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7,400

Goodwill

7,360

Other assets acquired

3

Other liabilities assumed

(179

)

Total net assets, net of cash acquired

14,584

Less: noncontrolling interest

(2,815

)

Total net assets attributable to tZERO, net of cash acquired

\$

11,769

The following table details the identifiable intangible assets acquired at their fair value and remaining useful lives as of December 31, 2018 (amounts in thousands):

Intangible Assets	Fair Value	Weighted Average Useful Life (years)
Technology and developed software	\$6,300	10
Trade names	700	10
Customer relationships	400	0.5
Total acquired intangible assets as of the acquisition date	7,400	
Less: accumulated amortization of acquired intangible assets	1,105	
Total acquired intangible assets, net	\$6,295	

The expense for amortizing intangible assets acquired in connection with this acquisition was \$1.1 million for the year ended December 31, 2018.

Acquired intangible assets primarily include technology, trade name, and customer relationships. As described above, we determined the fair value of these assets using an income approach method to determine the present value of expected future cash flows for each identifiable intangible asset. This method was based on discount rates which incorporate a risk premium to take into account the risks inherent in those expected cash flows. The expected cash flows were estimated based on the company's historical operating results.

The acquired assets, liabilities, and associated operating results were consolidated into our financial statements at the acquisition date. The goodwill recognized arises from intangible assets that do not qualify for separate recognition and expected



synergies with our tZERO operations. The total amount of goodwill expected to be deductible for tax purposes is our share of the goodwill recognized at the acquisition date. The carrying amount of goodwill has not changed since the acquisition date.

Pro forma results of operations have not been presented because the effects of this acquisition were not material to our consolidated results of operations.

#### Mac Warehouse, LLC

On June 25, 2018, we acquired 100% of the total equity interests of Mac Warehouse, LLC, an electronics retailer of refurbished Apple products, to complement our retail business for a total purchase price of \$1.2 million in cash and the assumption of a loan of \$3.1 million. We estimated the fair value of the acquired assets and liabilities based on Level 3 inputs, which were unobservable (see Note 2-Accounting Policies, Fair value of financial instruments). These inputs included our estimate of future revenues, operating margins, discount rates, royalty rates and assumptions about the relative competitive environment.

Determination and allocation of the purchase price to net tangible and intangible assets is based upon preliminary estimates. These preliminary estimates and assumptions could change significantly during the measurement period as we finalize the valuations of the intangible assets acquired and related tax impact. Any change could result in variances between our future financial results and the amounts recognized in the financial information presented below, including variances in fair values recorded, as well as expenses associated with these items.

The preliminary estimated fair values of the assets acquired and liabilities assumed at the acquisition date are as follows (in thousands):

Purchase Price	Fair Value	
Cash paid, net of cash acquired	\$ 1,143	
Allocation		
Accounts receivable, net	\$ 399	
Inventories, net	1,033	
Prepays and other current assets	29	
Fixed assets	154	
Intangible assets	3,502	
Goodwill	837	
Accounts payable and accrued liabilities	(905)	)
Long-term debt, net	(3,069)	)
Deferred tax liabilities	(837)	)
Total net assets, net of cash acquired	\$ 1,143	

Acquired intangible assets primarily include trade name and customer relationships which have an estimated useful life of 18 months.

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The acquired assets, liabilities, and associated operating results were consolidated into our financial statements at the acquisition dates. The carrying amount of goodwill includes the amount of deferred tax liability recognized.

The following unaudited pro forma financial information presents our results as if the current year acquisitions of Mac Warehouse, LLC had occurred at the beginning of 2016 (amounts in thousands), however, it should not be taken as indicative of our future consolidated results of operations:

(unaudited)	Years ended December 31,		
	2018	2017	2016
Total revenue	\$1,825,776	\$1,759,503	\$1,809,418
Consolidated net income (loss)	\$(222,597 )	\$(111,848 )	\$11,380

## 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consist of the following (in thousands):

	December 31,	
	2018	2017
Freight rebates receivable	\$11,729	\$8,527
Accounts receivable, trade	10,380	8,317
Credit card receivables	8,924	8,480
Other receivables	7,013	6,009
	38,046	31,333
Less: allowance for doubtful accounts	(2,116 )	(1,253 )
Accounts receivable, net	\$35,930	\$30,080

## 5. INVENTORIES, NET

Inventories, net consist of the following (in thousands):

	December 31,	
	2018	2017
Product inventories, net	\$10,520	\$8,844
Inventory in-transit	3,588	4,859
Total inventories, net	\$14,108	\$13,703

## 6. PREPAIDS AND OTHER CURRENT ASSETS

Prepays and other current assets consist of the following (in thousands):

	December 31,	
	2018	2017
Prepaid maintenance	\$7,373	\$7,427
Prepaid other	7,573	5,684
Other current assets	3,322	1,577
Prepaid insurance	2,341	444
Prepaid advertising	961	987
Prepaid inventories	845	1,625
Total prepaids and other current assets	\$22,415	\$17,744

## 7. FIXED ASSETS, NET

Fixed assets, net consist of the following (in thousands):

	December 31,	
	2018	2017
Computer hardware and software, including internal-use software and website development	\$215,412	\$196,501
Building	69,266	69,169
Furniture and equipment	17,066	14,455
Land	12,781	12,781
Building machinery and equipment	9,713	8,356
Leasehold improvements	8,379	7,752
Land improvements	6,972	6,764
	339,589	315,778
Less: accumulated depreciation	(204,902 )	(186,435 )
Total fixed assets, net	\$134,687	\$129,343

Depreciation of fixed assets totaled \$26.4 million, \$28.8 million, and \$27.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. During 2018, we retired \$8.0 million of fully depreciated fixed assets that were removed from service in 2018.

Fixed assets included assets under capital leases and finance obligations of \$1.8 million and \$1.8 million at December 31, 2018 and 2017, respectively. Accumulated depreciation related to assets under capital leases and finance obligations was \$962,000 and \$458,000 at December 31, 2018 and 2017, respectively.

