

Synacor, Inc.  
Form 10-K  
March 22, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33843

Synacor, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	16-1542712 (I.R.S. Employer Identification No.)
-------------------------------------------------------------------------------	-------------------------------------------------------

40 La Riviere Drive, Suite 300 Buffalo, New York (Address of principal executive offices)	14202 (Zip Code)
-------------------------------------------------------------------------------------------------	---------------------

(716) 853-1362

(Registrant's telephone number, including area code)

Edgar Filing: Synacor, Inc. - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, \$0.01 par value	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:

None.

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

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

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

The aggregate market value of shares of common stock held by non-affiliates as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the closing sale price of \$3.08 per share on The Nasdaq Global Market on June 30, 2016, was approximately \$73,566,083. For purposes of this disclosure, shares of common stock held by persons who held more than 10% of the outstanding shares of common stock at such time and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of executive officer or affiliate status is not

necessarily a conclusive determination for other purposes.

As of March 16, 2017, there were 31,484,756 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement to be used in connection with the registrant's 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated. That Proxy Statement will be filed within 120 days of registrant's fiscal year ended December 31, 2016.

---

TABLE OF CONTENTS

PART I

Item 1.	<u>Business</u>	2
Item 1A.	<u>Risk Factors</u>	9
Item 1B.	<u>Unresolved Staff Comments</u>	27
Item 2.	<u>Properties</u>	27
Item 3.	<u>Legal Proceedings</u>	27
Item 4.	<u>Mine Safety Disclosures</u>	27

PART II

Item 5.	<u>Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	28
Item 6.	<u>Selected Financial Data</u>	29
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	46
Item 8.	<u>Financial Statements and Supplementary Data</u>	47
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	47
Item 9A.	<u>Controls and Procedures</u>	47
Item 9B.	<u>Other Information</u>	48

PART III

Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	49
Item 11.	<u>Executive Compensation</u>	49
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	49
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	49
Item 14.	<u>Principal Accounting Fees and Services</u>	49

PART IV

Item 15.	<u>Exhibits, Financial Statement Schedules</u>	50
----------	------------------------------------------------	----

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements that reflect our current views with respect to future events or our future financial performance, are based on information currently available to us, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements containing the words “believes,” “can,” “expects,” “anticipates,” “estimates,” “intends,” “objective,” “plans,” “possibly,” “potential,” “predicts,” “likely,” “may,” “might,” “would,” “should,” “could,” and similar expressions or phrases (including the negatives of such expressions or phrases). We intend all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements in the sections of this Annual Report on Form 10-K titled “Trends Affecting Our Business” and “Key Initiatives” as well as statements about:

- our expected future financial performance;
- our expectations regarding our operating expenses;
- our strategies and business plan;
- our ability to maintain or broaden relationships with existing customers and develop relationships with new customers;
- our success in anticipating market needs or developing new or enhanced services and products to meet those needs;
- our expectations regarding market acceptance of our services and products;
- our ability to recruit and retain qualified technical and other key personnel;
- our competitive position in our industry, as well as innovations by our competitors;
- our success in managing growth;
- our expansion in international markets;
- our ability to successfully integrate assets and personnel from our acquisitions;
- our success in identifying and managing potential acquisitions;
- our capacity to protect our confidential information and intellectual property rights;
- our need to obtain additional funding and our ability to obtain funding in the future on acceptable terms; and
- anticipated trends and challenges in our business and the markets in which we operate.

Any forward-looking statements contained in this Annual Report on Form 10-K are based upon our historical performance and our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. All forward-looking statements involve risks, assumptions and uncertainties. Given these risks, assumptions and uncertainties, you should not place undue reliance on any forward-looking statements. The occurrence of the events described, and the achievement of the expected results, depend on many factors, some or all of which are not predictable or within our control.

Actual results may differ materially from expected results. See “Risk Factors” and elsewhere in this Annual Report on Form 10-K for a more complete discussion of these risks, assumptions and uncertainties and for other risks, assumptions and uncertainties. These risks, assumptions and uncertainties are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements.

