liabilities related to intangible assets.

The Tax Cuts and Jobs Act eliminated the expiration period for U.S. net operating losses incurred in tax years beginning after 2017. As such, tax losses incurred for tax years beginning after 2017 are available to offset future taxable income that may result from the disposition of indefinite lived intangibles. The reduction of provision for income taxes from $0.8 million in the six-months ended

June 30, 2017 to $0.3 million in the six-months ended June 30, 2018 reflects the effects of such deferred income tax b enefit offsetting current foreign tax expense.

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 cash from the exercise of stock options are insufficient to fund our future activities, we may need to raise additional funds through public or private equity offerings or debt financings.

In September 2013, we entered into a Loan and Security Agreement with Silicon Valley Bank, or the Lender, which was amended most recently in June 2017 (as amended, the "Loan Agreement"). The amendment temporarily modified the terms of the financial covenants with which we must comply on a quarterly basis. The Loan Agreement provides for a $12.0 million secured revolving line of credit with a stated maturity of September 27, 2018. The credit facility is available for cash borrowings, subject to a formula based upon eligible accounts receivable. As of June 30, 2018, we had no outstanding borrowings under the Loan Agreement; and we had $11.4 million of availability based upon the borrowing formula under the Loan Agreement.

Any borrowings under the Loan Agreement bear interest, at our election, at an annual rate based on either the "prime rate" as published in The Wall Street Journal or LIBOR for the relevant period. If our liquidity coverage ratio (the ratio of cash plus eligible accounts receivable to borrowings under the Agreement) exceeds 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 3.5% and prime rate advances bear interest at the prime rate plus 1.0%. If our liquidity coverage ratio falls below 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 4.0% and prime rate advances bear interest at the prime rate plus 1.5%. For LIBOR advances, interest is payable (i) on the last day of a LIBOR interest period or (ii) on the last day of each calendar quarter. For prime rate advances, interest is payable (a) on the first day of each month and (b) on each date a prime rate advance is converted into a LIBOR advance.

Our obligations to the Lender are secured by a first priority security interest in all our assets, including our intellectual property. The Loan Agreement contains customary events of default, including non-payment of principal or interest, violations of covenants, material adverse changes, cross-default, bankruptcy and material judgments. Upon the occurrence of an event of default, the Lender may accelerate repayment of any outstanding balance. The Loan Agreement also contains certain financial covenants and other agreements that are customary in loan agreements of this type, including restrictions on paying dividends and making distributions to our stockholders. As of June 30, 2018, we were in compliance with the covenants and anticipate continuing to be so.

As of June 30, 2018, we had approximately $14.9 million of cash and cash equivalents. We believe that our existing cash and cash equivalents, along with cash flows from operations and availability under our revolving credit line, will be sufficient to meet our anticipated working capital, interest payments, capital lease payment obligations, and capital expenditure requirements for at least the next 12 months.

Cash Flows

Statement of Cash Flows Data

	June 30, 2018	June 30, 2017
	(in thousands)	
Net cash used in operating activities	$ (2,581)	$ (1,476)
Net cash used in investing activities	$ (3,978)	$ (3,576)
Net cash (used in) provided by financing activities	$ (776)	$ 13,714

Net Cash Used in Operating Activities

During the six months ended June 30, 2018, net cash used in operating activities of $2.6 million was primarily driven by a net loss of $5.0 million and an increase in working capital and other net assets of $3.5 million which were only partially offset by $5.9 million of non-cash charges including depreciation, amortization, and stock-based compensation expense.

During the six months ended June 30, 2017, net cash used in operating activities of $1.5 million was primarily driven by a net loss of $9.9 million which was only partially offset by a decrease in working capital and other net assets of $2.1 million and $6.3 million of non-cash charges including depreciation, amortization, stock-based compensation, and capital software impairment.

Net Cash Used in Investing Activities

Net cash used in investing activities totaled $3.9 million in the six months ended June 30, 2018, as compared to $3.6 million in the comparable 2017 period. Cash payments were primarily for the development of internal-use software.

Net Cash (Used in) Provided by Financing Activities

Net cash used in financing activities for the six months ended June 30, 2018 of $0.8 million consisted of $0.9 million of payments on capital lease obligations less $0.1 million of proceeds from exercise of stock options.

Net cash provided by financing activities for the six months ended June 30, 2017 of $13.7 million primarily consisted of $20 million from the offering of common stock and $0.8 million of proceeds from the exercise of stock options, offset by a $5.0 million repayment of long-term debt, $1.3 million of deferred acquisition payments and $0.7 million of payments on capital lease obligations.

Off-Balance Sheet Arrangements

As of June 30, 2018, we did not have any off-balance sheet arrangements, as defined in Item 303(a) (4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenue, or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Funds borrowed under this facility bear interest at a variable annual rate, at our election, based on either the “prime rate” as published in The Wall Street Journal or LIBOR for the relevant period. If our liquidity coverage ratio (the ratio of cash plus eligible accounts receivable to bank borrowings under the related loan agreement) exceeds 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 3.5% and prime rate advances bear interest at the prime rate plus 1.0%. If our liquidity coverage ratio falls below 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 4.0% and prime rate advances bear interest at the prime rate plus 1.5%. This arrangement subjects us to interest rate risk. A 10% increase or decrease in these interest rates would not have a significant impact on our interest expense. Refer to Note 5, *Long-Term Debt* , of the Notes to the Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017 for additional information about our outstanding debt.

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.

Foreign Currency Exchange Risks

We are also subject to foreign currency exchange risk relating to our operations in Canada, Europe, India, Japan and Singapore. Our expenses at these locations are denominated in the local currencies and our results of operations are influenced by changes in the exchange rates between the U.S. Dollar and these local currencies, principally the Canadian Dollar, Euro, British Pound Sterling, Rupee, Yen, and Singapore Dollar. In addition, certain of our accounts receivable are denominated in currencies other than the U.S. Dollar, principally the Euro, British Pound Sterling, and Japanese Yen. A 10% increase or decrease in the applicable currency exchange rates could result in an increase or decrease in our currency exchange (loss) gain of approximately $0.2 million, calculated based on our foreign currency denominated accounts receivable as of June 30, 2018.

We have in the past, and we may in the future, enter into contracts to minimize the foreign currency exchange risk with respect to significant foreign currency denominated accounts receivable balances.

We continue to evaluate our various foreign currency exchange rate exposures and may take additional steps to mitigate th ese exposures.

ITEM 4. 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 June 30, 2018. 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 (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 on our management’s evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, our disclosure controls and procedures were not effective because of certain material weaknesses in our internal control over financial reporting, as further described in our Annual Report on Form 10-K for our fiscal year ended December 31, 2017.

Notwithstanding these material weaknesses, we have concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position and results of operations and cash flows for the periods presented.

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.

Remediation Efforts to Address the Material Weaknesses

We take these material weaknesses very seriously. While the material weaknesses were not remediated as of June 30, 2018, we have taken steps to remediate them and will continue to take further steps until their remediation is complete. For example, we have assigned additional personnel within our finance department to assist with the implementation, administration and evaluation of our internal control over financial reporting. These additional personnel include certified public accountants and persons with experience in financial and accounting project management, to augment the experience and expertise of our accounting team. In addition, we hired a Finance Manager and a Senior VP-Finance in 2018, both of whom are certified public accountants. We have also engaged an outside public accounting firm to provide us with the services of accounting support personnel and will continue to use their services on an as-needed basis.

Additionally, with the assistance of the outside public accounting firm, we are expanding and enhancing the written documentation of our internal controls, including assigning more specific responsibilities to particular personnel and imposing shorter timelines for executing their control-related tasks. The senior members of our finance department will be responsible for holding other members of the department accountable for meeting such timelines. We believe that this additional oversight, coupled with the additional personnel devoted to internal control over financial reporting, will allow us to execute business process controls more quickly and ensure a greater level of monitoring whether controls are present and functioning.

Changes in Internal Control over Financial Reporting

There were no other 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 June 30, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHE R INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We and two of our executive officers were recently named as defendants in a putative securities class action lawsuit filed April 4, 2018 in the United States District Court for the Southern District of New York. The complaint makes various allegations regarding statements related to the contractual arrangement between us and AT&T, and the effect of that arrangement on our revenue. The complaint seeks unspecified damages, interest, and other costs. The court appointed a lead plaintiff and approved plaintiff's selection of lead counsel on July 6, 2018. On August 2, 2018, plaintiffs filed an amended complaint asserting the same claims arising from similar allegations as the first complaint. Our pre-motion letter regarding its anticipated motion to dismiss the amended complaint is due on August 17, 2018. We dispute these claims and will defend vigorously against any allegations of wrongdoing.

In addition, from time to time we may become involved in legal proceedings arising in the ordinary course of our business. Although the results of legal proceedings and claims cannot be predicted with certainty, including the matters noted above, based on advice of counsel we believe we are not presently involved in any legal proceedings, the outcome of which, if determined adversely to us, would be expected to have a material adverse effect on our business, results of operations or financial condition. However, regardless of the outcome, such proceedings can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors.

ITEM 1A. RISK FACTORS

Our business and financial results are subject to numerous risks and uncertainties, including those described below, which could adversely and materially affect our business, financial condition or results of operations. You should carefully consider these risks and uncertainties, including 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.

Risks Related to Our Business

A loss of any significant Managed Portals and Advertising customer could negatively affect our financial performance.

Although we have diversified our product portfolio and our customer base, we continue to derive a substantial portion of our revenue from a small number of Managed Portal customers. Revenue attributable to these customers includes the Recurring and Fee-Based revenue earned directly from them, as well as the search and digital advertising revenue earned through our relationships with our advertising partners, such as Google, based on traffic generated from our Managed Portals. For the six months ended June 30, 2018, revenue attributable to one customer (AT&T), accounted for approximately 28% of our revenue, or $19 million; no other customer accounted for 10% or greater of our revenue in the quarter.

Our contracts with our Managed Portals and Advertising customers generally have an initial term of approximately two to three years from the launch of their Managed Portals and frequently provide for one or more automatic renewal terms of one to two years each. If a key contract is not renewed or is otherwise terminated, or if revenue from a significant customer declines because of competitive or other reasons, including the customer's desire to reprioritize or deemphasize monetization of the portal, our revenue would decline and our ability to achieve or sustain profitability would be impaired. In addition to the loss of Recurring and Fee-Based revenue, we would also lose significant revenue from the related search and digital advertising services that we provide. In addition to the decline of revenue, we may have to impair our long-lived assets, to the extent that such assets are used exclusively to support these customers, which would adversely impact our results of operations and financial position.

We derive a substantial portion of our revenue from AT&T, with revenue from AT&T exceeding the revenue attributable to any of our other customers. If our contract with AT&T is not renewed or is otherwise terminated, or if revenue from the AT&T relationship were to decline due to competitive or other reasons, our results of operations and financial position would be adversely affected.

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 adversely affect our financial performance.

We rely on traffic on our Managed Portals to generate search and digital 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 Managed Portals. 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 14%, 12%, and 28% of our revenue in 2017, 2016, and 2015 or $20.1 million, $15.9 million, and $31.2 million, respectively, and approximately 14% of our revenue in the six months ended June 30, 2018, or $9.8 million. We recently renewed our agreement with Google for a two year period ending May 31, 2020. Additionally, Google may terminate our agreement if we experience a change in control, if we enter into an agreement providing for a change in control, if we do not maintain certain search and digital advertising revenu e levels or if we fail to conform to Google's search policies and advertising policies. Google may from time to time change its existing, or establish new, methodologies and metrics for valuing the quality of internet traffic. Any changes in these methodol ogies, metrics and advertising technology platforms could decrease the advertising rates that we receive and/or the amount of revenue that we generate from digital advertisements. 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, financia l condition and results of operations would be adversely affected. Moreover, consumers' increased use of search tools other than the Google-branded search tool we provide would have similar effects.

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

We have reported pre-tax net income in only three years, 2009, 2011 and 2012, in amounts of $0.3 million, $3.9 million, and $5.6 million, respectively. In all other years, we have incurred losses, and at June 30, 2018 our cumulative net operating loss carryforward totaled approximately $31.2 million, including a pre-tax net loss of $4.6 million in the six months ended June 30, 2018. We have previously taken cost saving measures and we continue to look for ways to reduce costs and streamline operations. However, our expenses have increased and may increase in future periods as we implement initiatives designed to grow our business including, among other things, the ongoing costs and expenses we must incur in connection with providing Managed Portal and Advertising solutions to AT&T, acquisitions of complementary businesses (such as our acquisition of the Zimbra assets and our acquisition of assets from Technorati), the development and marketing of new services and products, licensing of content, expansion of our infrastructure and international expansion. If our revenue does not sufficiently increase to offset these expected increases in operating expenses, or if we are not able to sufficiently reduce costs in the event our revenue increases fail to materialize, we may incur significant losses and may not be profitable. For example, although our revenue in 2017 increased as compared to 2016 and our revenue in 2016 increased as compared to 2015, we have not yet returned to profitability. We may not be able to return to or maintain profitability in the future. Any failure to achieve or maintain profitability may adversely affect our business, financial condition, results of operations and impact our ability to utilize our net operating loss carryforwards. As a result of our pre-tax cumulative losses, we have established a full valuation allowance against our net deferred income tax asset, which includes our net operating loss carryforwards.