Depreciation expense of assets recorded under capital leases and finance obligations was \$504,000, \$3.5 million and \$4.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

## 8. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net consist of the following (in thousands):

	December 31,	
	2018	2017
Deposit on purchase of a business	\$8,000	\$—
Other long-term assets	4,310	2,786
Prepaid expenses, long-term portion	2,154	1,430
Total other long-term assets, net	\$14,464	\$4,216

## 9. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	December 31,	
	2018	2017
Accounts payable accruals	\$15,872	\$16,614
Allowance for returns	15,261	17,391
Accrued marketing expenses	14,150	25,959
Accrued compensation and other related costs	12,099	10,716
Accrued loss contingencies	10,940	608
Sales and other taxes payable	9,923	2,363
Accrued freight	5,343	5,040
Other accrued expenses	4,270	3,920
Total accrued liabilities	\$87,858	\$82,611

## 10. DEFERRED REVENUE

Deferred revenue consists of the following (in thousands):

	December 31,	
	2018	2017
Payments received prior to product delivery	\$30,033	\$24,632
Club O membership fees and reward points	11,709	11,761
Unredeemed gift cards	3,399	4,955
In store credits	4,707	4,489
Other	730	631
Total deferred revenue	\$50,578	\$46,468

## 11. BORROWINGS

## PCL L.L.C. Term Loan

On November 6, 2017, we entered into a loan agreement with PCL L.L.C., an entity directly or indirectly wholly-owned by the mother and brother of our President and Chief Executive Officer, Dr. Patrick M. Byrne ("Dr. Byrne"). The agreement provides for a \$40.0 million term loan (the "PCL Loan") which carries an annual interest rate of 8.0%. On May 8, 2018, our Board of Directors approved a prepayment of the PCL Loan and we repaid the entire outstanding balance under the loan plus accrued interest.

## High Bench Senior Credit Agreement

On June 25, 2018, we became party to a senior credit agreement, as amended, with High Bench-Mac Warehouse-Senior Debt, LLC ("High Bench Loan"), in connection with our acquisition of Mac Warehouse, LLC. Under the amended agreement, the loan carries an annual interest rate of 11.0% and a default rate of 18.0%. The High Bench Loan is subject to monthly interest only payments with the remaining principal amount and any then unpaid interest due and payable on April 18, 2020. The High Bench Loan is subject to mandatory prepayment under certain circumstances, such as a change-in-control of the business, and is prepayable at our election at any time without penalty or premium. There are no financial covenants associated the High Bench Loan. At December 31, 2018, our outstanding balance on the High Bench Loan was \$3.1 million.





#### Letters of credit

At December 31, 2018 and 2017, letters of credit totaling \$280,000 and \$355,000, respectively, were issued on our behalf collateralized by compensating cash balances held at a bank, which are included in Restricted cash in our consolidated balance sheets.

#### Commercial purchasing card agreement

We have a commercial purchasing card (the "Purchasing Card") agreement. We use the Purchasing Card for business purpose purchasing and must pay it in full each month. At December 31, 2018, \$48,000 was outstanding and \$952,000 was available under the Purchasing Card. At December 31, 2017, \$822,000 was outstanding and \$4.2 million was available under the Purchasing Card.

#### Capital lease

During the year ended December 31, 2017, we entered into a capital lease arrangement of computer equipment for \$1.4 million. The arrangement will expire in 2020. At December 31, 2018, the outstanding balance under the capital lease was \$884,000 and is included in Other current liabilities, net and Other long-term liabilities on our consolidated balance sheets. Future payment obligations, including interest, under the capital lease are \$496,000 and \$413,000 for 2019 and 2020, respectively.

## 12. COMMITMENTS AND CONTINGENCIES

#### Summary of future minimum lease payments for all operating leases

Minimum future payments under all operating leases as of December 31, 2018, are as follows (in thousands):

Payments due by period:

2019	\$8,822
2020	7,414
2021	7,654
2022	7,579
2023	6,677
Thereafter	19,571
	\$57,717

Our subsidiary, tZERO, commenced a new lease subsequent to December 31, 2018. We have included the future lease payments associated with this lease in the table above.

Rental expense for operating leases totaled \$7.8 million, \$9.3 million and \$12.6 million for the years ended December 31, 2018, 2017 and 2016, respectively.

#### Legal proceedings and contingencies

From time to time, we are involved in litigation concerning consumer protection, employment, intellectual property, claims under the securities laws, and other commercial matters related to the conduct and operation of our business and the sale of products on our Website. In connection with such litigation, we have been in the past and we may be in the future subject to significant damages. In some instances, other parties may have contractual indemnification obligations to us. However, such contractual obligations may prove unenforceable or non-collectible, and if we cannot enforce or collect on indemnification obligations, we may bear the full responsibility for damages, fees and costs

resulting from such litigation. We may also be subject to penalties and equitable remedies that could force us to alter important business practices. Such litigation could be costly and time consuming and could divert or distract our management and key personnel from our business operations. Due to the uncertainty of litigation and depending on the amount and the timing, an unfavorable resolution of some or all of such matters could materially affect our business, results of operations, financial position, or cash flows. The nature of the loss contingencies relating to claims that have been asserted against us are described below.

On September 23, 2009, SpeedTrack, Inc. sued us along with 27 other defendants in the United States District Court in the Northern District of California. We are alleged to have infringed a patent covering search and categorization software. We believe that certain third-party vendors of products and services sold to us are contractually obligated to indemnify us, and we have tendered defense of the case to an indemnitor who accepted the defense. On April 21, 2016, the court entered an order partially dismissing the claims against us. On May 4, 2016, the plaintiff filed an amended complaint, and we filed our answer. No estimate of the possible loss or range of loss can be made. We intend to vigorously defend this action and pursue our indemnification rights with our vendors.

On February 11, 2013, RPost Holdings, Inc., RPost Communications Limited, and RMail Limited, filed suit against us in the United States District Court in the Eastern District of Texas for infringement of patents covering products and services that verify the delivery and integrity of email messages. We tendered defense of the case to an indemnitor who accepted the defense. No estimate of the possible loss or range of loss can be made. We intend to vigorously defend this action and pursue our indemnification rights with our vendors.

On September 20, 2018, a jury returned a verdict against us in our Delaware unclaimed property case, which is expected to result in a judgment against us in the amount of approximately \$7.3 million (for certain unredeemed gift card balances, treble damages, and penalties) plus attorneys' fees and costs. Our estimated liability for these amounts was included in Accrued liabilities at December 31, 2018. The expense associated with these litigation charges was included in general and administrative expense in our consolidated statement of operations for the year ended December 31, 2018. William French ("French") and the State of Delaware ("Delaware") sued us, along with numerous other defendants, in the Superior Court of the State of Delaware for alleged violations of Delaware's unclaimed property laws. French and Delaware alleged that we knowingly refused to fulfill obligations under Delaware's Abandoned Property Law by failing to report and deliver unclaimed gift card funds to the State of Delaware, and knowingly made, used or caused to be made or used, false statements and records to conceal, avoid or decrease an obligation to pay or transmit money to Delaware in violation of the Delaware False Claims and Reporting Act. We intend to file an appeal once a judgment has been entered by the court.