Other unknown or unpredictable factors also could harm our results. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report on Form 10-K might not occur, and we therefore qualify all of our forward-looking statements by these cautionary statements. Any forward-looking statement

made by us in this Annual Report on Form 10-K speaks only as of the date on which it is made. Except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Unless expressly indicated or the context requires otherwise, the terms “Synacor,” “Company,” “we,” “us,” and “our” in this document refer to Synacor, Inc., a Delaware corporation, and, where appropriate, our wholly-owned subsidiaries.

1

---

## PART I

### ITEM 1. BUSINESS

#### 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, end-to-end video solutions 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.

#### Products and Services

Our Managed Portals and Advertising solutions provide our customers with substantial revenue opportunities generated by their consumers' engagement across devices. Managed Portals and Advertising solutions generated 59% of our revenue for 2016.

Our Managed Portals are intended to be daily destinations for consumers and are delivered across devices and under our customers' own brand names. To help our customers increase their consumers' engagement, we deliver relevant content, such as top news, entertainment, and long- and short-form video and apps, on our Managed Portals. We have licensing and distribution agreements with a wide range of programmers and content and service providers. In addition, consumers have the ability through our portals to manage their email and messaging, pay bills, receive special promotions and perform other account management needs.

We monetize the online traffic generated by consumers through search advertising, digital advertising (including video), and syndicated content on our Managed Portals. As we monetize our customers' online traffic on our Managed Portals, we share a portion of this revenue with our customers, resulting in a mutually beneficial partnership.

Our Recurring and Fee-Based Revenue solutions generated 41% of our revenue for 2016 and are comprised of our End-to-End Advanced Video Services, Email/Collaboration Services, and paid content and premium services:

End-to-End Advanced Video Services include our Cloud ID Authentication Platform and Search & Discovery Metadata Platform. Our End-to-End Advanced Video Services offering is a highly-reliable, economically efficient, managed service that enables our customers to provide their consumers with TV Everywhere and multiscreen Over The Top (OTT) services.

#### Cloud ID Authentication

Consumers can watch TV on a myriad of devices, but many find the login process frustrating. Synacor Cloud ID addresses this issue by offering home-based auto-authentication and social login, which improve the consumer experience by reducing login failures.

## Search & Discovery Metadata Platform

Once a consumer is authenticated, our Search & Discovery Metadata Platform helps them find their desired content successfully and easily. We curate videos every day and have compiled more than 2.2 million long- and short-form videos from hundreds of sources. We believe that we fill an important role for our customers as use of streaming video increases and consumers' video content consumption preferences shift away from traditional viewing habits.

Our Email/Collaboration Services include white-label hosting, security and migration. With the acquisition of certain assets related to the Zimbra Email/Collaboration products and services business (the "Zimbra assets" or "Zimbra") in 2015, our software and managed service offering now supports a network of over 1,000 value-added resellers, or VARs, over 500 Business Service Providers, or BSPs, and over 3,500 enterprise, government and nonprofit customers, and it powers approximately 530 million mailboxes.

2

---

## Recent Developments

In March 2017 we announced that Windstream, a top-10 U.S.-based service provider, has selected Synacor and our Zimbra platform, to be Windstream's hosted email provider. Windstream's residential high-speed internet customers will use Synacor's email offering. We also announced in March 2017 that another regional service provider has selected Synacor's end-to-end video platform to deliver their TV Everywhere experience.

## Our Strategy

Our strategy is, with operational and financial discipline, 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.

Increasing value for existing customers by optimizing user experience and monetization

With respect to our Managed Portals and Advertising solutions, 92% of our customers' consumers have upgraded to our latest-generation portal, driving a 15% increase in year-over-year engagement. Our portal, with its engaging user experience and responsive design for desktop and mobile web, and our mobile apps, have video threaded throughout and is designed to optimize consumer engagement and monetization. We are also decreasing the implementation time for customers to launch our latest-generation portal.

## Innovating on Synacor-as-a-platform for advanced services

Our Cloud ID Authentication platform is reported as having some of the highest consumer login success rates in the industry.