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 and is projected to continue to increase. Similarly, individuals are increasingly accessing the internet through apps other than internet browsers, such as those available for download through Apple Inc.'s App Store and the Android Market. Our Managed Portals include our responsive desktop and mobile web products and also our mobile native iOS and Android apps. The Managed Portal solutions we have developed for our AT&T relationship include solutions for mobile products as well as desktop computers. If consumers do not use our mobile products at all or use these products less frequently than previously, our financial results could be negatively affected. 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 sales of our Managed Portals and Advertising solutions may decline if we fail to enhance our service and content offerings to achieve continued consumer acceptance.

Our business depends on aggregating and providing services and content that our customers will place on our Managed Portals, including television programming, news, entertainment, sports and other content that their consumers find engaging, and premium services and paid content that their consumers 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 we work with our customers to have their consumers' homepages set to our Managed Portals, a consumer may easily change that setting, which would likely decrease the use of our Managed Portals. Similarly, consumers who change their device's operating system or internet browser may no longer have our Managed Portals set as their default homepage, and unless they change it back to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted. Consumers who acquire new consumer electronics devices no longer have our Managed Portals initially set as their default homepage, and unless they change the default to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted.

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 would 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 reduce our revenue and harm our business, financial condition and results of operations.

Our revenue 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. For example, under our relationship with AT&T, we agreed to deliver a number of additional products and services to AT&T's consumers. If our existing and prospective customers do not perceive that we will deliver our services and products on schedule, or 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, existing customers may be able to terminate their agreements with us, 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 and communications providers, consumer electronics manufacturers, and directly and indirectly to enterprises, and governmental and nonprofit organizations. New customer relationships typically take time to obtain and finalize because of the burdensome cost of migrating from an existing solution to our platform. 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 for our Managed Portals and Advertising customers, 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.

Many 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 and communications providers, including our search and digital advertising revenue generated by online consumer traffic on our Managed Portals and our revenue from our Email/Collaboration offerings, accounted for approximately 63% in 2017, approximately 63% in 2016, approximately 82% in 2015, and approximately 84% in the six months ended June 30, 2018. 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 revenue. Under our agreements with some of our customers, including CenturyLink, they have the right to terminate the agreement if we are acquired by one of their competitors.

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.

We rely, to a significant degree, on indirect sales channels for the distribution of our Email/Collaboration products, and disruption within these channels could adversely affect our business, financial condition, operating results and cash flows.

We use a variety of indirect distribution methods for our offerings, including channel partners, such as cloud service providers, distributors, and value added resellers. A number of these partners in turn distribute our offerings via their own networks of channel partners with whom we have no direct relationship. These relationships allow us to offer our technologies to a much larger customer base than we would otherwise be able through our direct sales and marketing efforts.

We rely, to a significant degree, on each of our channel partners to select, screen and maintain relationships with its distribution network and to distribute our offerings in a manner that is consistent with applicable law and regulatory requirements and our quality standards. If our channel partners or a partner in its distribution network violate applicable law or regulatory requirements or misrepresent the functionality of our offerings, our reputation could be damaged and we could be subject to potential liability. Furthermore, our channel partners may offer their own products and services that are competitive with our offerings or may not distribute and market our offerings effectively. Our existing channel partner relationships do not, and any future channel partner relationships may not, afford us any exclusive marketing or distribution rights. In addition, if a channel partner is acquired by a competitor or its business units are reorganized or divested, our revenue derived from that partner may be adversely impacted.

Recruiting and retaining qualified channel partners and training them in the use of our technologies require significant time and resources. If we fail to devote sufficient resources to support and expand our network of channel partners, our business may be adversely affected. In addition, because we rely on channel partners for the indirect distribution of our technologies, we may have little or no contact with the ultimate end-users of our technologies, thereby making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our software, support ongoing customer requirements, estimate end-user demand, respond to evolving customer needs and obtain renewals from end-users.

Most of our sales to government entities have been made indirectly through our channel partners. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and any such termination may adversely impact our future operating results. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our offerings, a reduction of revenue or fines or civil or criminal liability if the audit uncovers improper or illegal activities.

If our indirect distribution channel is disrupted, we may be required to devote more resources to distribute our offerings directly and support our customers, which may not be as effective and could lead to higher costs, reduced revenue and growth that is slower than expected.

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 contracts for Managed Portals and Advertising solutions with our consumer electronics manufacturer customers are 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 technology 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.

Moreover, updates to internet browser technology may adversely affect our business. For example, for our consumer electronics manufacturer customers that have the Windows 8 operating system pre-installed on some of their devices, the Windows 8 operating system places our Managed Portal on a second tab when the internet browser is launched, leading to decreased search and digital advertising revenue. Further, upgrades to the Windows 10 operating system default to Microsoft's latest Edge browser and displace users' previous browser settings including default homepages, which can also lead to decreased search and digital advertising revenue. Unless consumers change their browser settings back to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted.

We invest in features and functionality designed to increase consumer engagement with our Managed Portals; 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 Managed Portals. We have made and will continue to make substantial investments in features and functionality for our technology that are designed to drive consumer engagement. For example, as of June 30, 2018 we have invested over $10 million in the aggregate in start-up expenses, development expenses and capital expenditures relating to our contract with AT&T, and we expect to continue to invest in features and functionality in connection with obtaining new customers.

Not all of these act ivities directly generate revenue, and we cannot assure you 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 engagemen t 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 smartphone and tablet products fail to capture the increased search activity on such devices or 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 Managed Portals 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 some cases, we are required under our contracts, including our contract with AT&T, to provide our customers' consumers access to certain types of content. 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 an adverse 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 Zimbra Email/Collaboration solution was developed as an open-source software product. As such, it may be relatively easy for competitors, some of which may have greater resources than we have, to compete with us.

One of the characteristics of open source software is that anyone may modify and redistribute the existing open source software and use it to compete with us. Such competition can develop without the degree of overhead and lead time required by traditional software, internet or technology companies. In addition, some of these competitors may make their open source software available for free download and use on an ad hoc basis or may position their open source software as a loss leader. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive pressure and/or the availability of open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could adversely affect our business, financial condition, operating results and cash flows.

In 2016, we announced an initiative to promote support for our open source Zimbra Email/Collaboration solution with the expectation that the initiative would lead to increased maintenance, support and professional service revenue, and we received our first customer orders for maintenance and support services related to the open source solution. However, there can be no assurance that this initiative will yield a material increase in revenue.

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 but not limited to the various factors set forth in this “Risk Factors” section, as well as:

- any failure to maintain strong relationships and favorable revenue-sharing arrangements with our Managed Portals and 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 digital advertisements by advertisers;
- the timing of our investment in, or the timing of our monetization of, our products and services;
- any failure of significant customers to renew their agreements with us;
- our ability to attract new customers;
- our ability to increase sales of premium services and paid content to our existing customers’ consumers;
- any development by our significant customers of the in-house capacity to replace the solutions we provide;
- the release of new product and service offerings by our competitors or our customers;
- 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 may render our Managed Portals less competitive;
- changes in our pricing policies or those of our competitors;
- changes in the prices our customers charge their consumers for email, premium 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 implementation of our solutions for new customers;
- 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 continue to expand our product offerings internationally, particularly in Asia, Canada, Latin America and Europe. Although our exposure to and expertise in international markets have increased as a result of our acquisition of the Zimbra assets in September 2015, we still have limited experience in marketing and operating all of our services and products in international markets, and we may not be able to successfully develop or grow our business in these markets. Our success in these markets will be directly linked to the success of our relationships with potential customers, resellers, content partners and other third parties.

As the international markets in which we 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 regimes and standards, difficulties in managing and staffing foreign operations, recruiting and re taining 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 and our intellectual proper ty rights 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 effect ively, the costs of doing business in some international markets may be prohibitive or our costs may increase disproportionately to our revenue. Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur with respect to our expansion into international markets. Our employees or other agents may engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences, including adverse publicity and damage to our reputation that may have an adverse effect on our business, financial condition and results of operations.

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

Certain of our agreements with Managed Portals and Advertising customers and content providers require us to make fixed payments to them. As of June 30, 2018, the aggregate amount of such fixed payments for the remaining six months of 2018 through 2020 total approximately $2.6 million. 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 many 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. In addition, certain of our agreements with customers contain penalties for certain types of non-performance which, if not timely rectified, could result in substantial financial penalties to us.

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 centers are also subject to break-ins, sabotage and intentional acts of vandalism and to potential disruptions if the operators of the facilities 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 million for cyber loss (and $38 million for physical loss). Any system failure or disruption and any resulting losses that are not recoverable under our insurance policies may harm our business, financial condition and results of operations. To date, we have never experienced any material losses.

Not all of our data centers are on full second-site redundancy; only certain customers require this capability. We regularly back-up our systems and store the system back-ups in Atlanta, Georgia; Watertown, Massachusetts; Dallas and Allen, Texas; Lewis Center, Ohio; Denver, Colorado; Toronto, Canada; and Amsterdam, the Netherlands. 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 harm our business and our operating results.

Security breaches, computer v iruses 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. We may be unable to implement adequate preventative measures against or proactively address techniques used to obtain unauthorized access, disable or degrade service or sabotage systems. 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 technology 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 our Managed Portals and Advertising customers, 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 Managed Portals and other offerings 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 technology 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 Managed Portals and Advertising solutions are unavailable when consumers attempt to access them or do not load as quickly as they expect, consumers may seek other alternatives to obtain the information for which they are looking, and may not use our products and services 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 Himesh Bhise, our President and Chief Executive Officer, Timothy J. Heasley, our Chief Financial Officer, and Steven M. Davi, our Executive Vice President of Technology. 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. Further, we will need to hire personnel outside the United States to continue to pursue an international expansion strategy. 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 were to be 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.

Through much of our history, our business expansion had resulted from organic growth. More recently, however, we have sought to, and may continue to seek to, grow through strategic acquisitions. For example, in the first quarter of 2016, we acquired certain assets from Technorati, and in 2015, we acquired the Zimbra assets and certain assets of NimbleTV. Our goal of returning to growth may 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 (such as the assets acquired from Technorati, Zimbra, and NimbleTV) 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. 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, or joint ventures or other strategic alliances with other companies, which may divert our management's attention or prove not to be successful.

In February 2016, we acquired substantially all of the assets of, and hired certain personnel from, Technorati; and in 2015, we acquired the Zimbra assets and hired certain related personnel and we purchased assets from, and hired the personnel of, NimbleTV. We may decide to pursue other acquisitions of, investments in, or joint ventures involving other technologies and businesses in the future. Such transactions could divert our management's time and focus from operating our business.

Our ability as an organization to integrate acquisitions is relatively unproven. 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 control over financial reporting and disclosure controls and procedures).

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 acceptab le 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. For example, we invested more than $10.0 million in 2016 and 2017 in operating expenses and capital expenditures in preparing to support AT&T as a customer, and an additional $4.6 million in 2017 in the development of internal-use software and software for sale or license to other customers. If the cash generated from operations and otherwise available to us is 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. As with our credit facility with Silicon Valley Bank, any debt financing obtained by us in the future could contain financial or other 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.

While we successfully raised approximately $20.0 million in an underwritten public offering of 6,187,846 shares of our common stock in April and May of 2017, the net proceeds of that offering may not be sufficient to meet our objectives, including funding our growth plans and potential acquisitions as they may arise.

In addition, while we are in compliance at June 30, 2018 with the financial covenants contained in our credit facility with Silicon Valley Bank, our future financial performance, including our future capital expenditures, may potentially cause us to become not in compliance with those covenants, possibly restricting our ability to continue to borrow under our credit facility.

If new or existing 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 and other proprietary rights is critical to our success. We rely on copyright, trademark and patent enforcement, contractual restrictions and trade secret and other laws to protect our brand, intellectual property and other 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 and distribution of our proprietary information. Additionally, we have applied for patents to protect certain of our intellectual property. We have registered several marks and filed other trademark applications in the United States. We have not applied for copyright protection in any jurisdiction including in the United States. However, if we are unable to adequately protect our intellectual property, it may be possible for a third party to copy or otherwise obtain and use our intellectual property without authorization, and 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. The steps we take may not prevent misappropriation or infringement of our intellectual property or other proprietary rights. Litigation may be necessary in the future to enforce or defend our intellectual property or other proprietary rights, to protect our intellectual property or to determine the validity and scope of the intellectual property or other 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 and other proprietary 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 or other proprietary rights.

We are not currently involved in any legal proceedings with respect to protecting our intellectual property or other proprietary rights; however, we may from time to time become a party to various legal proceedings with respect to protecting our intellectual property or other proprietary rights 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 cost ly 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 Managed Portals infringes certain patents of a third party, none of which have resulted in material 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.