On June 21, 2018, the U.S. Supreme Court issued an opinion in our South Dakota sales tax case, overturning *Quill Corp v. North Dakota* and permitting states to require remote sellers to collect sales tax under certain circumstances. As a result, we began collecting sales tax in all 45 states that have sales tax, including South Dakota. Pursuant to South Dakota's statute, we are not required to pay sales tax retroactively. Although the U.S. Supreme Court's opinion vacated and remanded the case back to the South Dakota Supreme Court for further proceedings, the parties entered an agreement to dismiss the case in November of 2018.

On July 7, 2017, the State of Wyoming sued us along with five other defendants in the Second Judicial District Court of Wyoming. Wyoming alleged that U.S. constitutional law should be revised to permit Wyoming to require out-of-state e-commerce retailers to collect and remit sales tax in Wyoming in accordance with Wyoming's sales tax statute. After the U.S. Supreme Court's ruling in our South Dakota case listed above, we began collecting sales tax in Wyoming and a consent judgment to dismiss the case was entered in November of 2018. Wyoming's statute does not require us to pay sales tax retroactively.

On August 28, 2017, the State of Indiana sued us along with one other defendant in the Superior Court of Indiana, Marion County. Indiana alleged that U.S. constitutional law should be revised to permit Indiana to require out-of-state e-commerce retailers to collect and remit sales tax in Indiana in accordance with Indiana's sales tax statute. After the U.S. Supreme Court's ruling in our South Dakota case listed above, we began collecting sales tax in Indiana. Indiana's statute does not require us to pay sales tax retroactively. The Indiana case was dismissed in August of 2018.

In February 2018, the Division of Enforcement of the SEC informed tZERO and subsequently informed us that it is conducting an investigation and requested that we and tZERO voluntarily provide certain information and documents related to tZERO and the tZERO security token offering in connection with its investigation. In December of 2018,

we received a follow-up request from the SEC relating to its investigation. We are cooperating fully with the SEC in connection with its investigation.

tZERO's broker-dealer subsidiaries are, and any broker-dealer subsidiaries that it acquires or forms in the future will be, subject to extensive regulatory requirements under federal and state laws and regulations and self-regulatory organization ("SRO") rules. Each of SpeedRoute and PRO Securities is registered with the SEC as a broker-dealer under the Exchange Act and in the states in which it conducts securities business and is a member of FINRA and other SROs (as applicable). In addition, PRO Securities owns and operates the PRO Securities ATS, which is registered with the SEC as an alternative trading system. Each of SpeedRoute and PRO Securities is subject to regulation, examination, investigation, and disciplinary action by the SEC, FINRA, and state securities regulators, as well as other governmental authorities and SROs with which it is registered

or licensed or of which it is a member. Moreover, as a result of tZERO's projects seeking to apply distributed ledger technologies to the capital markets, tZERO's subsidiaries have been, and remain involved in, ongoing oral and written communications with regulatory authorities. As previously disclosed, tZERO's broker-dealer subsidiaries are currently undergoing various examinations, inquiries, and/or investigations undertaken by various regulatory authorities; as appropriate or required, we will provide further information regarding such matters. Any failure by tZERO's broker-dealer subsidiaries to satisfy their regulatory authorities that they are in compliance with all applicable rules and regulations could have a material adverse effect on tZERO and on us.

On January 31, 2019, a putative class action lawsuit was filed against us in the United States District Court, Southern District of New York, alleging that our website violates the Americans with Disabilities Act ("ADA") in addition to other New York specific laws, because it is not accessible to blind and visually impaired people. No estimate of the possible loss or range of loss can be made. We intend to vigorously defend this action.

On March 15, 2019, Consolidated Transaction Processing, LLC. filed suit against us in the United States District Court for the District of Delaware. We are alleged to have infringed patents covering electronic transaction processing methods. We are currently evaluating the merits of the complaint, and no estimate of the possible loss or range of loss can be made. We intend to vigorously defend this action and pursue any indemnification rights that exist with our vendors.

We establish liabilities when a particular contingency is probable and estimable. At December 31, 2018, we have accrued \$10.3 million, which is included in accrued liabilities in the consolidated balance sheets. It is reasonably possible that the actual losses may exceed our accrued liabilities.

### 13. INDEMNIFICATIONS AND GUARANTEES

During our normal course of business, we have made certain indemnities, commitments, and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities include, but are not limited to, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, the environmental indemnity we entered into in favor of the lenders under our prior loan agreements, customary indemnification arrangements in underwriting agreements and similar agreements, and indemnities to our directors and officers to the maximum extent permitted under the laws of the State of Delaware. The duration of these indemnities, commitments, and guarantees varies, and in certain cases, is indefinite. In addition, the majority of these indemnities, commitments, and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make. As such, we are unable to estimate with any reasonableness our potential exposure under these items. We have not recorded any liability for these indemnities, commitments, and guarantees in the accompanying consolidated balance sheets. We do, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is both probable and reasonably estimable.

### 14. STOCKHOLDERS' EQUITY

#### Common Stock

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends declared by the Board of Directors out of funds legally available, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on our common stock through December 31, 2018.

Preferred Stock

Each share of Series A Preferred and each share of Series B Preferred (collectively the "preferred shares") is intended to have voting and dividend rights similar to those of one share of common stock. Preferred shares rank senior to common stock with respect to dividends. Holders of the preferred shares will be entitled to an annual cash dividend of \$0.16 per share, in preference to any dividend payment to the holders of the common stock, out of funds of the Company legally available for payment of dividends and subject to declaration by our Board of Directors. Holders of the preferred shares are also entitled to participate in any cash dividends we pay to the holders of the common stock and are also entitled to participate in non-cash dividends we pay to holders of the common stock, subject to potentially different treatment if we effect a stock dividend, stock split or combination of the common stock. There are no arrearages in cumulative preferred dividends. We declared and paid a cash dividend of \$0.16 per share on our preferred stock during 2017 and 2018.

Neither the Series A Preferred nor Series B Preferred is required to be converted into or exchanged for shares of our common stock or any other entity; however, at our sole discretion, we may convert the Series A Preferred shares into Series B Preferred shares at any time on a one-to-one basis. Until the third anniversary of the original issuance date, we may redeem, at our discretion, both the Series A and Series B Preferred shares for an amount equal to the highest of the following: (1) the subscription price plus any accrued but unpaid dividends, (2) 105% of the average trading price of our common stock during a five-trading-day period and (3) 105% of the average trading price of the series of preferred shares during the same five-day-trading period. In the event of any liquidation, any amount available for distribution to stockholders after payment of all liabilities will be distributed proportionately, with each share of Series A Preferred and each share of Series B Preferred being treated as though it were a share of our common stock.