In 2016, we extended our Cloud ID relationships to content providers, OTT players, and device manufacturers. We delivered Authentication services for HBO GO, providing, for example, authentication in connection with the Game of Thrones' record-breaking sixth season and finale. Additionally, Apple uses Synacor's Authentication services to support Apple Single Sign-On. The current wave of MVPDs launched by Apple are almost all running on Synacor's Cloud ID Advanced Authentication platform. Our Authentication services also support Sling TV, PlayStation Vue and others to simplify the consumer log-in experience.

We believe we fill an important role as the number of streaming video consumers increases because we believe that our customers are looking for a single vendor with whom to work, not a balkanized group of vendors. We created a professional services team to work with partners to support the delivery of our End-to-End Advanced Video Services. Our acquisition of the assets of NimbleTV in 2015 also resulted in innovation in our End-to-End Advanced Video Services. Our acquisitions of the Zimbra assets in 2015 and certain assets from Technorati in 2016 resulted in innovations in our email/collaboration and digital advertising capabilities, respectively.

## Winning new customers in current and related verticals

We have an established presence among broadband and pay-TV providers in the U.S. and Canada. Some of these providers use our complete suite of solutions, and others use only certain components. We view this as a growth opportunity within our existing customer base.

On May 4, 2016, we announced that AT&T selected Synacor to develop AT&T's new multiplatform digital experience to enhance user engagement and experience. The new multiplatform experiences integrate multiple avenues for monetization including a combination of targeted banner advertising, pre-roll video ads and popular promoted content. We expect that our partnership with AT&T will create a virtuous cycle that benefits all our current customers, and makes Synacor platforms more attractive for new customers.

In 2016, we released our iOS and Android video apps for GVTC and Consolidated Communications, which are powered by our end-to-end video platform. These apps enable consumers to watch TV everywhere, video-on-demand and OTT content in and out of the home. Further, we believe our apps are helping our customers drive new subscriptions through improved search and discovery because we enable our customers to transform massive amounts of data into easy-to-access content, and created new ways for consumers to access new services.

## Extending our product portfolio into emerging growth areas

We plan to capitalize on opportunities such as international expansion and delivery of business services. Through our acquisition of the Zimbra assets we have expanded our international customer base, and we believe this represents an opportunity to find new customers for our Managed Portals and Advertising solutions.

## Technology and Operations

### Technology Architecture

To route traffic through our network in the most efficient manner, we use load-balancing products. These products spread work among multiple servers and link controllers that monitor the availability and performance of multiple connections. Our technology is reliable, fault tolerant and scalable through the addition of more servers as usage grows. In 2016 and 2015, we spent \$25.6 million and \$20.0 million, respectively (exclusive of depreciation and amortization) on technology and development activities. The cost of these activities is generally not borne directly by our customers.

### Data Center Facilities

We currently operate and maintain six data centers in regionally diverse locations and have a network operations center that is staffed 24 hours a day, seven days a week. Our primary data centers are located in shared facilities in Atlanta, Georgia; Dallas, Texas; Lewis Center, Ohio; Denver, Colorado; Toronto, Canada and Amsterdam, The Netherlands. All systems are fully monitored for reporting continuity and fault isolation. The data centers are each in a physically secure facility using monitoring, environmental alarms, closed circuit television and redundant power sources. Our network operations center also is located in a secure facility.

## Customers

Our Managed Portals and Advertising customers principally consist of high-speed internet service providers, such as AT&T, Windstream, Mediacom and CenturyLink, as well as consumer electronics manufacturers, such as Toshiba America Information Systems, Inc. (Toshiba). Contracts with these customers typically have an initial term of two to three years from the deployment of our Managed Portals and frequently provide for one or more automatic renewal terms of one to two years each. Our Managed Portals and Advertising customer contracts typically contain service level agreements that call for specific system “up times” and 24 hours per day, seven days per week support. As of December 31, 2016, we had agreements with over 50 Managed Portals and Advertising customers.

Our Recurring and Fee-Based customers consist of high-speed internet service providers along with enterprises, government and nonprofit organizations, either directly or through resellers. Contracts with these customers typically have an initial term of one to three years and frequently provide for one or more automatic renewal terms of one to two years each. Our Recurring and Fee-Based customer contracts also typically contain service level agreements that call for specific system “up times” and 24 hours per day, seven days per week support. As of December 31, 2016, we had agreements, both directly and indirectly through resellers, with over 120 high-speed internet service providers and over 3,500 enterprise, government and nonprofit customers.