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 experience reduced revenue. 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 material 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 email addresses. Unauthorized disclosure of such personal information, 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 email addresses. There are numerous federal, state and local laws, rules and guidelines around the world regarding privacy and the collection, storing, sharing, use, processing, disclosure, destruction and security 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. For example, the EU General Data Protection Regulation, or the Regulation, came into effect in May 2018. The Regulation replaced the existing 1995 European Union Data Protection Directive, or the Directive, and introduced new and onerous data protection requirements for companies processing data of European citizens, as well as substantial fines for breaches of the data protection rules. In 2016, to facilitate compliance with the Directive, the European Commission and the United States Department of Commerce designed a program known as the EU-US Privacy Shield, or the Privacy Shield, which provides a mechanism for U.S. companies to comply with data protection requirements under the Directive when transferring personal information from the European Economic Area, or the EEA, to the United States. The Privacy Shield includes more stringent operational and legal requirements for parties processing EEA personal information and imposes significant penalties for non-compliance. Similarly, in early 2017, the Swiss Federal Data Protection and Information Commissioner and the United States Department of Commerce designed a pr ogram known as the Swiss-U.S. Privacy Shield, which provides a mechanism for U.S. companies to comply with Swiss data protection requirements when transferring personal information from Switzerland to the United States. We certified compliance with the EU- US Privacy Shield and the Swiss-U.S. Privacy Shield to the United States Department of Commerce in December 2016 and June 2017, respectively.   Compliance with the EU-US Privacy Shield and Swiss-U.S. Privacy Shield are not, alone, sufficient to comply with the obligations contained in the Directive or the Regulation.

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, we may fail to comply with such laws, rules and guidelines, and 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 (including obligations in agreements with our customers), 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, significant fines, loss of access to data transfer mechanisms, litigation or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, or, in some situations, terminate their agreements with us, all of 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 digital advertising, including advertising on our Managed Portals. Such advertising accounted for approximately 45%, 46%, and 43% of our revenue for the years ended December 31, 2017, 2016, and 2015, respectively, and approximately 45% and 45% of our revenue for the three and six months ended June 30, 2018. 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 Managed Portals;
- maintaining consumer engagement on those Managed Portals;
- competing effectively for advertising spending with other online and offline advertising providers.

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' consumers from one high-speed internet service provider to another could adversely affect our business, financial condition and results of operations.

Consumers 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 revenue, including search and digital advertising revenue, could decline.

If we are unable to implement and maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected.

As a public company, we are required to maintain internal control over financial reporting and to disclose any material weaknesses in such internal control. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on internal control over financial reporting. The Sarbanes-Oxley Act also requires that our management report on internal control over financial reporting be attested to by our independent registered public accounting firm.

During our assessment of internal control over financial reporting as of December 31, 2017, we identified three material weaknesses in our internal control over financial reporting: (i) an ineffective control environment due to a lack of sufficient qualified accounting personnel with an appropriate level of knowledge and experience, (ii) ineffective control activities due to the lack of timeliness in executing business process control s, and (iii) ineffective monitoring controls to ascertain whether the components of internal control were present and functioning. We are working to remediate these material weaknesses . For more information about these material weaknesses and our remediation efforts, see Part I, Item 4 of this Quarterly Report on Form 10-Q and Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2017. Although we plan to co mplete this remediation process as quickly as possible, we cannot at this time estimate how long it will take, and our efforts may not be successful in remediating these material weaknesses. As part of the remediation process, we may incur additional costs in improving our internal control over financial reporting.

Many of the internal controls we have implemented pursuant to the Sarbanes-Oxley Act are process controls with respect to which a material weakness may be found whether or not any error has been identified in our reported financial statements. This may be confusing to investors and result in damage to our reputation, which may harm our business. Additionally, the proper design and assessment of internal controls over financial reporting are subject to varying interpretations, and as a result, application in practice may evolve over time as new guidance is provided by regulatory and governing bodies and as common practices evolve. This could result in continuing uncertainty regarding the proper design and assessment of internal controls over financial reporting and higher costs necessitated by ongoing revisions to internal controls.

We must continue to monitor and assess our internal control over financial reporting. If we are unable to successfully remediate these material weaknesses or if we identify additional material weaknesses, we may not detect errors on a timely basis and our financial statements may be materially misstated . This could harm our operating results, cause us to fail to meet our SEC reporting obligations or Nasdaq listing requirements on a timely basis, adversely affect our reputation, cause our stock price to decline or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements.

Notwithstanding the material weaknesses identified during our assessment, (i) we have concluded, and our auditors have expressed an unqualified opinion, that the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 presented fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented, and (ii) we have concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited as a result of future transactions in our stock which may be outside our control.

As of June 30, 2018, 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.

We have been named as a party to a lawsuit and we may be named in additional litigation or legal proceedings in the future.

We have been named as a party in a lawsuit described under “Part II—Item 1—Legal Proceedings” and we may be named in additional litigation or other legal proceedings in the future, all of which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations, cash flows, and the trading price for our securities. Under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses on behalf of current and former directors and officers in connection with the litigation described in Part II—Item 1 and in connection with any future lawsuits. The ultimate outcome of the litigation described in Part II—Item 1, and any other litigation or legal proceedings, may have an adverse effect on our business and the trading price for our securities. Litigation and other legal proceedings may be time-consuming, expensive, and disruptive to normal business operations, and the outcome of such matters is difficult to predict. The defense of the litigation described in Part II—Item 1, and any other lawsuits or legal proceedings, may result in significant expenditures and the continued diversion of our management’s time and attention from the operation of our business, which could impede our business. In the event we were to receive an unfavorable or unexpected outcome in any lawsuit or other legal proceeding, our business, financial condition, results of operations, cash flows and the trading price of our securities may be adversely affected.

Risk s 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 majority of our revenue is derived from our Managed Portals and Advertising solutions; 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 majority of our revenue from search and digital advertising, including advertising on our Managed Portals. Such search and digital advertising revenue accounted for approximately 60%, 59% and 71% of our revenue for the years ended December 31, 2017, 2016 and 2015, or $83.6 million, $74.9 million, and $78.3 million respectively, and approximately 58% and 59% for the three and six months ended June 30, 2018, or $20.9 and $40.8 million, respectively. 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. 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 Managed Portals. 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 sponsored link 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 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 that limits or removes advertising from the users' view, advertisers may perceive that internet advertising is not effective and may choose not to advertise on the internet.

The market for internet-based services and products in which we operate is highly competitive, and if we cannot compete effectively, our sales may declin e 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: Google; Oath, a division of Verizon; 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;
- ability to offer their products at significantly lower prices or at no cost;
- 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 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.

We are subject to a variety of laws, rules, guidelines and regulations in the United States and other countries governing the internet, which are frequently evolving and developing. The scope and interpretation of the laws, rules, guidelines and regulations that are or may be applicable to us are often uncertain and may be conflicting. It is difficult to predict how existing laws rules, guidelines and regulations will be applied to our business, as it exists today and may exist in the future, and the new laws rules, guidelines and regulations to which we may become subject, and changes related to such laws, rules, guidelines and regulations may adversely affect our business, financial conditions, or operations.

Over time, we expect state, federal and international legislative bodies to continue to enact more stringent laws and regulations relating to the internet. 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.

Several federal laws that could have an impact on our business have been adopted. For example, 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, but requires strict compliance with certain provisions to qualify for the safe harbor provisions; the Children's Online Privacy Protection Act imposes additional restrictions on the ability of online services to collect user information from minors under the age of 13; and 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.

Increased regulation and industry standards related to internet privacy issues may prevent us from providing our current products and solutions to our customers, thereby harming our business.

There are numerous federal, state and local laws, rules, regulations and guidelines, and laws, rules, regulations and guidelines around the world, regarding privacy and the collection, storing, sharing, use, processing, disclosure, destruction and security 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 laws, rules, regulations and guidelines. 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, sharing, processing, disclosure, destruction and security of personal information by companies operating over the internet have come under increased public scrutiny and, as a result, there are an increasing number of regulations and industry standards that affect our business. Regulators, including the Federal Trade Commission and regulators in the EEA, have restricted and continue to restrict our ability to use personal information and therefore may limit or inhibit our ability to operate our business. In addition, many nations and economic regions have privacy protections that are more stringent or otherwise at odds with those in the United States. For example, the EEA traditionally has imposed stricter obligations and provided for more onerous penalties than the United States. The new EU General Data Protection Regulation, or the Regulation, entered into force in May 2018. The Regulation introduced new data protection requirements in the EEA, as well as substantial fines for breaches of the data protection rules. Complying with new privacy and security requirements, whether imposed by regulation, contract or industry standard, will require additional expenditures and may result in a greater compliance burden for companies with employees or users in the EEA. Furthermore, compliance with the EU-U.S. Privacy Shield and Swiss-U.S. Privacy Shield are not, alone, sufficient to comply with the obligations contained in the Regulation, so in addition to the stringent operational and legal requirements imposed by the EU-U.S. Privacy Shield and the Swiss-U.S. Privacy Shield, we may incur additional expenses to comply with privacy and security standards and protocols imposed by the Regulation, which may have an adverse effect on our business. Furthermore, the Privacy Shield framework is facing challenges to its validity, and these challenges are expected to continue, with the possible result being the invalidation of the Privacy Shield framework as a mechanism for legitimizing transfers of personal data from the EEA and Switzerland to the U.S. If the Privacy Shield is invalidated, we may not have a legal basis for our transfer of personal data from the EEA or Switzerland, which could constitute a violation of applicable data privacy laws and subject us to fines, third party claims, and other costs and expenses. We could also incur additional costs and expenses, and may have to divert resources, in connection with implementing an alternative basis for such transfers. Each of these scenarios could lead to an adverse impact on our business.

We may incur expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations, including without limitation due to laws such as the Regulation, CAN-SPAM Act of 2003 or other user privacy or security laws. Our non-compliance with such laws could result in governmental enforcement actions, significant fines, loss of access to data transfer mechanisms or litigation, restrict our and our customers' ability to market products to their consumers, create uncertainty in internet usage and reduce the demand for our services and products or require us to make changes to our data and security practices and our services and products, including Managed Portals. 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 and officers 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 and executive officers and their respective affiliates, beneficially own or directly or indirectly control (including by voting proxy), as of August 3, 2018, approximately 18% of our outstanding common stock (including exercisable options). These stockholders, if they were to act together, would have the ability to influence significantly 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 influence significantly 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;
- preventing the election of directors who are nominated by our stockholders; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Our business could be negatively affected as a result of actions of stockholders or others.

In June and July 2014, entities associated with JEC Capital Partners and Ratio Capital Partners indicated, through filings with the Securities and Exchange Commission, that they each beneficially owned 4.9% of our outstanding shares of common stock. There can be no assurance that JEC Capital Partners, Ratio Capital Partners or another third party will not make an unsolicited takeover proposal in the future or take other action to acquire control of us or to otherwise influence our management and policies. Considering and responding to any future proposal is likely to result in significant additional costs to us, and future acquisition proposals, other stockholder actions to acquire control and the litigation that often accompanies them, if any, are likely to be costly and time-consuming and may disrupt our operations and divert the attention of management and our employees from executing our strategic plan.

Additionally, perceived uncertainties as to our future direction as a result of stockholder activism or actual or potential changes to the composition of our board of directors, may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce their reliance on, the services we provide or do business with our competitors instead of us because of any such issues, then our business, operating results and financial condition would be adversely affected.

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

Certain of our stockholders who held shares of our preferred stock before the consummation of our public offering (and who now hold shares of our common stock) may be able to sell these shares in the public market without registration under Rule 144.

In addition, the shares that are either subject to outstanding options or warrants or that may be granted in the future under our equity plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements.

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 m ay 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, and we have agreed not to pay any dividends or make any other distributions in our loan agreement with Silicon Valley Bank. 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 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, bank covenants 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 August 3, 2018, our trading price has ranged from $1.03 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 but not limited to the various factors set forth in this “Risk Factors” section, as well as:

- variations in our financial performance;
- announcements of technological innovations, new services and products, strategic alliances, asset acquisitions, or significant agreements by us or by our competitors;
- 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 industri es 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. For example, we are presently the target of the securities litigation described under “Legal Proceedings.” Securities litigation, regardless of its merits or outcome, could cause us to incur substantial costs and could divert management’s attention. This could adversely affect our business, results of operations and financial condition.

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.

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. In particular, we have incurred and expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, including remediating the material weaknesses described in Part I, Item 4 of this Quarterly Report on Form 10-Q and Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2017. For example, we have reassigned personnel from our finance department’s financial planning and analysis function to our accounting function, and we have engaged an outside accounting firm to provide us with the services of additional accounting support personnel.

Moreover, the rules and regulations applicable to public companies 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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAF ETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Exhibit
10.1	Google Services Agreement between Synacor, Inc. and Google Inc., effective as of June 1, 2018.
10.2	Amendment #1 to Second Amended and Restated Master Services Agreement between Synacor, Inc. and Qwest Corporation, effective as of March 1,2018.
10.3.1	Letter Agreement dated October 25, 2012 with Steven Davi.
10.3.2	Severance Agreement dated October 29, 2012 with Steven Davi.
10.3.3	Letter Agreement dated April 26, 2018 with Steven Davi.
31.1	Certifications of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications 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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Labels Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

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

SIGNAT URES

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. (Registrant)
Date: August 9, 2018	By: /s/ Himesh Bhise Himesh Bhise President and Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2018	By: /s/ Timothy J. Heasley Timothy J. Heasley Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)

CONFIDENTIAL TREATMENT REQUESTED

GOOGLE SERVICES AGREEMENT

COMPANY INFORMATION

COMPANY: Synacor, Inc.