#### JonesTrading Sales Agreement

In August 2018, we entered into a sales agreement with JonesTrading Institutional Services LLC ("JonesTrading"), under which we conducted "at the market" public offerings of our common stock during the quarter ended September 30, 2018, and may conduct additional "at the market" public offerings of our common stock from time to time. Under the sales agreement, JonesTrading, acting as our agent, may offer our common stock in the market on a daily basis or otherwise as we request from time to time. We have no obligation to sell additional shares under the sales agreement, but expect to do so from time to time. We will pay JonesTrading up to a 2.0% sales commission on all sales. The sales agreement contemplates sales of up to \$150 million of our common stock over a period of up to three years. As of December 31, 2018, we had sold 2,883,344 shares of our common stock pursuant to the sales agreement and have received \$94.6 million in proceeds, net of \$2.6 million of offering costs, including commissions paid to JonesTrading. The average price per share of stock sold pursuant to the sales agreement during the year ended December 31, 2018, excluding offering costs, was \$33.71.

#### JonesTrading Standby Equity Agreement

In August 2018 we also entered into a standby equity underwriting agreement with JonesTrading. We did not sell any shares under the standby equity underwriting agreement, and the agreement terminated in accordance with its terms during the quarter ended September 30, 2018. Under the standby underwriting agreement, we had the right, but no obligation, to sell up to \$50 million of our common stock to JonesTrading, as underwriter, for sale to the public in a firm commitment public offering. We paid a 1% commitment fee to JonesTrading for entering into the underwriting agreement.

#### GSR Agreement

In August 2018, Overstock signed a Token Purchase Agreement with GSR Capital Ltd., a Cayman Islands exempted company ("GSR"). The Token Purchase Agreement sets forth the terms on which GSR agreed to purchase, for \$30 million, on May 6, 2019 or such other date as may be agreed by the parties, security tokens at a price of \$6.67 per security token. These security tokens were issued by tZERO to Overstock in satisfaction of \$30 million of tZERO's indebtedness to Overstock. We may be required to obtain additional tokens in order to fulfill our obligations under the agreement. The agreement states that the obligations of GSR to complete the transaction described will be subject to conditions, some of which are unidentified.

## 15. STOCK BASED AWARDS

We have equity incentive plans that provide for the grant to employees and board members of stock-based awards, including stock options and restricted stock. Employee accounting applies to awards granted by the Company or subsidiary in the company or subsidiary's shares only to its own employees, respectively. No sibling or upstream

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awards have been granted. Stock-based compensation expense was as follows (in thousands):

	Years ended		
	December 31,		
	2018	2017	2016
Overstock restricted stock awards	\$9,096	\$4,056	\$4,891
Medici Ventures stock options	412	21	—
tZERO equity awards	4,848	—	—
Total stock-based compensation expense	\$14,356	\$4,077	\$4,891

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## Overstock stock option awards

Our Board of Directors adopted the Overstock.com, Inc. 2005 Equity Incentive Plan and it was most recently amended and restated and re-approved by the stockholders on May 9, 2017 (as so amended and restated, the "Plan"). Under the Plan, the Board of Directors may issue incentive stock options to employees and directors of the Company and non-qualified stock options to consultants, as well as restricted stock units and other types of equity awards of the Company. Options granted under this Plan generally expire at the end of ten years and vest in accordance with a vesting schedule determined by our Board of Directors, usually over four years from the grant date. We did not grant any options during the years ended December 31, 2018, 2017 and 2016. At December 31, 2018, 1.8 million shares of stock remained available for future grants under the Plan. We settle stock option exercises with newly issued common shares. As of December 31, 2018, there were no options outstanding under the Plan.

The following is a summary of stock option activity (in thousands, except per share data):

	2018	2017	2016	
	Weighted Average Shares Exercise Price	Shares	Weighted Average Exercise Price	Weighted Average Shares Exercise Price
Outstanding—beginning of year	—\$	—156	\$ 17.33	204 \$ 17.27
Exercised	—	(39 )	16.90	(42 ) 17.08
Expired/Forfeited	—	(117)	17.48	(6 ) 17.08
Outstanding—end of year	—\$	—	\$ —	156 \$ 17.33
Options exercisable at year-end	—\$	—	\$ —	156 \$ 17.33

The most recent stock options were granted in May 2008 and have fully vested. There was no stock based compensation related to stock options recorded during the years ended December 31, 2018, 2017 and 2016.

The total intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016 was \$0, \$54,000, and \$82,000, respectively. The total cash received from employees as a result of employee stock option exercises during the years ended December 31, 2018, 2017 and 2016 were approximately \$0, \$664,000, and \$819,000, respectively.

## Overstock restricted stock awards

For the years ended December 31, 2018, 2017 and 2016, the Compensation Committee of the Board of Directors approved grants of 387,000, 310,000 and 541,000 restricted stock awards, respectively, to our officers, board members and employees. These restricted stock awards vest over three years at 33.3% at the end of the first year, 33.3% at the end of the second year and 33.3% at the end of the third year; subject to the recipient's continuing service to us. At December 31, 2018, there were 559,000 unvested restricted stock awards that remained outstanding.

The cost of restricted stock units is determined using the fair value of our common stock on the date of the grant and compensation expense is either recognized on a straight-line basis over the three-year vesting schedule or on an accelerated schedule when vesting of restricted stock awards exceeds a straight-line basis. The cumulative amount of compensation expense recognized at any point in time is at least equal to the portion of the grant date fair value of the award that is vested at that date. The weighted average grant date fair value of restricted stock awards granted during the years ended December 31, 2018, 2017 and 2016 was \$65.42, \$17.75 and \$14.52, respectively.