Revenue attributable to one customer accounted for 16% of our revenue, or \$20.8 million, in the year ended December 31, 2016.

## Content and Service Providers

We license the content available in our Managed Portals, including free and paid content offerings and premium services, from numerous third-party content and service partners. These partners provide a variety of content, including news and information, entertainment, sports, music, video, games, shopping, travel, autos, careers and finance. Our relationships with content providers give consumers access to over one hundred thousand short-form video and articles each month. To obtain this content, we enter into a variety of licensing arrangements with the content providers. These arrangements are typically one to three years in duration with payment terms that may be based on traffic, advertising revenue share, number of subscribers, flat fee payments over time, or some combination thereof. In addition to using licensed content to populate our Managed Portals, we also provide premium services and paid content that subscribers may purchase for additional fees. As of December 31, 2016, we had arrangements with over 65 content providers, such as The Associated Press, CNN, Tribune Content Agency, Gracenote, and Bankrate.

## Sales and Marketing

### Managed Portals and Advertising Solutions

Our sales and marketing efforts focus on five primary areas: customer acquisitions, client services, account management, marketing and advertising sales. Our customer acquisition team consists of direct sales personnel who call upon prospective customers, typically large and mid-sized high-speed internet service providers and consumer electronics manufacturers. A significant amount of time and effort is devoted to researching and analyzing the requirements and objectives of each prospective customer. Each bid is specifically customized for the prospective customer, and often requires many months of interaction and negotiation before an agreement is reached.

Once an agreement is reached, our client services team, working closely with the customer acquisition team, assumes responsibility for managing the customer relationship during the time of the initial deployment and integration period, which is usually three to six months. During this period, the customer's technology is assessed and, if required, modifications are proposed to make it compatible with our technology. The client services team is responsible for the quality of the client deployment, customer relationship management during the time of deployment, and integration and project management associated with upgrades and enhancements.

After deployment, our account management team takes over management of the customer relationship, analyzing the ways in which a customer could further benefit from increased use of our products and services. The account management team is responsible for ongoing customer relationship management, upgrades and enhancements to the available products and services, as well as tracking the financial elements and performance of the customer relationship.

Our marketing team works closely with our account management team to deliver marketing programs that support our customers' sales efforts as well as their consumers' interaction with these products and services. We assist our customers in developing marketing materials and advertising that can be accessed by consumers through different media outlets, including the internet, print, television and radio. We also assist our customers in training their customer service representatives to introduce and sell premium services and our paid content offerings to new and existing customers.

Our advertising sales team sells advertising inventory directly to advertisers, frequently through the advertising agencies representing those advertisers. These advertisers may be small companies with the advertising locally or regionally focused on the Managed Portals of one customer, or large companies with nationwide advertising on the Managed Portals of many customers. We have a team of direct advertising sales employees and independent advertising sales representatives focused on this effort and will continue to develop this team and attempt to grow the amount of advertising revenue generated with our customers. As of December 31, 2016, we had arrangements with over 100 advertising partners such as AppNexus, Comcast Spotlight, Criteo, DoubleClick, NCC Media, Mediavest, and Tremor Video.

### Email/Collaboration

We market our Email/Collaboration product through both direct and indirect sales channels. Our regional sales and marketing teams host several events each year with partners and run various campaigns to generate sales leads. Once a lead has been identified, our internal sales representatives work closely with our regional partners on better identifying the opportunity and gathering customer requirements.

We sell to internet service providers primarily through a direct sales force consisting of regional account executives. Sales cycles can be six months or longer. We sell to prospective government, nonprofit and enterprise

customers through a two-tier indirect model via over 1,000 VARs and 500 BSPs. Our VARs sell on-premise licenses to end customers while our BSPs sell a cloud service to the end customer. Sales cycles can range from thirty days to six months, depending on size and scope.