	Business Contact:	**Legal Contact:**	**Technical Contact:**
Name:	[*]	[*]	[*]
Title:	Vice President, Search and Advertising Operations	Executive Director, Legal Affairs	Director, Search and Advertising Products
Address, City, State, Postal Code:	40 La Riviere Drive Suite 300 Buffalo, NY 14202	40 La Riviere Drive Suite 300 Buffalo, NY 14202	40 La Riviere Drive Suite 300 Buffalo, NY 14202
Phone:	[*]	[*]	[*]
Email:	[*]	[*]	[*]

TERM

TERM: Starting on June 1, 2018 (" **Effective Date** ") and continuing through May 31, 2020(inclusive). The parties may mutually agree to extend the term for additional one year period by executing an amendment.

SEARCH SERVICES

☒ **WEBSEARCH SERVICE ("WS")**	**Search Fees**
Sites approved for WS: See Exhibit A	[*] Requests for Search Results Sets

☒ **IMAGE SEARCH SERVICE ("IS")**	**Search Fees**
[*]	[*]

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

ADVERTISING SERVICES

☒ ADSENSE FOR SEARCH (“AFS”)	AFS Revenue Share Percentage	AFS Deduction Percentage
Sites approved for AFS: See Exhibit A	See Exhibit B	See Exhibit B

☒ ADSENSE FOR SHOPPING (“AFSH”)	AFSH Revenue Share Percentage	AFSH Deduction Percentage
[*] Sites approved for AFSH: See Exhibit A	See Exhibit B	See Exhibit B

CURRENCY

☐ AUD	☐ JPY
☐ CAD	☐ KRW
☐ EUR	☒ USD
☐ GBP	☐ Other

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

This Google Services Agreement (" **Agreement** ") is entered into by Google LLC (" **Google** ") and Synacor Inc. (" **Company** ") and is effective as of the Effective Date.

1. Definitions. In this Agreement:

1.1. " **Ad** " means an individual advertisement provided through the applicable Advertising Service .

1.2. " **Ad Deduction** " means, for each of the Advertising Services, for any period during the Term, the Deduction Percentage (listed on the front pages of this Agreement) of Ad Revenues.

1.3. " **Ad Revenues** " means, for any period during the Term, revenues that are recognized by Google in connection with Company's use of the applicable Advertising Service and attributed to Ads in that period . Notwithstanding the forgoing, if advertisers buy Ads at a fixed or aggregated price, then Ad Revenues for those Ads will be calculated as if such advertisers had paid the final price for the provision of the Ad in accordance with the definition above.

1.4. " **Ad Set** " means a set of one or more Ads.

1.5. " **Advertising Services** " means the advertising services selected on the front pages of this Agreement.

1.6. " **Affiliate** " means any entity that directly or indirectly controls, is controlled by or is under common control with, a party.

1.7. " **Alternative Search Queries** " means alternative search queries as approved by Google in writing and described in the Google Program Guidelines.

1.8. " **Approved Client Application** " means any Client Application that runs on a user' s computer and that has been approved by Google for the purpose of indirectly accessing a Service.

1.9. [*] means a Client Application [*] and that has been approved by Google for the purpose of directly accessing and implementing a Service within such Client Application.

1.10. " **Brand Features** " means each party's trade names, trademarks, logos and other distinctive brand features.

1.11. " **Client Application** " means any application, plug-in, helper, component or other executable code that runs on a user's computer [*] (or any subsequent version of such application).

1.12. " **Client Application Guidelines** " means the policy guidelines applicable to the Approved Client Application(s) as provided by Google to Company from time to time.

1.13. " **Company Content** " means any content served to End Users that is not provided by Google.

1.14. " **Confidential Information** " means information that one party (or an Affiliate) discloses to the other party under this Agreement, and that is marked as confidential or would normally be considered confidential information under the circumstances. It does not include information that the recipient already knew, that becomes public through no fault of the recipient, that was independently developed by the recipient, or that was lawfully given to the recipient by a third party.

1.15. " [*] **AFS Ads** " means AFS Ads that are displayed in response to Search Queries submitted by End Users [*] .

1.16. **"EEA AFS Request"** means a Request for AFS Ads that is generated by an EEA Query.

1.17. **"EEA End User"** means an End User who, based on IP address data available to Google, is located within the European Economic Area.

1.18. **"EEA Query"** means a Search Query submitted by an EEA End User.

1.19. " **End Users** " means individual human end users of a Site or Approved Client Application.

1.20. " **Equivalent AFS Ads** " means any third party or Company sourced advertisements that are the same as or substantially similar in nature to the AFS Ads.

1.21. " **Equivalent AFSH Ads** " means any third party or Company sourced advertisements that are the same as or substantially similar in nature to the AFSH Ads.

1.22. " **Google Branding Guidelines** " means the brand treatment guidelines applicable to the Services and located at the following URL: https://support.google.com/adsense/answer/6370057 (or a different URL Google may provide to Company from time to time).

1.23. " **Google Program Guidelines** " means the policy and implementation guidelines applicable to the Services and as provided by Google to Company from time to time, including those located at the following URL: https://support.google.com/adsense/answer/6068943 , https://support.google.com/adsense/answer/6068966, https://support.google.com/adsense/answer/6069508] (or any different URL(s) or additional URL(s) as provided by Google may provide to Company from time to time).

1.24. " **Intellectual Property Rights** " means all copyrights, moral rights, patent rights, trademarks, rights in or relating to Confidential Information and any other intellectual property or similar rights (registered or unregistered) throughout the world.

1.25. [*]

1.26. " [*] **AFS Ads** " means AFS Ads displayed in response to Search Queries submitted by End Users [*] .

1.27. [*]

1.28. " **Net Ad Revenues** " means, for each of the Advertising Services, for any period during the Term, A d Revenues for that period minus the Ad Deduction (if any) for that period.

1.29. " **Request** " means a request from Company or an End User (as applicable) to Google for a Search Results Set and/or an Ad Set (as applicable).

1.30. " **Results** " means Search Results Sets, Search Results, Ad Sets or Ads.

1.31. " **Results Page** " means any Site page that contains any Results.

1.32. " **Search Box** " means a search box (or other means approved by Google) for the purpose of sending search queries to Google as part of a Request.

1.33. " **Search Query** " means (a) a text query entered and submitted into a Search Box on a Site or on an Approved Client Application by an End User, [*] .

1.34. " **Search Result** " means an individual search result provided through the applicable Search Service.

1.35. " **Search Results Set** " means a set of one or more Search Results.

1.36. " **Search Services** " means the search services selected on the front pages of this Agreement.

1.37. " **Services** " means the Advertising Services and/or Search Services (as applicable).

1.38. " **Site(s)** " means:

(a) the Web site(s) [*] located at the URL(s) listed on the front pages of this Agreement (or the applicable Exhibit) and the [*] listed on the front pages of this Agreement (or the applicable Exhibit), together with the additional URL(s) and Client Applications approved by Google from time to time under subsection 8.3(a) below.

1.39. [*]

1.40. " [*] **AFS Ads** " means AFS Ads displayed in response to Search Queries submitted by End Users [*] .

2. Launch, Implementation and Maintenance of Services.

2.1. **Launch** . The parties will each use reasonable efforts to launch the Services into live use on a new Site within 30 days from the date that Google approves such new Site. Company will not launch any implementation of the Services into live use, including without limitation any implementation of Alternative Search Queries, and such implementations will not be payable by Google, until Google has approved such implementations in writing, which approval will not be unreasonably withheld or delayed.

2.2. **Implementation and Maintenance** .

(a) Throughout the Term, Google will make available and, unless removed from the list of Sites or Approved Client Applications, or [*] in accordance with Section 7.3(a), Company will implement and maintain each of the Services on each of the Sites and Approved Client Applications. For clarity, Company may not implement the Services on a property that is not a Site or Approved Client Application.

(b) Company will ensure that Company:

(i) [*] has the technical and editorial l control in relation to each page, including Results Pages, each Approved Client Application, [*] on which the Services are implemented; and

(ii) has control over the way in which the Services are implemented on each of those pages, [*] and Approved Client Applications

(iii) Notwithstanding Sections 2.2(b)(i) and 2.2(b)(ii), Google acknowledges that (a) [*] may have decision making authority in relation to the content on each page and placement of such content on the [*] , (b) hardware used to host the Sites may be hosted in data centers [*] and (c) [*] may have decision making authority over portions of the pages that contain the Google Search Box and/or Results on the [*] . Notwithstanding the preceding sentence, in no circumstances do [*]

[*] control the implementation of the Services [*] . If any given Site is not in compliance with 2.2(b)(i, ii, or iii), Google shall have the right to suspend the Site that is in violation pursuant to Section 3.2.

(c) Company will ensure that the Services are implemented and maintained in accordance with Google technical protocols (if any) and any other technical requirements and specifications applicable to the Services that are provided to Company by Google from time to time.

(d) **AFS Result Requirements.**

(i) For each AFS Request [*] , Company will request at least 3 wide format Desktop AFS Ads, at least 1 Mobile AFS Ad, or at least 1 Tablet AFS Ad, as applicable.

(ii) Except as set forth in Section 5.3, Company will ensure that the AFS Ads are displayed in a single continuous block and are not interspersed with any other advertisements or content.

(e) Company will ensure that the AFSH Ads are displayed in a single continuous block and are not interspersed with any other advertisements or content.

(f) Subject to Section 2.3 [*] , Company will ensure that (i) every Search Query generates a WS Request, (ii) every Request is generated by a Search Query and (iii) every Request contains the Search Query that generated that Request.

(g) Google will, upon receiving a Request sent in compliance with this Agreement, provide a Search Results Set and/or an Ad Set (as applicable) when available. Company will then display the Search Results Set and/or Ad Set (as applicable) on the applicable Site.

(h) Company will ensure that at all times during the applicable Term, Company:

(i) has a clearly labeled and easily accessible privacy policy in place relating to the Site(s) and Approved Client Application(s); and

(ii) provides the End User with clear and comprehensive information about cookies and other information stored or accessed on the End User's device in connection with the Services, including information about End Users' options for cookie management.

(i) Company will use commercially reasonable efforts to ensure that an End User gives consent to the storing and accessing of cookies and other information on the End User's device in connection with the Services where such consent is required by law.

(j) Company may implement any [*] approved by Google in writing (email being sufficient for this purpose), subject to the terms of this Agreement, including without limitation the Google Program Guidelines, Google technical protocols and any other technical requirements and specifications applicable to the [*] that are provided to Company by Google from time to time. [*]

2.3. [*]

[*]

2.4 [*] **Co-Branded Site.**

[*]

Image Search. [*]

[*]

3. Policy and Compliance Obligations.

3.1. **Policy Obligations.** Company will not, and will not knowingly or negligently allow any third party to:

(a) modify, obscure or prevent the display of all, or any part of, any Results;

(b) edit, filter, truncate, append terms to or otherwise modify any Search Query, except as provided in Section 2.2(j);

(c) implement any click tracking or other click monitoring of Results.

(d) display any Results in pop-ups, pop-unders exit windows, expanding buttons, animation or other similar methods;

(e) interfere with the display of or frame any Results Page or any page accessed by clicking on any Results;

(f) display any content between any Results and any page accessed by clicking on those Results or place any interstitial content immediately before any Results Page containing any Results;

(g) enter into any type of co-branding, white labeling or sub-syndication arrangement with any third party in connection with any Results or Ad revenue, [*] . For the avoidance of doubt, nothing in this Section 3.1(f) is intended to prevent Company from displaying Equivalent AFS Ads or Equivalent AFSH Ads (or other third party ads) on a Results Page;

(h) directly or indirectly, (i) offer incentives to End Users to generate impressions, Requests or clicks on Results, (ii) fraudulently generate impressions, Requests or clicks on Results or (iii) modify impressions, Requests or clicks on Results;

(i) "crawl", "spider", index or in any non-transitory manner store or cache information obtained from the Services (including Results); or

(j) display on any Site or Approved Client Application, any content that violates or encourages conduct that would violate the Google Program Guidelines, Google technical protocols and any other technical requirements and specifications applicable to the Services that are provided to Company by Google from time to time .

(k) serve or display advertisements on or in connection with, or otherwise monetize, Results Pages that have Search Results from IS, except as set forth in Section 2.4.

3.2. **Compliance Obligations** . Company will not knowingly or negligently allow any use of or access to the Services through any Site or Approved Client Application that is not in compliance with the terms of this Agreement. Company will use commercially reasonable efforts to monitor for any such access or use and will, if any such access or use is detected, take all commercially reasonable steps requested by Google to disable this access or use. If Company is not in compliance with this Agreement at any time, Google may with notice to Company, suspend provision of all (or any part of) the applicable Services until Company implements adequate corrective modifications as reasonably required and determined by Google.

4. [*]

5. [*]

[*]

6. Reporting. Google will continue to provide detailed account reporting through the online Google console.

7. Client Applications. Company will, and will ensure that any Approved Client Application(s) will, comply with Google's Client Application Guidelines, as provided by Google to Company from time to time. Company will, and will ensure that any [*] will, comply with all relevant Google Program Guidelines and Google's Software Principles located at the following URL: http://www.google.com/about/company/software-principles.html (or a different URL Google may provide to Company from time to time). Any updates to these will provide for the [*] nature of this Agreement.