The following table summarizes restricted stock award activity (in thousands, except fair value data):

	2018		2017		2016	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Outstanding—beginning of year	540	\$ 17.05	560	\$ 17.46	349	\$ 24.80
Granted at fair value	387	65.42	310	17.75	541	14.52
Vested	(234)	17.68	(212)	19.58	(219)	22.57
Forfeited	(134)	42.85	(118)	16.21	(111)	16.52
Outstanding—end of year	559	\$ 44.08	540	\$ 17.05	560	\$ 17.46

#### Medici Ventures stock options

The Medici Ventures, Inc. 2017 Stock Option Plan provides for the grant of options to employees and directors of and consultants to Medici Ventures to acquire up to 10% of the authorized shares of Medici Ventures' common stock. During the twelve months ended December 31, 2018, Medici Ventures granted 94,450 stock options with a cumulative grant date fair value of \$1.8 million which vest over a three year period. During the year ended December 31, 2017, Medici Ventures granted 74,750 stock options to certain Medici Ventures and Overstock employees with a cumulative grant date fair value of \$91,000, which will be expensed on a straight-line basis over the vesting period of three years.

#### tZERO equity awards

The tZERO.com 2017 Equity Incentive Plan provides for grant of options to employees and directors of and consultants to tZERO to acquire up to 5% of the authorized shares of tZERO's common stock. In January 2018, tZERO granted 2,000,000 restricted stock awards (post-stock split) with a cumulative grant date fair value of \$4.0 million under the equity incentive plan, all of which vested on January 23, 2018. Accordingly, there is no expense to be recognized in future periods related to these awards. As a result of these vested awards, our indirect ownership interest in tZERO was reduced from 81% to approximately 80%. During the twelve months ended December 31, 2018, tZERO granted awards to acquire 5,590,000 shares (post-stock split) of its stock with a cumulative grant date fair value of \$4.6 million which will be expensed on a straight-line basis over the vesting period of two to three years. No awards were issued during the year ended December 31, 2017.

#### 16. EMPLOYEE RETIREMENT PLAN

We have a 401(k) defined contribution plan which permits participating employees to defer a portion of their compensation, subject to limitations established by the Internal Revenue Code. During the years ended December 31, 2018, 2017 and 2016, employees who completed 3 months of service and are 21 years of age or older are qualified to participate in the plan which matches 100% of the first 6% of each participant's contributions to the plan subject to IRS limits. Matching contributions vest immediately. Participant contributions also vest immediately. Our matching contribution totaled \$5.5 million, \$4.1 million and \$3.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. We made no discretionary contributions to eligible participants for the years ended December 31, 2018, 2017 and 2016, respectively.

#### 17. OTHER INCOME (EXPENSE), NET

Other income (expense), net consisted of the following (in thousands):

	Years ended December 31,		
	2018	2017	2016
Club O Rewards and gift card breakage	\$—	\$2,742	\$16,808
Gain on investment in precious metals	—	1,971	201
Loss on equity investments, net	(2,843 )	(5,995 )	(2,850 )
Other	(645 )	2,460	22
Total other income (expense), net	\$(3,488)	\$1,178	\$14,181

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## 18. INCOME TAXES

For financial reporting purposes, income (loss) before income taxes includes the following components (in thousands):

	Years ended December 31,		
	2018	2017	2016
United States	\$(219,585)	\$(48,039)	\$20,974
Foreign	(369 )	305	(429 )
Total income (loss) before income taxes	\$(219,954)	\$(47,734)	\$20,545

The provision (benefit) for income taxes for 2018, 2017 and 2016 consists of the following (in thousands):

	Years ended December 31,		
	2018	2017	2016
Current:			
Federal	\$(57 )	\$365	\$280
State	(141 )	280	1,264
Foreign	44	57	34
Total current	(154 )	702	1,578
Deferred:			
Federal	(1,583 )	56,350	7,311
State	(645 )	7,146	410
Foreign	(2 )	(10 )	(2 )
Total deferred	(2,230 )	63,486	7,719
Total provision (benefit) for income taxes	\$(2,384 )	\$64,188	\$9,297

The provision (benefit) for income taxes for 2018, 2017 and 2016 differ from the amounts computed by applying the U.S. federal income tax rate of 21% for 2018 and 35% for 2017 and 2016 to income (loss) before income taxes for the following reasons (in thousands):

	Year ended December 31,		
	2018	2017	2016
U.S. federal income tax provision (benefit) at statutory rate	\$(46,190)	\$(16,707)	\$7,191
State income tax expense, net of federal benefit	(8,289 )	(2,480 )	1,232
Research and development credit	(1,734 )	(1,696 )	(1,078 )
Stock based compensation expense	(1,260 )	164	674
Other	1,652	581	110
Gain on subsidiary stock	2,192	—	—
Reduction in federal rate	—	25,287	—
Change in valuation allowance	51,245	59,039	1,168
Total provision (benefit) for income taxes	\$(2,384 )	\$64,188	\$9,297

The components of our deferred tax assets and liabilities as of December 31, 2018 and 2017 are as follows (in thousands):

	December 31,	
	2018	2017
Deferred tax assets:		
Net operating loss carryforwards	\$79,820	\$29,350
Research and development tax credits	15,382	12,653
Accrued expenses	7,898	10,672
Reserves and other	5,345	1,480
Basis difference in investments	4,857	1,636
Fixed and intangible assets	2,493	8,068
Other tax credits	206	220
Gross deferred tax assets	116,001	64,079
Valuation allowance	(114,523)	(63,278 )
Total deferred tax assets	1,478	801
Deferred tax liabilities:		
Prepaid expenses	(880 )	(788 )
Goodwill	(489 )	(261 )
Fixed assets	—	—
Total deferred tax liabilities	(1,369 )	(1,049 )
Total deferred tax assets (liabilities), net	\$109	\$(248 )

At December 31, 2018, we have federal net operating loss carryforwards with no expiration date of approximately \$168.6 million and federal net operating loss carryforwards of approximately \$152.3 million which primarily expire between 2020 and 2037 if unused. We have state net operating loss carryforwards of approximately \$286.9 million, which primarily expire between 2021 and 2033 if unused. At December 31, 2018, we have federal research credit carryforwards of approximately \$16.4 million and state research credit carryforwards of approximately \$6.9 million. These tax credits expire at various dates between 2021 and 2038 if unused. Ownership changes under Internal Revenue Code Section 382 could limit the amount of net operating losses or credit carryforwards that can be used in any annual period.

Each quarter we assess the recoverability of our deferred tax assets under ASC Topic 740. We assess the available positive and negative evidence to estimate whether we will generate sufficient future taxable income to use our existing deferred tax assets. We have limited carryback ability and do not have significant taxable temporary differences to recover our existing deferred tax assets, therefore we must rely on future taxable income, including tax planning strategies, to support their realizability. We have established a valuation allowance for our deferred tax assets not supported by carryback ability or taxable temporary differences, primarily due to uncertainty regarding our future taxable income. We have considered, among other things, the cumulative loss incurred over the three-year period ended December 31, 2018, as a significant piece of objective negative evidence. We intend to continue maintaining a valuation allowance on our net deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. The amount of the deferred tax asset considered realizable could be adjusted if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as long-term projections for growth. We will continue to monitor the need for a valuation allowance against our remaining deferred tax assets on a quarterly basis.

Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations, and court rulings. On December 22, 2017, the President signed into law Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act ("TCJA"), following its passage by the United States Congress. Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of US

GAAP in situations when a registrant did not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. As of December 31, 2017, we were able to reasonably estimate certain effects and, therefore, recorded adjustments associated with the remeasurement of certain deferred tax assets and liabilities and the mandatory deemed repatriation of cumulative foreign earnings. Our accounting for the following elements of the TCJA was completed as of September 30, 2018. The expense related to the remeasurement of certain deferred tax assets and

liabilities, based on the rates at which they are expected to reverse in the future, was \$25.2 million. The expense related to the one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings was \$47,000. We did not make any measurement-period adjustments related to these items during the year because there were no significant changes to our provisional amounts, and therefore, there is no impact to our effective tax rate due to measurement-period adjustments.

The TCJA includes a provision to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries beginning in 2018. Under GAAP, we can make an accounting policy election to either treat taxes due on the GILTI inclusion as a current period expense or factor such amounts into our measurement of deferred taxes. We will elect to treat any potential GILTI inclusions as a period cost as we are not projecting any material impact from GILTI inclusions and any deferred taxes related to any inclusion would be immaterial.

A reconciliation of the beginning and ending unrecognized tax benefits, excluding interest and penalties, as of December 31, 2018, 2017 and 2016 is as follows (in thousands):

	Year ended		
	December 31,		
	2018	2017	2016
Beginning balance	\$6,964	\$7,333	\$4,753
Additions for tax positions related to the current year	1,013	881	1,112
Additions (reductions) for tax positions taken in prior years	332	230	1,468
Reduction for tax positions settled by utilizing tax attributes	(335 )	(1,480 )	—
Ending balance	\$7,974	\$6,964	\$7,333

Included in the balance of unrecognized tax benefits as of December 31, 2018, 2017 and 2016, are approximately \$8.0 million, \$7.0 million, and \$5.9 million, respectively, of tax benefits that, if recognized, would affect the effective tax rate. Also included in the balance of unrecognized tax benefits as of December 31, 2018, 2017 and 2016, are approximately \$0, \$0, and \$1.5 million, respectively, of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes. We believe it is reasonably possible that these unrecognized tax benefits will continue to increase in the future.

Accrued interest and penalties on unrecognized tax benefits as of December 31, 2018 and 2017 were \$499,000 and \$492,000, respectively.

We are subject to taxation in the United States and various state and foreign jurisdictions. Tax years beginning in 2014 are subject to examination by taxing authorities, although net operating loss and credit carryforwards from all years are subject to examinations and adjustments for at least three years following the year in which the attributes are used. We are currently under audit in Ireland for the 2016 tax year.

We have indefinitely reinvested foreign earnings of \$1.4 million at December 31, 2018. We would need to accrue and pay various taxes on this amount if repatriated. We do not intend to repatriate these earnings.

## 19. RELATED PARTY TRANSACTIONS

### PCL L.L.C. term loan repayment

On November 6, 2017, we entered into a loan agreement with PCL L.L.C., an entity directly or indirectly wholly-owned by the mother and brother of our President and Chief Executive Officer, Dr. Patrick M. Byrne ("Dr. Byrne"). The agreement provides for a \$40.0 million term loan (the "PCL Loan") which carries an annual interest rate of 8.0%. On May 8, 2018, our Board of Directors approved a prepayment of the PCL Loan and we repaid the entire

outstanding balance under the loan plus accrued interest.

SiteHelix

On June 28, 2018, we entered into and concurrently closed a Stock Purchase Agreement with the stockholders of SiteHelix, Inc., a Delaware corporation ("SiteHelix") pursuant to which we purchased all of the common stock of SiteHelix for \$500,000 plus 100,000 shares of Overstock common stock with a transaction date fair value of \$2.9 million for an aggregate purchase price of \$3.4 million. The transaction was accounted for as an asset purchase consisting primarily of internal-use software designed to provide a customized user experience for visitors to our Website. Saum Noursalehi, who owned



approximately 62% of the SiteHelix common stock, is a member of our Board of Directors and served as President, Retail, of Overstock until May 8, 2018, when he became Chief Executive Officer of tZERO.

#### Bitsy Agreement

In July 2018, Medici Ventures entered into a stock purchase agreement with Bitsy, Inc. ("Bitsy") to acquire an additional 25% equity interest in Bitsy for \$3.0 million and \$1.5 million worth of Overstock.com common stock (47,378 shares). Subsequent to the purchase, Medici Ventures held a 33% interest in Bitsy. Bitsy is a U.S.-based startup company that plans to build a regulatory-compliant bridge between the U.S. Dollar and cryptocurrencies and offer our customers the ability to purchase cryptocurrencies on or through the Bitsy app and our Website. Bitsy was founded by Steve Hopkins, Medici Ventures' former chief operating officer and general counsel, and current president of tZERO, who held a 25% equity interest in Bitsy. Our equity interest is included in our equity investments on our consolidated balance sheets.

On December 21, 2018, tZERO entered into a stock purchase agreement with the owners of Bitsy to acquire the remaining 67% equity interest in Bitsy for \$8.0 million with effective control of Bitsy transferring to tZERO effective January 1, 2019. As tZERO paid the \$8.0 million purchase price prior to the effective date of the transaction, the payment is included in Other long-term assets in our consolidated balance sheets as a deposit on purchase of a business. In connection with the stock purchase agreement, Medici Ventures transferred its 33% equity interest to tZERO. Our purchase accounting has not yet been finalized for the transaction, as we are still finalizing our valuation of assets acquired and liabilities assumed.

#### Chainstone Labs

In September 2018, Medici Ventures entered into a stock purchase agreement with Chainstone Labs, Inc. ("Chainstone") to acquire a 29% equity interest in Chainstone for \$3.6 million. Chainstone is a U.S.-based startup company founded and 71% owned by a Board member of Medici Ventures, Bruce Fenton. Chainstone is focused on blockchain, tokenization of securities, and decentralized asset management. Our equity interest is included in our equity investments on our consolidated balance sheets.