#### Government Regulation

We generally are not regulated other than under international, federal, state and local laws applicable to the internet or e-commerce or to businesses in general. Some regulatory authorities have enacted or proposed specific laws and regulations governing the internet and online entertainment. These laws and regulations cover issues such as taxation, pricing, content, distribution, quality and delivery of services and products, electronic contracts, intellectual property rights, user privacy and information security.

Federal laws regarding the internet that could have an impact on our business include the following: the Digital Millennium Copyright Act of 1998, which is intended to reduce the liability of online service providers of third-party content, including content that may infringe copyrights or rights of others; the Children's Online Privacy Protection Act, which imposes additional restrictions on the ability of online services to collect user information from minors; and the Protection of Children from Sexual Predators Act, which requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.

Laws and regulations regarding user privacy and information security impact our business because we collect and use personal information through our technology. We use this information to deliver more relevant content and services and provide consumers with a personalized online experience. We share this information on an aggregate basis with our customers and content providers and, subject to confidentiality agreements, to prospective customers and content providers. Laws such as the CAN-SPAM Act of 2003 or other user privacy or security laws could 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 redesign our Managed Portals.

### Intellectual Property

We believe that the protection of our intellectual property is critical to our success. We rely on copyright, service mark and patent enforcement, contractual restrictions and trade secret laws to protect our proprietary rights. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with certain parties with whom we conduct business in order to limit access to, and disclosure of, our proprietary information. We have applied for patents to protect certain of our intellectual property. In addition, we have acquired intellectual property, including patents and trademarks, through our acquisitions including Zimbra, Technorati, NimbleTV and Teknision. Our registered service mark in the United States is Synacor ®.

We endeavor to protect our internally-developed systems and maintain our trademarks and service marks. We generally control access to and use of our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners, and our software is protected by United States and international copyright laws.

In addition to legal protections, we believe that factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements and reliable product support and services are essential to establishing and maintaining a technology leadership position.

### Competition

The market for internet-based services and products in which we operate is highly competitive and involves rapidly-changing technologies and customer and consumer requirements, as well as evolving industry standards and frequent product introductions. While we believe that our technology offers considerable value and flexibility to our customers by helping them to extend their consumer relationships to a wide variety of internet-based services, we face competition at four levels:

- When one of our prospective or existing customers considers another supplier, including one of our partners, for elements of the services or products which we provide.
- When consumers choose to rely on other vendors for similar products and services.
- When content and service providers prefer to establish direct relationships with one or more of our customers.
- When one of our customers decides to make the significant headcount and technology investment to develop products and services in-house similar to those that we provide.

Our technology competes primarily with high-speed internet service providers that have internal information technology staff capable of developing similar solutions in-house.

### Managed Portals and Advertising Solutions

In addition, with respect to our Managed Portals and Advertising solutions, we compete with companies such as Facebook, Inc.; Yahoo! Inc. or Yahoo!; Google; AOL, a division of Verizon, or AOL; Hulu; Netflix; Amazon; and

MSN, a division of Microsoft Corporation, or Microsoft, which have destination websites of their own or are capable of delivering content, service offerings and search or advertising models similar to ours.

We also compete with providers of paid content and services over the internet, especially companies with the capability of bundling paid content and premium services in much the same manner that we do. These companies include WatchESPN, F-Secure Corporation, Exent Technologies Ltd., Zynga Inc., MLB Advanced Media, Symantec Corporation, McAfee, Inc., Activision Blizzard, Inc. and Electronic Arts Inc. In some cases we have performed software integrations with these companies on behalf of our customers or, as in the case of F-Secure Corporation, we have partnered with them in order to offer their services more broadly to all our customers.

We believe the principal competitive factors in our markets include a company's ability to:

- reinforce the brands of our cable, satellite, telecom and consumer electronics customers;
- produce products that are flexible and easy to use;
- offer competitive fees for Managed Portal development and operation;
- generate additional revenue for our customers;
- enable our customers to be involved in designing the "look and feel" of their online presence;
- offer services and products that meet the changing needs of our customers and their consumers, including emerging technologies and standards;
- provide high-quality product support to assist the customer's service representatives; and
- aggregate content to deliver more compelling bundled packages of paid content.