8. Changes and Modifications.

8.1. **By Google** . If Google modifies the Google Branding Guidelines Google Program Guidelines the Google technical protocols and the modification requires action by Company, Company will take the necessary action no later than 30 days from receipt of notice from Google. Any modifications to the Google Branding Guidelines, Google Program Guidelines will be generally applied to Google's similarly situated customers in the same region who are using the specific Service impacted by the modification.

8.2. **By Company** .

(a) Company will provide Google with at least 15 days prior notice of any change in code or serving technology that could reasonably be expected to affect the delivery or display of any Results.

8.3. **Site List Changes** .

(a) Company may notify Google from time to time that it wishes to add or remove (i) URL(s) to those comprising the Site(s) or (ii) Client Applications to a new [*] , in each such case, by sending notice to Google at least [*] days before Company wishes the addition or deletion to take effect. Google may approve or disapprove the request to add Sites or Client Applications in its reasonable discretion, this approval or disapproval to be in writing.

(b) If there is a change in control of any [*] or Approved Client Application (such that the conditions set out in Section 2.2(b)(i) or 2.2(b)(ii) are not met):

(i) Company will provide notice to Google at least [*] days before the change; and

(ii) unless the entire Agreement is assigned to the third party controlling the Site or Approved Client Application in compliance with Section 16.3 (Assignment) below, from the date of that change in control of the Site or Approved

Client Application , that Site or Approved Client Application will be treated as removed from this Agreement. Company will ensure that from that date, the Services are no l onger implemented on that Site or Approved Client Application .

9. Intellectual Property. Except to the extent expressly stated otherwise in this Agreement, neither party will acquire any right, title or interest in any Intellectual Property Rights belonging to the other party, or to the other party's licensors.

10. Brand Features.

10.1. Google grants to Company a non-exclusive and non-sublicensable license during the Term to use the Google Brand Features solely to fulfill Company's obligations in connection with the Services in accordance with this Agreement and the Google Branding Guidelines. Google may revoke this license at any time upon notice to Company. Any goodwill resulting from the use by Company of the Google Brand Features will belong to Google. Any goodwill resulting from the use by Google of the Company Brand Features will belong to Company.

10.2. With Company written approval, Google may include Company's Brand Features in customer lists. Google will provide Company with a sample of this usage if requested by Company.

10.3. Company may include Google's Brand Features in vendor lists subject to the Google Branding Guidelines and Google's prior written consent prior to each usage.

11. Payment.

11.1. **Company Payments** .

(a) The Search Fees owed to Google under this Agreement will be calculated using the number of Requests for Search Results Sets as reported by Google.

(b) **Offset** . Google may offset the Search Fees payable by Company under this Agreement against Google's payment obligations to Company under this Agreement.

(c) **Invoices** . Even if the Search Fees are offset under subsection 11.1(b), Google will invoice (or send a statement of financial activity to) Company for Search Fees in the month after the Search Fees are incurred. Company will pay the invoice amount, if any, to Google within [*] days of the date of invoice.

11.2. **Google Payments** .

(a) For each applicable Advertising Service, Google will pay Company an amount equal to the Revenue Share Percentage (listed on the front pages of this Agreement or the applicable Exhibit) of Net Ad Revenues attributable to a calendar month. This payment will be made in the month following the calendar month in which the applicable Ads were displayed.

(b) Google's payments for Advertising Services under this Agreement will be based on Google's accounting which may be filtered to exclude (i) invalid queries, impressions, conversions or clicks, and (ii) any amounts refunded to advertisers in connection with Company's failure to comply with this Agreement, as reasonably determined by Google and [*] .

11.3. **All Payments** .

(a) As between Google and Company, Google is responsible for all taxes (if any) associated with the transactions between Google and advertisers in connection with Ads displayed on the Sites. Company is responsible for all taxes (if any) associated with the Services, other than taxes based on Google's net income. All payments to Company from Google in relation to the Services will be treated as inclusive of tax (if applicable) and will not be adjusted. If Google is obligated to withhold any taxes from its payments to Company, Google will notify Company of this and will make the payments net of the withheld amounts. Google will provide Company with original or certified copies of tax payments (or other sufficient evidence of tax payments) if any of these payments are made by Google.

(b) All p ayments due to Google or to Company will be in the currency specified in this Agreement and made by electronic transfer to the account notified to the paying party by the other party for that purpose, and t he party receiving payment will be responsible for any bank charges assessed by the recipient's bank.

(c) In addition to other rights and remedies Google may have, Google may offset any payment obligations to Company that Google may incur under this Agreement against any undisputed, past due product or service fees owed to Google by Company under this Agreement or any other agreement between Company and Google. Google may also withhold and offset against its payment obligations under this Agreement, or require Company to pay to Google within [*] days of any invoice, any amounts Google may have overpaid to Company under this Agreement in the [*] prior periods to the date of such withholding, offset or invoice.

12. Warranties; Disclaimers.

12.1. **Warranties** . Each party warrants that (a) it has full power and authority to enter into this Agreement; and (b) entering into or performing under this Agreement will not violate any agreement it has with a third party.

12.2. **Disclaimers** . Except as expressly provided for in this Agreement and to the maximum extent permitted by applicable law, NEITHER PARTY MAKES ANY WARRANTY OF ANY KIND, WHETHER IMPLIED, STATUTORY, OR OTHERWISE AND DISCLAIMS, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, AND NONINFRINGEMENT.

13. Indemnification.

13.1. **By Company.** Company will indemnify, defend, and hold harmless Google from and against all liabilities, damages, and costs (including settlement costs) arising out of a third party claim: (a) arising from any Company Content, Sites or Company Brand Features, and Approved Client Applications; or (b) arising from Company's breach of this Agreement; or (d) arising solely from Company's use of IS.

13.2. **By Google** .

(a) Google will indemnify, defend, and hold harmless Company from and against all liabilities, damages, and costs (including settlement costs) arising out of a third party claim: (i) that authorized use of Google's technology used to provide the Services or any Google Brand Features infringes or misappropriates any copyright, trade secret, trademark or U.S. patent of that third party; or (ii) arising from Google's breach of this Agreement.

(b) For purposes of clarity, Google will not have any obligations or liability under this Section 13 (Indemnification) to the extent arising from any (i) use of the Services or Google Brand Features in a modified form or in combination with services or software not furnished by Google, (ii) content, information or data provided to Google by Company or End Users. Except for the indemnity obligations described in Section 13(a), Google will not have any obligations or liability under this Section 13 arising from any Search Results, Ads, content appearing in Search Results or Ads, or content to which Search Results or Ads link.

13.3. **General** . The party seeking indemnification will promptly notify the other party of the claim and cooperate with the other party in defending the claim. The indemnifying party has full control and authority over the defense, except that any settlement requiring the party seeking indemnification to admit liability or to pay any money will require that party's prior written consent, such consent not to be unreasonably withheld or delayed. The other party may join in the defense with its own counsel at its own expense. THE INDEMNITIES IN SUBSECTIONS 13.1 and 13.2(a) ARE THE ONLY REMEDY UNDER THIS AGREEMENT FOR VIOLATION OF A THIRD PARTY'S INTELLECTUAL PROPERTY RIGHTS.

14. Limitation of Liability.

14.1. **Limitation** .

(a) NEITHER PARTY WILL BE LIABLE UNDER THIS AGREEMENT FOR LOST REVENUES OR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES, EVEN IF THE

PARTY KNEW OR SHOULD HAVE KNOWN THAT SUCH DAMAGES WERE POSSIBLE AND EVEN IF DIRECT DAMAGES DO NOT SATISFY A REMEDY.

(b) NEITHER PARTY WILL BE LIABLE UNDER THIS AGREEMENT FOR MORE THAN THE SUM OF FEES PAID TO SUCH PARTY UNDER THIS AGREEMENT AND AD REVENUES RECEIVED AND RETAINED BY SUCH PARTY DURING THE 12 MONTHS BEFORE THE CLAIM ARISES.

14.2. **Exceptions to Limitations** . These limitations of liability do not apply to Company's breach of Section 4 (Conflicting Services), breaches of confidentiality obligations contained in this Agreement, or violations of a party's Intellectual Property Rights by the other party, or indemnification obligations contained in this Agreement.

15. Confidentiality; Publicity.

15.1. **Confidentiality** . The recipient of any Confidential Information will not disclose that Confidential Information, except to Affiliates, employees, agents or professional advisors who need to know it and who have agreed in writing (or in the case of professional advisors are otherwise bound) to keep it confidential. The recipient will ensure that those people and entities use Confidential Information only to exercise rights and fulfill obligations under this Agreement, while using reasonable care to keep the Confidential Information confidential. The recipient may also disclose Confidential Information when required by law after giving reasonable notice to the discloser, if permitted by law, and the opportunity to seek confidential treatment, a protective order, or similar remedies or relief.

15.2. **Exceptions** .

Notwithstanding Section 14.1 (Confidentiality), Google may (a) inform advertisers of Company's participation in the Services; and (b) share with advertisers Site-specific statistics, the Site URL, the name and platform of the [*] and Approved Client Applications, and related information collected by Google through its provision of the Advertising Services to Company. Disclosure of information by Google under this subsection 15.2 will be subject to the terms of the Google Privacy Policy located at the following URL: http://www.google.com/privacypolicy.html (or a different URL Google may provide to Company from time to time).

15.3. **Publicity** . Neither party may make any public statement regarding this Agreement without the other's written approval.

16. Term and Termination.

16.1. **Term** . The term of this Agreement is the Term stated on the front pages of this Agreement, unless earlier terminated as provided in this Agreement.

16.2. **Termination** .

(a) Either party may terminate this Agreement with notice if the other party is in material breach of this Agreement:

(i) where the breach is incapable of remedy;

(ii) where the breach is capable of remedy and the party in breach fails to remedy that breach within 30 days after receiving notice from the other party; or

(iii) more than twice even if the previous breaches were remedied.

(b) Google reserves the right to suspend or terminate Company's use of any Services that are alleged or reasonably believed by Google to infringe or violate a third party right. If any suspension of a Service under this subsection continues for more than 6 months, Company may immediately terminate this Agreement upon notice to Google.

(c) Google may terminate this Agreement, or the provision of any Service, immediately with notice if pornographic content that is illegal under U.S. law is displayed on a Site or Approved Client Application.

(d) Upon the expiration or termination of this Agreement for any reason:

(i) all rights and licenses granted by each party will cease immediately; and

(ii) if requested, each party will use commercially reasonable efforts to promptly return to the other party, or destroy and certify the destruction of, all Confidential Information disclosed to it by the other party.

17. Miscellaneous.

17.1. **Compliance with Laws** . Each party will comply with all applicable laws, rules, and regulations in fulfilling its obligations under this Agreement.

17.2. **Notices** . All notices of termination or breach must be in writing and addressed to the attention of the other party's Legal Department and primary point of contact. The email address for notices being sent to Google's Legal Department is [*] . All other notices must be in English, in writing and addressed to the other party's primary contact. Notice will be treated as given on receipt, as verified by written or automated receipt or electronic log (as applicable).

17.3. **Assignment** . Neither party may assign any part of this Agreement without the written consent of the other, except to an Affiliate where (a) the assignee has agreed in writing to be bound by the terms of this Agreement; (b) the assigning party remains liable for obligations under the Agreement if the assignee defaults on them; and (c) the assigning party has notified the other party of the assignment. Any other attempt to assign is void.

17.4. **Change of Control** . Upon the earlier of (a) entering into an agreement providing for a change of control (for example, through a stock purchase or sale, merger, asset sale, liquidation or other similar form of corporate transaction), (b) the board of directors of a party recommending its shareholders approve a change of control, or (c) the occurrence of a change of control (each, a " **Change of Control Event** "), the party experiencing the Change of Control Event will provide notice to the other party promptly, but no later than 3 days, after the occurrence of the Change of Control Event. The other party may terminate this Agreement by sending notice to the party experiencing the Change of Control Event and the termination will be effective upon the earlier of delivery of the termination notice or 3 days after the occurrence of the Change of Control Event.

17.5. **Governing Law** . ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE SERVICES WILL BE GOVERNED BY CALIFORNIA LAW, EXCLUDING CALIFORNIA'S CONFLICT OF LAW RULES, AND WILL BE LITIGATED EXCLUSIVELY IN THE FEDERAL OR STATE COURTS OF SANTA CLARA COUNTY, CALIFORNIA, USA. THE PARTIES CONSENT TO PERSONAL JURISDICTION IN THOSE COURTS.

17.6. **Equitable Relief** . Nothing in this Agreement will limit either party's ability to seek equitable relief; except that Company will not seek, in a proceeding filed during the Term, an injunction or an exclusion order of any of the Services or any portion of the Services based on patent infringement.

17.7. **Entire Agreement; Amendments** . This Agreement sets out all terms agreed between the parties and supersedes all other agreements between the parties relating to its subject matter. In entering into this Agreement, neither party has relied on, and neither party will have any right or remedy based on, any statement, representation or warranty (whether made negligently or innocently), except those expressly set out in this Agreement. Any amendment must be in writing, signed (including by electronic signature) by both parties, and expressly state that it is amending this Agreement.

17.8. **No Waiver** . Neither party will be treated as having waived any rights by not exercising (or delaying the exercise of) any rights under this Agreement.