#### Medici Land Governance

Medici Land Governance Inc., a Delaware public benefit corporation ("MLG"), was formed by Medici Ventures with Dr. Byrne. Pursuant to the Subscription Agreements dated September 21, 2018, Medici Ventures contributed certain of its assets, including intellectual property relating to technologies regarding land governance and property rights, to MLG in exchange for 510,000 shares of MLG common stock and at the same time Dr. Byrne personally contributed \$6.7 million in cash to MLG in exchange for 390,000 shares of MLG common stock. At the same time MLG, Medici Ventures, and Dr. Byrne entered into a Stockholders Agreement dated September 21, 2018 regarding MLG (the "MLG Stockholder Agreement"). The MLG Stockholder Agreement restricts the transfer of the shares held by Medici Ventures and Dr. Byrne, creates rights of first refusal in favor of MLG, Medici Ventures, and Dr. Byrne to acquire shares to be sold by Medici Ventures or Dr. Byrne, creates purchase rights in favor of MLG and Medici Ventures in the event of the death or incapacity of Dr. Byrne, creates preemptive rights in favor of MLG and Medici Ventures if MLG proposes to sell capital stock to any other person (subject to certain exceptions), provides for voting for board members, and requires a supermajority consent of the stockholders for any sale of MLG or substantially all of its assets, merger, consolidation, or other transaction having substantially the same effect.

As a result of the transactions described above, Medici Ventures holds approximately 57% of the outstanding capital stock of MLG, and Dr. Byrne, our President and Chief Executive Officer, a member of our Board of Directors and our largest stockholder, holds approximately 43% of the outstanding capital stock of MLG. Dr. Byrne is also a member of the board of directors of MVI and is a member of the board of directors of MLG. The financial results of MLG are

included in our consolidated financial statements.

## 20. BROKER DEALERS

tZERO wholly owns each of two broker dealers, SpeedRoute LLC ("SpeedRoute") and PRO Securities LLC ("PRO Securities"), which we acquired in January 2016.

SpeedRoute is an electronic, agency-only, FINRA-registered broker dealer that provides connectivity for its customers to U.S. equity exchanges as well as off-exchange sources of liquidity such as dark pools. All of SpeedRoute's customers are registered broker dealers. SpeedRoute does not hold, own, or sell securities.

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PRO Securities is a FINRA-registered broker dealer that owns and operates the PRO Securities alternative trading system ("ATS"), which is registered with the SEC. An ATS is a trading system that is not regulated as an exchange, but is a licensed venue for matching buy and sell orders. The PRO Securities ATS is a closed system available only to its broker dealer subscribers. PRO Securities does not accept orders from non-broker dealers, nor does it hold, own, or sell securities.

SpeedRoute and PRO Securities are subject to the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2018, SpeedRoute had net capital of \$1,251,579, which was \$1,152,854 in excess of its required net capital of \$98,725 and SpeedRoute's net capital ratio was 1.2 to 1. At December 31, 2018, PRO Securities had net capital of \$13,958, which was \$8,958 in excess of its required net capital of \$5,000 and PRO Securities net capital ratio was 2 to 1. At December 31, 2017, SpeedRoute had net capital of \$334,848, which was \$233,485 in excess of its required net capital of \$101,363 and SpeedRoute's net capital ratio was 4.5 to 1. At December 31, 2017, PRO Securities had net capital of \$24,175, which was \$19,175 in excess of its required net capital of \$5,000 and PRO Securities net capital ratio was 1.3 to 1.

SpeedRoute and PRO Securities did not have any securities owned or securities sold, not yet purchased at December 31, 2018 and 2017.

## 21. BUSINESS SEGMENTS

Segment information has been prepared in accordance with ASC Topic 280 Segment Reporting. As described in Note 1—Basis of Presentation, we have recast our segment information to conform with current year presentation. We determined our segments based on how we manage our business. In the fourth quarter of 2018, we completed our review of our segment reporting and in light of a strategic shift in our Chief Operating Decision Maker's long-term strategic focus for our organization, we no longer consider the split of retail direct and retail partner as a distinct and relevant measure of our business. Accordingly, Direct and Partner are no longer considered separate reportable segments but are included under Retail in our Business Segment disclosures. Our Medici business includes one reportable segment, tZERO. We use pre-tax net income (loss) as the measure to determine our reportable segments. As a result, the remainder of our Medici business is not significant as compared to our Retail and tZERO segments. Our Other segment consists of Medici Ventures' remaining operations.

Our Retail segment primarily consists of amounts earned through e-commerce sales through our Website. In addition, substantially all our corporate support costs (administrative functions such as finance, human resources, and legal) are included within our Retail segment.

Our tZERO segment primarily consists of amounts earned through securities transaction through our broker-dealers and costs incurred to execute our tZERO business initiatives.

We do not allocate assets between our segments for our internal management purposes, and as such, they are not presented here. There were no significant inter-segment sales or transfers during the years ended December 31, 2018, 2017 and 2016.

The following table summarizes information about reportable segments and a reconciliation to consolidated net income (loss) for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Retail	tZERO	Other	Total
2018				
Revenue, net	\$1,800,187	\$19,043	\$2,362	\$1,821,592

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Cost of goods sold	1,452,195	13,127	2,362	1,467,684
Gross profit	347,992	5,916	—	353,908
Operating expenses	506,113	47,006	17,995	571,114
Interest and other income (expense), net (1)	(476 )	233	(2,505 )	(2,748 )
Pre-tax loss	\$(158,597 )	\$(40,857)	\$(20,500)	(219,954 )
Benefit for income taxes				(2,384 )
Net loss (2)				\$(217,570 )

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	Retail	tZERO	Other	Total
2017				
Revenue, net	\$1,728,104	\$16,493	\$159	\$1,744,756
Cost of goods sold	1,392,558	11,647	—	1,404,205
Gross profit	335,546	4,846	159	340,551
Operating expenses	365,648	17,101	4,436	387,185
Interest and other income (expense), net (1)	4,680	—	(5,780)	(1,100)
Pre-tax loss	\$(25,422)	\$(12,255)	\$(10,057)	(47,734)
Provision (benefit) for income taxes				64,188
Net loss (2)				\$(111,922)
2016				
Revenue, net	\$1,784,782	\$15,181	\$—	\$1,799,963
Cost of goods sold	1,458,411	10,203	—	1,468,614
Gross profit	326,371	4,978	—	331,349
Operating expenses	307,669	15,826	939	324,434
Interest and other income (expense), net (1)	13,630	—	—	13,630
Pre-tax income (loss)	\$32,332	\$(10,848)	\$(939)	20,545
Provision (benefit) for income taxes				9,297
Net income (loss) (2)				\$11,248

— The above amounts exclude intercompany transactions eliminated in consolidation, which consist primarily of (1) service fees and interest. The net amounts of these intercompany transactions were \$3.5 million, \$2.0 million, and \$594,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

(2) — Pre-tax income (loss) presented for segment reporting purposes is before any adjustments attributable to noncontrolling interests.