17.9. **Severability** . If any term (or part of a term) of this Agreement is invalid, illegal or unenforceable, the rest of the Agreement will remain in effect.

17.10. **Survival** . The following sections of this Agreement will survive any expiration or termination of this Agreement: 8 (Intellectual Property), 12 (Indemnification), 13 (Limitation of Liability), 14 (Confidentiality; Publicity) and 16 (Miscellaneous).

17.11. **No Agency** . This Agreement does not create an agency, partnership, or joint venture between the parties .

17.12. **No Third Party Beneficiaries** . This Agreement does not confer any benefits on any third party unless it expressly states that it does.

17.13. **Force Majeure** . Neither party will be liable for failure or delay in performance to the extent caused by circumstances beyond its reasonable control.

17.14. **Counterparts** . The parties may execute this Agreement in counterparts, including facsimile, PDF or other electronic copies, which taken together will constitute one instrument.

Signed:

Google		**Company**	
By:	/s/ Philipp Schindler	By:	/s/ William J. Stuart
Print Name:	Philipp Schindler	Print Name:	William J. Stuart
Title:		Title:	CFO
Date:	May 24, 2018	Date:	May 23, 2018

EXHIBIT A

Approved Sites

Sites approved for IS :
[*]

Sites approved for WS and AFS :
[*]

[*]

EXHIBIT B

AFS Revenue Share Percentage

[*]
[*]

EXHIBIT C

[*]

[*]

EXHIBIT 10.2

CONFIDENTIAL TREATMENT REQUESTED

AMENDMENT # 1
TO
SECOND AMENDED AND MASTER SERVICES AGREEMENT

This Amendment #1 ("Amendment") effective March 1, 2018 ("Amendment #1 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 **Second Amended and Restated Master Services Agreement** , effective as of June 1, 2017 (including the exhibits, schedules and amendments thereto, the "Agreement"). All terms defined herein shall be applicable solely to this Amendment #1. 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 include Cloud ID Services in the Agreement as set forth herein;

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:

Unless otherwise noted in this Amendment, any changes to the Agreement shall be made for purposes of this Amendment for Cloud ID Services only and only be effective during the Cloud ID Term.

1.0 **Definitions:** The existing definitions in the Agreement are hereby replaced with the following new definitions for such terms:

(a) Section 1(c) of Schedule E of the Agreement is hereby deleted and replaced with the following (which revision will apply throughout the Term of the Agreement):

(c) **"** Content " means games, video, music, audio, images, graphics, statistics, and text that is viewable by or accessible to a Content Subscriber or User including without limitation (i) Programmer Content, and (ii) Synacor Sourced Content, Client Sourced Content, Portal Content, Premium Content, and (iii) any logos, trademarks, service marks, meta data, or other materials made available in an Offering.

(b) Section 1(i) of Schedule E of the Agreement is hereby deleted and replaced with the following:

(i) "Synacor Sourced Content" means the Content provided by Synacor or Synacor Providers through Synacor.

2.0 **Data** : The 3 rd sentence of Section 2.5 of the Agreement is hereby deleted and replaced with the following:

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 investors, Providers, 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.

3.0 **License** : Section 4.1 of the Agreement is hereby deleted and replaced with the following:

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, the Client Marks (as such term is defined below), and the Provider Marks for any Client Provider 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).

4.0 **Cloud ID Term** : Section 7.1 will be modified by adding the following to the end of such Section 7.1:

The Cloud ID Services as described in Schedule J will be provided under the terms and conditions of this Agreement beginning on the Amendment #1 Effective Date and will continue for an initial period through September 30, 2018 (the "Initial Cloud ID Term"), and thereafter automatically renew for successive periods of three (3) months each (each a "Renewal Cloud ID Term," and together with the Initial Cloud ID Term, the "Cloud ID Term") unless Client provides written notice of non-renewal to Synacor at least sixty (60) days prior to the end of the then current Cloud ID Term, or unless the Agreement otherwise expires or is terminated in accordance with its terms.

5.0 **Schedule A Revisions:**

(a) Section 4(a)(iv) of Schedule A is hereby deleted. New Subsection 4(a)(iv) is added to Schedule A as set forth below.

(iv) Payment of Fees: Payment of the applicable fees and revenue shares for each of the Services shall be made in accordance with Section 4(e) below.

(b) Section 4(b)(iv) of Schedule A is hereby deleted. New Subsection 4(b)(iv) is added to Schedule A as set forth below.

(iv) Payment of Fees: Payment of the applicable fees and revenue shares for each of the Services shall be made in accordance with Section 4(e) below.

6.0 **Schedule J:** A new Schedule J is hereby included in the Agreement as attached hereto related to the Cloud ID Services.

7.0 **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: /s/ William J. Stuart	By: /s/ Robert W. Smith II
Name: William J. Stuart	Name: Robert W. Smith II
Title: CFO	Title: Director – Core Network Procurement

SCHEDULE J
TO
MASTER SERVICES AGREEMENT

The following are the terms and conditions upon which Synacor will provide Cloud ID Services to Client.

1. Definitions

(a) **"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, and certain Programmer Content may be included on more than one Channel.

(b) " **Content Subscriber** " means an end user that subscribes to the Content related to which Client has requested the use of the Cloud ID Services.

(c) " **Client's Website** " means Client's website on which Client's subscribers may be authenticated and authorized pursuant to this Amendment.

(d) " **Cloud ID Platform** " means Synacor's modular identify management platform that offers a single integration point for participants in an on-line access control framework.

(e) " **Cloud ID Services** " shall have the meaning set forth in Section 2(a).

(f) " **GUID** " means a globally unique identifier.

(g) " **Offering** " means a Content or service offering made available through Client (other than Programmer Content) to which Client allows access to some or all of its subscribers based on predetermined Client-criteria or without restriction.

(h) " **Programmer** " means a provider of Programmer Content.

(i) " **Programmer Content** " means television video programming accessible via the Internet by authenticated and authorized users, and any logos, trademarks, service marks, meta data, or other materials owned and/or made available by a Programmer.

(j) " **Provider** " means a Programmer, Synacor Provider, Client Provider, or other provider of an Offering.

(k) " **Provider Marks** " means the Providers' logos, product and service names, trademarks, service marks, and domain names.

(l) " **Technology Property or Technology Properties** " means any mutually agreed digital device, application, or technology on which end users will be able to authenticate and authorize through the Cloud ID Services pursuant to this Schedule J, which will include, but not be limited to, Providers' applications, and Client's Website, and may include smart phone or tablet applications, Smart TVs, Providers' websites or other mutually agreed upon devices, applications, or technologies.

(m) " **Transition Period** " shall have the meaning set forth in Section 6(c) of this Schedule J.

(n) " **Transition Services** " shall have the meaning set forth in Section 6(c) of this Schedule J.

2. SYNACOR SERVICES AND RESPONSIBILITIES

(a) **Cloud ID Services.** Client desires to provide a subset or all of its subscribers the opportunity to consume Content via the Internet pursuant to the subscriber's agreement with Client and Client's agreement with the applicable Providers, and to define the criteria by which such consumption will be made available to its subscribers. Synacor will provide a Cloud ID 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 Providers. Such determination will then be communicated as appropriate to enable subscribers to consume relevant associated Content. Subject to the terms and conditions of the Agreement, Synacor shall provide the foregoing services as described in Exhibit A (the "Cloud ID Services").

(b) **Data.**

(i) Client acknowledges that some Programmers outsource certain authentication and authorization services to third party service providers, such as Adobe Pass (the "Programmer Vendors"), and that, in order for Synacor to provide certain Cloud ID Services associated with such Programmers, Synacor must pass certain Subscriber Attributes (as defined below) to the Programmer Vendors. In connection therewith, Synacor and Client agree as follows:

(A) In connection with the Cloud ID Services, Client will provide to Synacor only necessary subscriber data required to complete the integration with the applicable Programmers, (such Client-provided data, the "Subscriber Attributes").

(B) Synacor will not deliver Subscriber Attributes to a Programmer Vendor, unless Client has provided its prior approval of such sharing to such Programmer Vendor and the Programmer Vendor contractually has agreed in writing to Synacor that, with respect to any authentication or authorization request from a Content Subscriber seeking to access Programmer Content, such Subscriber Attributes only will be used by the Programmer Vendor (1) in an encrypted format; (2) in relation to the Client; (3) solely on behalf of the Programmer relevant to the subscriber request; and (4) in each case, only as directed by Synacor. Synacor further agrees that any instructions delivered to the Programmer Vendor regarding use by the Programmer Vendor of the Subscriber Attributes will be strictly in accordance with Synacor's rights and obligations under this Amendment.

(C) Provided that Synacor is in compliance with the foregoing paragraph and its obligations under the Agreement: (1) Client hereby agrees that the Programmer Vendor shall have the right to store the Subscriber Attributes on servers located in the U.S.; and (2) notwithstanding any disclaimer to the contrary in the Agreement, Client hereby represents and warrants to Synacor that (x) the disclosure by Synacor of the Subscriber Attributes to the Programmer Vendor for use strictly in accordance with this Amendment will not violate any proprietary rights of third parties, including, without limitation, confidential relationships or any third party rights of privacy, or privacy laws, and (y) Client has the right to disclose all Subscriber Attributes that it discloses to Synacor pursuant to this Amendment for use of such information in accordance with this Amendment.

(c) **Limitations.**

(i) In addition to those limitations set forth under Section 2.4 of the Agreement, Client acknowledges and agrees that Synacor will not be responsible for, nor liable in connection with (A) the quality or substance of Content as provided by the Providers; (B) Provider's willful or negligent acts or omissions; or (C) incorrect data provided by Client or a Provider.

(ii) Client acknowledges and agrees that integration of Content from certain Providers may require such Provider'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 Provider to provide such consent.

1.

3. CLIENT RESPONSIBILITIES

(a) **Rights to Content.** Client shall ensure that it has all rights and licenses necessary from all Providers with which it wishes Synacor to integrate its Cloud ID Platform (i) to allow Synacor to perform its obligations under this Schedule J, (b) to allow Client's subscribers to access, view, or consume such Provider's Content on the Technology Properties, (iii) to utilize or allow Synacor to utilize all embedded players and other third party products or services necessary to display the Provider Content as contemplated by this Schedule J, and (iv) to allow Synacor to display the Provider Marks for the purpose of providing the Cloud ID Services. Synacor shall not be obligated to begin integration of the Cloud ID Services related to any Provider with whom Client does not yet have an agreement in place granting Client such rights. If at any time during the Term, such rights or licenses terminate or are modified in any way that affects the Cloud ID 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 Content on the Technology Properties using the Cloud ID Services. If such rights or licenses are modified, Client will promptly make the necessary changes to comply with such modification. Synacor shall not have any liability to Client in the event Synacor disables the integration of the Cloud ID Services with the terminated Provider upon receipt of notice from Client indicating its rights or license to such Provider's Content has terminated.

(b) **Entitlements Data -** Client understands and agrees that any authorization that occurs through the Cloud ID Services is based on Client's data that identifies which end users are authorized to access certain Content online based on their subscription rights. 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 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 J and the Agreement. Client shall also ensure that each Provider provides Synacor the necessary Content, data, and assistance to perform the integration with such Provider, and that the data provided by each Provider is accurate.

(c) **Compliance with Provider Requirements** – Providers may from time to time, require Synacor to pass through to Client certain requirements in order to allow the integration of such Provider's Content with the Cloud ID Platform. To the extent a Provider has specified any such requirements to Synacor, Synacor will provide Client a separate attachment to the Agreement specifying such Provider requirements. If Client wishes to allow its end users access to such Provider's Content online, such attachment will be executed by the parties and become a part of the Agreement.

(d) **Test Accounts** – Client will, upon Synacor's request, supply test accounts to enable Synacor to effectively test (in test, if available, and production environments) all software releases related to the Cloud ID Services. The number of test accounts provided and the specific attributes of these accounts will be determined by the parties in their reasonable discretion by the overall functionality that must be tested, provided however that Client understands and agrees that if the test accounts are required by a Programmer, the integration of such Programmer may not be possible without the test accounts. 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 Cloud ID Services and Client ' s specific implementation thereof.

(e) **Determination of Launch Dates** – Client agrees not to commit to a launch date for any Provider, Channel or Offering, as the case may be, without Synacor's input and agreement. Synacor will coordinate with Client in advance to plan the transition to Synacor's Cloud ID Services back-end platform. [*] For any other changes related to the Cloud ID Services that will materially impact the Client's end user experience or Client's features/functionality, [*].

4. **META-DATA** . In the event Synacor includes meta-data related to the Programmer Content sourced from one or more non-Programmer third parties as part of the Cloud ID Services, Synacor and its licensors shall retain all right, title and interest in and to such meta-data and Client shall not display or use such meta-data for any purpose.

5. **CLOUD ID FEES.** Client agrees to pay the fees for the Cloud ID Services as set forth in Exhibit B to this Schedule J in accordance with the payment terms in Schedule A of the Agreement.

6. **REMOVAL OF PROVIDERS AND TRANSITION OF CLOUD ID SERVICES** .

(a) **Client's Request to Remove Individual Providers.** Except with regard to termination of Client's rights in Provider Content which is addressed in Section 3(a), Client shall have the right to request that Synacor disable the Client's integration of Cloud ID with a given Provider or Channel upon [*] days' notice to Synacor and Synacor shall disable within such [*] days' notice (or such later date as requested by Client).

(b) **Synacor's right to Remove Individual Providers.** Synacor shall have the right to disable any integration with any Provider'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 or otherwise exposes it to potential legal liability; (ii) in the event a Provider ceases to produce or distribute such Content, or (iii) if an agreement between Synacor and a Provider, that gave Synacor the right to integrate with any Provider's Content, expires or terminates; provided that, if Synacor knows, at least [*] days prior to any expiration or termination of such Provider agreement, that such agreement will expire or terminate, as the case may be, Synacor will provide [*] days' notice to Client, and if Synacor has less than [*] days prior notice, Synacor will provide as much notice to Client as is reasonably practical under the circumstances, (iv) if the Provider Content or the integration is causing Cloud ID Platform or the Cloud ID Services to malfunction, (v) the Provider Content does not display properly (unless such issue is caused by Synacor) or (vi) if Synacor's right to integrate such Provider 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 both resolve issues prior to disabling any integration and to re-enable as soon as the applicable issue is resolved. [*]

(c) **Transition Services.** Upon the expiration or termination of the Agreement for any reason other than Client's breach or if Synacor removes a Provider pursuant to Section 6(b), Client shall have the right, at its option, to require that Synacor continue providing the Cloud ID 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 of the Agreement; provided, however, that (i) in the event that Synacor terminated 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. Synacor shall also, during any period in which it is providing transition services, [*], use commercially reasonable efforts to provide such other reasonable transition assistance as may be required from time to time.

7. **CLOUD ID SPECIFIC INDEMNITIES.** 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 (i) the inaccuracy of any of the Client-provided Account Information or other Client Materials, (ii) violation of Client's obligations under Section 3(a) of this Schedule J, and (iii) Synacor's disabling of an integration with any given Provider at Client's request.

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

8. LIMITATIONS OF LIABILITY. WITH REGARD TO THE SERVICES PROVIDED UNDER THIS SCHEDULE J , AND NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE AGREEMENT, EXCEPT FOR INDEMNITY OBLIGATIONS OR BREACH OF CONFIDENTIALITY OBLIGATIONS (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) 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 THE AMOUNT SYNACOR HAS RECEIVED FROM CLIENT UNDER THIS AGREEMENT DURING THE [*] MONTHS PRIOR TO THE EVENT GIVING RISE TO SUCH LIABILITY.

EXHIBIT A
TO
SCHEDULE J OF THE
MASTER SERVICES AGREEMENT
CLOUD ID SERVICES DESCRIPTION

I. <u>CLOUD ID SERVICE DESCRIPTION</u>

The Cloud ID Services shall be provided by Synacor [*]. The key features of Cloud ID Services, served from a single data center with disaster recovery, to be deployed by Synacor for Client are:

1. Authentication: single sign on integration, transport, transformation and log out via Web
    a. Federated Login
        i. Single Factor Authentication
        ii. Single Localization
        iii. Co-Branded for Client and Provider
        iv. Session Length: up to 90 days
        v. Single Sign Out
        vi. Authentication Protocol-SAML 2.0
2. Authorization: pay TV entitlement integration, mapping and business rules via API
    a. Single channel
    b. Multi-channel
3. User Profile: subscriber account data for access control and personalization via API
    a. Household ID
    b. Parental controls
    c. Postal code
4. Account Hub: subscriber self-care user management tools
    a. Account Registration & My Profile
    b. Password Management
    c. Parental Controls
    d. Household Management with Child Accounts
5. Administration: customer support and performance monitoring
    a. User Manager
    b. Cloud ID Reports
    c. Integration Documentation
6. Identity Connector: frameworks for connecting with Client-provided identity management
    a. Account information for registration of users, using Cloud ID
    b. User information for users registered at an external identity provider
    c. SAML Proxy with single API integration for authorization
7. Apple SSO: As described below.

II. CLOUD ID SERVICES - OVERVIEW, INTEGRATION, AND INFORMATION

1. Cloud ID Overview: The Cloud ID Services perform the following functions:

- Act as identity provider (IdP) to Provider Properties.
- Provide a login page as described in Section 2 below to support the above, branded as desired by the Client and in agreement with Providers.

- Answer authorization queries regarding content and services to which an authenticated user is entitled based on their current active subscription and end user properties with Client.

- At the Client's request, make available to Providers, authentication and authorization information related to both individual user accounts and the household account as needed and as possible given the account information available from Client.

- Integrate with Client identity system by either batch file or as an identity proxy.
  - Cloud ID will provide user registration, password management, parental controls, and household management for batch files that are account based.
  - Cloud ID will provide links to user registration, password management, parental controls and household management for batch files that are user based.
  - Cloud ID will integrate to Client's back end system, for authorization data and user property information, when integration is SAML proxy integration.

- Provide additional user data to Providers, 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 mapping of channel identifiers to offer additional flexibility in the authorization communication between Client and Providers.

2. Integration of the Cloud ID Platform with Providers' Properties :

Synacor will integrate the Providers' Property into the Synacor identity federation such that when the Provider initiates a request utilizing SAML or other secure authentication and authorization integration technologies and protocols, the Client login page will appear as the integration dictates with the Provider Property. Such login page will be branded as agreed upon between the Client and Provider, including possible co-branding with Client's logo and Provider logo. If the integration is not a proxy integration, the user will enter his/her credentials into such login page, and the Cloud ID Platform will check the Cloud ID system to verify the credentials. If the integration is a proxy integration, the user will be redirected to the proxied sign on form.

Upon successful login, the Cloud ID Platform generates a secure response and redirects the user to the requesting Provider Property. The Provider Property receives the secure response with a success status and a machine-generated GUID (opaque ID) for the user as well as any other required user properties required as agreed upon between the Client and the Provider and a session time-to-live (TTL) at the identity provider. The Provider Property can then use this identifier to create a session on the Provider Property, honoring any agreed-upon rules for session length not to exceed the TTL issued from the identity provider.

After authentication, the Provider Property can then issue an authorization call directly to the Cloud ID 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. This server-to-server call can be in any one of many web services protocols and requires the opaque ID of the user and the requested channels, among other information. The Cloud ID Platform matches the opaque ID to a Client's user account, queries the source billing and channel line-up systems for Client or Cloud ID system, in the case of a batch file integration, and returns a response indicating if the user has the appropriate subscription. In addition user properties such as postal code, household information, and parental controls will be returned as required.

Depending on the response, the Provider Property will allow access to the Provider 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 Provider as often as reasonably required by each Provider, 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 Providers.

3. Client Backend Integration with the Cloud ID Platform (if an identity proxy):

For the purposes of authentication and authorization, the Client will supply appropriate APIs or interfaces to integrate with the Cloud ID 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 Provider Property. Only the integration between the Client and Cloud ID will be necessary, which need not involve integration with the Synacor identity federation or use of SAML or similar technologies.

4. Client's Provision of Account Information: Client will provide Synacor with appropriate APIs or batch files to the following Account Information and other items to facilitate provision of the Cloud ID Services:

- username/password: to identify the user and authenticate them to their account;
- current channel line-up: channels the user is currently subscribed to;
- rating allowed: the most mature rating the logged in user should be shown; and
- a sub-domain of the website users customarily use for other web interactions with Client.
    - the relationship between a head of household account and sub-accounts, where such relationships are available to users.
    - end users postal code

5. Protection of User and Provider Information:

The username and password are protected by having them entered in the Client login page only. The individual user will be identified to the Provider as an opaque ID, and can remain anonymous. Except as described in the following sentence, no personally identifying information shall be passed. However, the Provider can offer login accounts on their website, ask the user for information, and tie the authenticated session to the Provider-controlled user account. Signing up for such an account would be at the discretion of the user, but is not required to use the Cloud ID Platform.

6. Apple SSO

The Apple SSO functionality described herein requires either API-level credential authentication integration with Client or IDP proxy-level authentication integration with Client, and can therefore only be made available to those customers of Client for whom such integration exists. Also, Client agrees that in order to utilize the Apple SSO functionality, Client hereby grants Synacor the rights to sublicense on a non-exclusive, non-transferable, royalty-free basis Client's Marks to Apple to (a) use, reproduce, and display in the user interface screens in Apple products where the user selects an MVPD as their provider and authenticates through SSO, and/or provide the user with a list of apps that are accessible to Client subscribers through SSO, and to (b) use screen shots and images of Apple products displaying Client's Marks appearing in the user interface of such Apple products and/or in the list of apps accessible to subscribers through SSO, including but not limited to use in instructional materials, training materials, marketing materials, and advertising in any medium. Client may also be required to enter into a separate agreement with Apple to proceed with the integration, or agree to additional terms and conditions Apple may require from Synacor from time to time.

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT B
TO
SCHEDULE J OF THE
MASTER SERVICES AGREEMENT

FEES

Monthly Fees:

1. Cloud ID Services : Client will pay Synacor a [*] monthly fee for the Cloud ID Services in the amount of [*] per month throughout the Cloud ID Term.

Monthly pricing includes all [*] , and may be provided for an additional professional services fee. Subject to payment of any professional services fees (if applicable) for such integrations noted in the preceeding sentence, [*] . Synacor provides Tier 3 and beyond support to Client's customer support team.

Reporting :

Synacor shall provide the following reporting to Client on daily and monthly basis [*]:

- Total Sessions, Successful Sessions, Abandoned Sessions, Successful Sessions with Errors
- Total Authentication Requests, Unsuccessful Authentication Requests
- [*]
- Unique Users (Total Authenticated [*])
- [*]

To the extent Client wishes to receive additional reporting from Synacor, any costs incurred by Synacor associated therewith will be reimbursed by Client to Synacor.

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

synacor

EXHIBIT 10.3.1

October 25, 2012

Steven M. Davi
32 Slack Brook Road
Leominster, MA 01453

Dear Steven:

Synacor, Inc. (the " Company ") is pleased to offer you employment on the following terms:

1. **Position** . Your initial title will be Senior Vice President of Engineering, and you will initially report to the Company's Chief Operating Officer, Scott Bailey. This is a full-time exempt position. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

2. **Cash Compensation** . The Company will pay you a starting salary at the rate of $300,000 per year, payable in accordance with the Company's standard payroll schedule. This salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time. In addition, you will be eligible to be considered for an incentive bonus for each fiscal year of the Company. The bonus (if any) will be awarded based on objective or subjective criteria established by the Company's Chief Executive Officer and approved by the Company's Board of Directors (the "Board"). Your target bonus will be equal to 35% of your annual base salary. Any bonus for the fiscal year in which your employment begins will be prorated, based on the number of days you are employed by the Company during that fiscal year. The bonus for a fiscal year will be paid after the Company's books for that year have been closed (but in any event within 2Y2 months after the close of that fiscal year), but only if you are employed by the Company at the time of payment. The determinations of the Board with respect to your bonus will be final and binding.

3. **Employee Benefits** . As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid vacation in accordance with the Company's vacation policy, as in effect from time to time.

4. **Stock Options** . Subject to the approval of the Board or its Compensation Committee, you will be granted an option to purchase 100,000 shares of the Company's Common Stock (the "Option"). The exercise price per share of the Option will be determined by the Board or its Compensation Committee when the Option is granted. The Option will be subject to the terms and conditions applicable to options granted under the Company's 2012 Stock Plan (the "Plan"), as described in the Plan and the applicable Stock Option Agreement. The Option will be immediately exercisable, but in the event that your service terminates for any reason before you vest in the shares, the unvested portion of the purchased shares will be subject to repurchase by

the Company at the lower of (a) the original exercise price or (b) the fair market value of the shares at the time your service terminates. You will vest in 25% of the Option shares after 12 months of continuous service, and the balance will vest in equal monthly installments over the next 36 months of continuous service, as described in the applicable Stock Option Agreement.

5. **Restricted Stock Units** . Subject to the approval of the Board or its Compensation Committee, you will be granted 50,000 Restricted Stock Units. The price per share of the RSU will be determined by the Board or its Compensation Committee when the RSU is granted. The RSU will be subject to the terms and conditions applicable to RSUs granted under the Company's 2012 Stock Plan (the "Plan"), as described in the Plan and the applicable RSU Agreement. You will vest in 25% of the RSUs after 12 months of continuous service, and the balance will vest in equal monthly installments over the next 36 months of continuous service, as described in the applicable RSU Agreement.

6. **Severance Pay** .

(a) **General** . If following your completion of 12 months of continuous service with the Company the Company terminates your employment because of a requirement for your position to be relocated to Buffalo, NY (a "Qualified Termination"), then you will be entitled to the benefits described in this Section 6. However, this Section 6 will not apply unless you (i) have returned all Company property in your possession, (ii) and have executed a general release of all claims that you may have against the Company or persons affiliated with the Company. The release must be in the form prescribed by the Company, without alterations. You must execute and return the release on or before the date specified by the Company in the prescribed form (the "Release Deadline"). The Release Deadline will in no event be later than 40 days after your Separation. If you fail to return the release on or before the Release Deadline, or if you revoke the release, then you will not be entitled to the benefits described in this Section 5.