For the years ended December 31, 2018, 2017 and 2016, substantially all our sales revenues were attributable to customers in the United States. At December 31, 2018 and 2017, substantially all our fixed assets were located in the United States.

## 22. SUBSEQUENT EVENTS

On January 18, 2019, tZERO sold its entire equity interest in one of its equity method investments which had a carrying value of \$5.8 million for \$5.9 million.

In February 2019, we executed a Memorandum of Understanding regarding a potential transaction involving an equity investment of up to \$100 million in tZERO by GSR Capital and Makara Capital, and are in continuing discussions in furtherance thereof.

## 23. QUARTERLY RESULTS OF OPERATIONS (unaudited)

The following tables set forth our unaudited quarterly results of operations data for the eight most recent quarters for the period ended December 31, 2018. We have prepared this information on the same basis as the consolidated statements of operations and the information includes all adjustments that we consider necessary for a fair statement of its financial position and operating results for the quarters presented.



Three Months Ended  
 March 31, June 30, September 30, December 31,  
 2018 2018 2018 2018  
 (in thousands, except per share data)

## Consolidated Statement of Operations Data:

Revenue, net				
Retail	\$439,996	\$477,683	\$ 435,775	\$ 446,733
Other	5,335	5,450	4,805	5,815
Total net revenue	445,331	483,133	440,580	452,548
Cost of goods sold				
Retail	347,580	387,252	350,651	366,712
Other	3,882	4,138	3,213	4,256
Total cost of goods sold	351,462	391,390	353,864	370,968
Gross profit	93,869	91,743	86,716	81,580
Operating expenses:				
Sales and marketing	77,214	94,416	55,312	47,537
Technology	31,294	32,423	33,880	34,557
General and administrative	39,755	31,440	45,356	47,930
Total operating expenses	148,263	158,279	134,548	130,024
Operating loss	(54,394 )	(66,536 )	(47,832 )	(48,444 )
Interest income	544	620	383	661
Interest expense	(874 )	(395 )	(101 )	(98 )
Other income (expense), net	(9 )	368	(1,848 )	(1,999 )
Net loss before income taxes	(54,733 )	(65,943 )	(49,398 )	(49,880 )
Benefit for income taxes	(277 )	(27 )	(141 )	(1,939 )
Consolidated net loss	(54,456 )	(65,916 )	(49,257 )	(47,941 )
Less: Net loss attributable to noncontrolling interests	(3,547 )	(1,005 )	(1,334 )	(5,614 )
Net loss attributable to stockholders of Overstock.com, Inc.	\$(50,909 )	\$(64,911 )	\$( 47,923 )	\$( 42,327 )
Net loss per common share—basic:				
Net loss attributable to common shares—basic	\$(1.74 )	\$(2.20 )	\$( 1.55 )	\$( 1.39 )
Weighted average common shares outstanding—basic	28,566	28,903	30,279	32,112
Net loss per common share—diluted:				
Net loss attributable to common shares—diluted	\$(1.74 )	\$(2.20 )	\$( 1.55 )	\$( 1.39 )
Weighted average common shares outstanding—diluted	28,566	28,903	30,279	32,112

Three Months Ended  
 March 31, 2017    June 30, 2017    September 30, 2017    December 31, 2017  
 (in thousands, except per share data)

## Consolidated Statement of Operations Data:

Revenue, net				
Retail	\$428,089	\$427,955	\$420,064	\$451,996
Other	4,346	4,069	3,943	4,294
Total net revenue	432,435	432,024	424,007	456,290
Cost of goods sold				
Retail	342,260	345,039	337,698	367,561
Other	3,268	2,814	2,634	2,931
Total cost of goods sold	345,528	347,853	340,332	370,492
Gross profit	86,907	84,171	83,675	85,798
Operating expenses:				
Sales and marketing	37,618	43,297	45,153	54,521
Technology	28,992	28,244	28,746	29,896
General and administrative	22,610	22,361	21,651	24,096
Total operating expenses	89,220	93,902	95,550	108,513
Operating loss	(2,313)	(9,731)	(11,875)	(22,715)
Interest income	125	136	189	209
Interest expense	(710)	(716)	(713)	(798)
Other income (expense), net	(3,724)	593	5,882	(1,573)
Net loss before income taxes	(6,622)	(9,718)	(6,517)	(24,877)
Provision (benefit) for income taxes	(340)	(1,975)	(5,412)	71,915
Consolidated net loss	(6,282)	(7,743)	(1,105)	(96,792)
Less: Net loss attributable to noncontrolling interests	(379)	(244)	(319)	(1,102)
Net income (loss) attributable to stockholders of Overstock.com, Inc.	\$(5,903)	\$(7,499)	\$ (786)	\$ (95,690)
Net income (loss) per common share—basic:				
Net income (loss) per share—basic	\$(0.23)	\$(0.29)	\$ (0.03)	\$(3.72)
Weighted average common shares outstanding—basic	25,290	24,996	25,003	25,103
Net income (loss) per common share—diluted:				
Net income (loss) per share—diluted	\$(0.23)	\$(0.29)	\$ (0.03)	\$(3.72)
Weighted average common shares outstanding—diluted	25,290	24,996	25,003	25,103



Schedule II  
Valuation and Qualifying Accounts  
(in thousands)

	Balance at Beginning of Year	Charged to Expense	Deductions	Balance at End of Year
Year ended December 31, 2018				
Deferred tax valuation allowance	\$ 63,278	\$51,245	\$	—\$114,523
Allowance for sales returns	17,391	174,864	176,994	15,261
Allowance for doubtful accounts	1,253	883	20	2,116
Year ended December 31, 2017				
Deferred tax valuation allowance	\$ 4,239	\$59,039	\$	—\$63,278
Allowance for sales returns	18,176	169,398	170,183	17,391
Allowance for doubtful accounts	1,999	309	1,055	1,253
Year ended December 31, 2016				
Deferred tax valuation allowance	\$ 3,071	\$1,168	\$	—\$4,239
Allowance for sales returns	17,896	163,693	163,413	18,176
Allowance for doubtful accounts	465	1,608	74	1,999