(b) **Salary Continuation** . If you experience a Qualified Termination, then the Company will continue to pay your base salary for a period of six (6) months after your Separation. Your base salary will be paid at the rate in effect at the time of your Separation and in accordance with the Company's standard payroll procedures. The salary continuation payments will commence on the Company's first payroll that occurs on or following the 61' day after your Separation and, once they commence, will include any unpaid amounts accrued from the date of your Separation.

(c) **Section 409A** . For purposes of Section 409A of the Code, each salary continuation payment under Section 6(b) is hereby designated as a separate payment. If the Company determines that you are a "specified employee" under Section 409A(a)(2)(B)(i) of the Code at the time of your Separation, then (i) the salary continuation payments under Section 6(b), to the extent that they are subject to Section 409A of the Code, will commence during the seventh month after your Separation and (ii) the installments that otherwise would have been paid during the first six months after your Separation will be paid in a lump sum when the salary continuation payments commence.

7. **Proprietary Information and Inventions Agreement** . Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard Proprietary Information and Inventions Agreement, a copy of which is attached hereto as Exhibit A.

8. **Employment Relationship** . Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

9. **Withholding Taxes** . All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimises your tax liabilities, and you will not make any claim against the Company or the Board related to tax liabilities arising from your compensation.

10. **Interpretation, Amendment and Enforcement** . This letter agreement and Exhibit A constitute the complete agreement between you and the Company, contain all of the terms of your employment with the Company and supersede any prior agreements, representations or understandings (whether written, oral or implied) between you and the Company. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the "Disputes") will be governed by New York law, excluding laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in New York in connection with any Dispute or any claim related to any Dispute.

11. **Definitions** . The following terms have the meaning set forth below wherever they are used in this letter agreement:

" **Cause** " means (a) your unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company, (b) your material breach of any agreement between you and the Company, (c) your material failure to comply with the Company's written policies or rules, (d) your conviction of, or your plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State, (e) your gross negligence or willful misconduct, (f) your continuing failure to perform assigned duties after receiving written notification of the failure from the Board or (g) your failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested your cooperation.

A transaction shall not constitute a Change of Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, a transaction will not constitute a Change of Control unless such transaction also constitutes a "change in control event" as defined in Treasury Regulation §1.409A-3(i)(5).

" **Code** " means the Internal Revenue Code of 1986, as amended.

" **Permanent Disability** " means that you are unable to perform the essential functions of your position, with or without reasonable accommodation, for a period of at least 120 consecutive days because of a physical or mental impairment.

" **Separation** " means a "separation from service," as defined in the regulations under Section 409A of the Code.

* * * * *

We hope that you will accept our offer to join the Company. You may indicate your agreement with these terms and accept this offer by signing and dating both the enclosed duplicate original of this letter agreement and the enclosed Proprietary Information and Inventions Agreement and returning them to me. This offer, if not accepted, will expire at the close of business on October 29, 2012. As required by law, your employment with the Company is contingent upon your providing legal proof of your identity and authorization to work in the United States. Your employment is contingent upon your starting work with the Company on or before November 12, 2012.

Steven, we are very pleased to be presenting you with this offer. We are confident that your skills, enthusiasm and professionalism will add to Synacor's success while creating the opportunities and rewards that will help you achieve your professional goals. We look forward to having you as a part of our team. If you have any questions, please call me at (716)362-3305.

Very truly yours,

SYNACOR, INC.

/s/ Julia Culkin

JULIA CULKIN, VICE PRESIDENT OF
HUMAN RESOURCES

I have read and accept this employment offer:

/s/ Steven M. Davi
Signature of Steven M. Davi

Dated: 11/19/12

Attachment

Exhibit A: Proprietary Information and Inventions Agreement

EXHIBIT 10.3.2

CHANGE OF CONTROL

SEVERANCE AGREEMENT

THIS AGREEMENT is entered into and effective as of the 29th day of October 2012, by and between Steven Davi (the "Executive") and **SYNACOR, INC.** , a Delaware corporation (the "Company"). All terms will be as defined in this Agreement.

1. **Severance Benefits** .

(a) **Cash Severance** . In the event that the Company experiences a Change of Control during the Executive's employment with the Company and the Executive is subject to an Involuntary Termination in connection with or within twelve (12) months following such Change of Control, then the Company shall pay the Executive a total amount equal to (a) the Executive's annual base salary plus (b) the Executive's annual target bonus amount. Such annual base salary shall be paid at the rate in effect at the time of the termination of employment and in accordance with the Company's standard payroll procedures over a twelve-month period, commencing on the Company's first regular payroll date following the effective date of the general release described in Subsection (d) below. Such annual target bonus amount shall be paid, based on the annual target bonus amount for the year in which the termination occurs, and in accordance with the Company's standard payroll procedures over a twelve-month period, commencing on the Company's first regular payroll date following the effective date of the general release described in Subsection (d) below.

(b) **COBRA Premiums** . The Executive will receive information about the Executive's right to continue his or her group health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") after the effective date of the Involuntary Termination. In order to continue the Executive's coverage, the Executive must timely file the required election form. The Company will pay the monthly premium under COBRA for the Executive and, if applicable, the Executive's dependents for a twelve-month period following the effective date of the Involuntary Termination.

(c) **Vesting Acceleration** . In the event that the Company experiences a Change of Control during the Executive's service with the Company and the Executive is subject to an Involuntary Termination in connection with or within twelve (12) months following such Change of Control, then the Executive will become vested in an additional number of unvested shares of the Company's Common Stock, Company options or other Company equity that have been granted to the Executive, as applicable, as if the Executive provided another twelve (12) months of service with the Company following the effective date of the Involuntary Termination. In no event will the Executive become vested in more Company equity than was originally issued or granted to the Executive.

(d) **General Release** . Any other provision of this Agreement notwithstanding, Subsections (a), (b) and (c) above shall not apply unless the Executive (i) has returned all Company property in the Executive's possession, (ii) has executed a general release of all claims that the Executive may have against the Company or persons affiliated with the Company and (iii) has resigned from the Company's Board of Directors (the "Board") or the board of directors of any of the Company's subsidiaries, to the extent applicable. The release must be in the form prescribed by the Company, without alterations. The Company will deliver the form to the Executive within 30 days after the Executive's employment terminates. The Executive must execute the release within the period set forth in the prescribed form.

(e) **Mandatory Deferral of Payments** . If the Company determines that the Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), when the Executive's employment terminates, then (i) the payments under Subsections 1(a) and 1(b) above to the extent not exempt from Section 409A of the Code, will commence on the earliest practicable date that occurs more than six months after the termination of the Executive's employment and (ii) the installments that otherwise would have been paid during the first six months after the termination of the Executive's employment will be paid in a lump sum on the first day of the seventh month after the termination of the Executive's employment.

(f) **Non-competition** . For the period of 12 months immediately following the effective date of the Involuntary Termination, the Executive will not directly or indirectly act in Any Capacity (as defined herein) in or with respect to any commercial activity which competes or is reasonably likely to compete with any business that the Company conducts, or demonstrably anticipates conducting, at any time during the Executive's employment with the Company (a "Competing Business") if the Competing Business is located within the State of New York, the rest of the United States, or anywhere else in the world. "Any Capacity" includes, without limitation, to (i) be an owner, founder, shareholder, partner, member, advisor, director, consultant, contractor, agent, employee, affiliate or co-venturer, (ii) otherwise invest, engage or participate in, (iii) be compensated by or (iv) prepare to be or do any of the foregoing or assist any third party to do so; provided , Any Capacity will not include being a holder of less than one percent (1%) of the outstanding equity of a public company.

2. **Definitions** .

(a) **Definition of "Cause."** For all purposes under this Agreement, "Cause" means: (i) the Executive's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) the Executive's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by the Executive of any proprietary information or trade secrets of the Company or any other party to whom the Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) the Executive's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether the Executive is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Executive. The foregoing definition does not in any way limit the Company's ability to terminate the Executive's employment at any time, with or without Cause or notice.

(b) **Definition of "Change of Control."** For all purposes under this Agreement, "Change of Control" shall mean:

(i) The consummation of any merger or consolidation of the Company with or into another corporation other than a merger or consolidation in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by their being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company, or such surviving entity, outstanding immediately after such transaction;

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either:

A. Had been directors of the Company on the date 24 months prior to the date of such change in the composition of the Board (the "Original Directors"); or

B. Were appointed to the Board, or nominated for election to the Board, with the affirmative votes of at least a majority of the aggregate of (A) the Original Directors who were in office at the time of their appointment or nomination and (B) the directors whose appointment or nomination was previously approved in a manner consistent with this Paragraph (B); or

(iv) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing at least 50% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection (iv), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change of Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(c) **Definition of "Involuntary Termination."** For all purposes under this Agreement, "Involuntary Termination" means termination of the Executive's service to the Company under the following circumstances: (i) termination without Cause by the Company; or (ii) voluntary termination by the Executive within 60 days following (A) a material reduction in the Executive's job responsibilities, provided that neither a mere change in title alone nor reassignment following a Change of Control to a position that is substantially similar to the position held prior to the Change of Control shall constitute a material reduction in job responsibilities; (B) relocation by the Company of the Executive's work site to a facility or location more than 50 miles from the Executive's principal work site for the Company at the time of the Change of Control; or (C) a reduction in the Executive's then-current base salary by at least 10%, provided that an across-the-board reduction in the salary level of all other employees in positions similar to the Executive's by the same percentage amount as part of a general salary level reduction shall not constitute such a salary reduction. Prior to a voluntary termination as defined in this Subsection, the Executive must provide the Company with written notice within fifteen (15) days of the initial existence of (A), (B) or (C) above and the Company will have 30 days after its receipt of such written notice to cure (A), (B) or (C).

3. **Successors.**

(a) **Company's Successors** . The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets, by an agreement in substance and form satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets or which becomes bound by this Agreement by operation of law.

(b) **Executive's Successors** . This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

4. **Miscellaneous Provisions** .

(a) **Other Severance Arrangements** . In the event that the Executive is eligible to receive severance benefits under this Agreement and another agreement between the Executive and the Company (each, an "Alternative Agreement"), the Executive will be entitled to the severance benefits under this Agreement or the Alternative Agreement, whichever provides the greatest benefits to the Executive with respect to each type of severance benefit, such as cash payments, COBRA premiums and vesting acceleration. In no event shall the Executive be entitled to severance benefits under both this Agreement and an Alternative Agreement with respect to the same type of severance benefit. For example, if an event occurred that triggered the severance benefits under this Agreement and full vesting acceleration under the Executive's stock option agreement, then the Executive would still receive the benefits described in Sections 1(a) and 1(b) of this Agreement and the full vesting acceleration under the Executive's stock option agreement. For the avoidance of doubt, if an event triggered the severance benefits under this Agreement and an Alternative Agreement that provided for six months of base salary as a severance benefit, then the Executive would be entitled to the cash payments under Sections 1(a) and 1(b) of this Agreement but not the six months of base salary under the Alternative Agreement because with respect to cash payments, this Agreement provided greater benefits.

(b) **Notice** . Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or deposited with Federal Express Corporation, with shipping charges prepaid.

In the case of the Executive, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(c) **Waiver** . No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(d) **Withholding Taxes** . All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(e) **Severability** . The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) **No Retention Rights** . Nothing in this Agreement shall confer upon the Executive any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or any subsidiary of the Company or of the Executive, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without Cause.

(g) **Choice of Law** . The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York (other than their choice-of-law provisions).

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

/s/ Steven M. Davi

SYNACOR, INC.

/s/ Julia Culkin

By: Julia Culkin

Title: VP HR

EXHIBIT 10.3.3

SYNACOR

April 26, 2018

Steve Davi

Dear Steve,

Congratulations on your promotion to Executive Vice President, Technology! I am pleased to confirm the details of your change below:

- Effective immediately, your new title will be **Executive Vice President, Technology.**
- Your bonus target will continue to be 50%.
- You will be awarded one added week (40 hours) of Paid Time Off (PTO), in addition to your standard annual allotment, each year going forward.
- On April 26, 2018, the Board of Directors approved a proposal to grant you an option to purchase 35,000 shares of the Company's Common Stock (the "Option"). The exercise price per share of the Option was be determined by the Board or its Compensation Committee when the Options are granted. The Option will be subject to the terms and conditions applicable to options granted under the Company's 2012 Stock Plan (the " Plan "), as described in the Plan and the applicable Stock Option Agreement. You will vest in 25% of the Option shares after 12 months of continuous service, and the balance will vest in equal monthly installments over the next 36 months of continuous service, as described in the applicable Stock Option Agreement. Added information will be forthcoming regarding this option grant from the Finance team.

We are proud to have you working with us and look forward to your continuing contributions!

Best Regards,

/s/ Erin Johnson

Erin Johnson
Vice President, Human Resources

cc: employee file

Exhibit 31.1

Certifications

I, Himesh Bhise, 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: August 9, 2018

/s/ Himesh Bhise
Chief Executive Officer

Exhibit 31.2

Certifications

I, Timothy J. Heasley, 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: August 9, 2018

/s/ Timothy J. Heasley
Chief Financial Officer

Exhibit 32.1

**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, Himesh Bhise, 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 June 30, 2018 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.

August 9, 2018

/s/ Himesh Bhise

Himesh Bhise
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 June 30, 2018 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.

August 9, 2018

/s/ Timothy J. Heasley

Timothy J. Heasley
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.