We believe that we distinguish ourselves from potential competitors in three principal ways. First, we provide a white-label solution that, unlike the co-branded approach of most of our competitors, creates a consumer experience that reinforces our customers' and partners' brands. Second, we give customers control over the sign-on process and billing function for a wide range of internet services and content by integrating with their internal systems (where applicable) thereby allowing our customers to "own the consumer." Finally, our solutions are flexible and neutral, meaning that we allow deliverables that are customized to our customers' specific needs, as well as advanced video solutions that are either end-to-end or a la carte.

#### Email/Collaboration

With respect to our Email/Collaboration solutions, we compete primarily with Google and Microsoft in the enterprise and government markets, and with Open-Xchange and OpenWave in the internet service provider markets.

We believe the principal competitive factors in the email/collaboration market include a company's ability to:

- provide customers the ability to perform security and compliance audits of our source code;
- deliver anti-spam, anti-virus and encryption technologies;
- provide products and services at lowest possible total cost of ownership (TCO);
- provide local partners the ability to store data within the legal jurisdiction of the country where their consumers do business;
- provide an enterprise-ready solution suitable for large-scale deployments including such enterprise features such as delegated administration, detailed logging, and performance and availability transparency;
- offer access to real-time performance and availability statistics;
- afford customers and partners the ability to rebrand their cloud collaboration experience; and
- make available to partners both integrations and extensions to the collaboration cloud environment specific to consumers' needs.

We believe that we distinguish ourselves from potential competitors in several ways. First, we offer our Email/Collaboration products and services a la carte, enabling consumers to buy only the services they need, providing for a much lower TCO. Second, our Zimbra Email/Collaboration solution is a complete feature-rich, enterprise-ready solution scalable up to 40 million mailboxes. Finally, our products are customizable and extendable and designed to meet very high standards of security.

#### Employees

As of December 31, 2016, we had 322 employees in the United States and 130 based internationally. Of these employees, 449 were full-time employees. None of our employees are represented by a labor union, and we consider current employee relations to be good.



## Corporate Information

Synacor's predecessor company was originally formed as a New York corporation, and in November 2002, Synacor re-incorporated under the laws of the State of Delaware. Our headquarters are located at 40 La Riviere Drive, Buffalo, New York 14202, and our telephone number is (716) 853-1362.

We have determined that we have a single reporting segment. A summary of our financial information by geographic location is found in Note 7, Information About Segment and Geographic Areas, in the Notes to Consolidated Financial Statements. Our international operations and sales subject us to a variety of risks; see Item 1A, "Risk Factors," for further discussion.

## Available Information

Our internet website address is <http://www.synacor.com>. We provide free access to various reports that we file with or furnish to the Securities and Exchange Commission, or SEC, through our website, as soon as reasonably practicable after they have been filed or furnished. These reports include, but are not limited to, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports. Our SEC reports can be accessed through the investor relations section of our website, or through <http://www.sec.gov>. Information on our website does not constitute part of this Annual Report on Form 10-K or any other report we file or furnish with the SEC. Stockholders may request copies of these documents from:

Synacor, Inc.

Investor Relations Department

40 La Riviere Drive

Suite 300

Buffalo, New York 14202

## 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 Annual Report on Form 10-K, 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 continue to diversify 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. Revenue attributable to CenturyLink, Toshiba, and Verizon Corporate Services Group, Inc., or Verizon together accounted for approximately 49% of our revenue, or \$53.5 million for the year ended December 31, 2015. For 2015, revenue attributable to one of these customers accounted for 20% or more of our revenue, and revenue attributable to each of the other two customers accounted for more than 10% of our revenue. For 2016, revenue attributable to one customer accounted for approximately 16% of our revenue, or \$20.8 million, and no other customer accounted for 10% or more of our revenue for that period.

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, 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.

If our delivery of our products and services under our contract with AT&T is executed according to our plan, we expect that, following such delivery, we will derive a substantial portion of our revenue from AT&T, with revenue attributable to 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 materially and 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 12%, 28%, and 42% of our revenue in 2016, 2015, and 2014 or \$15.9 million, \$31.2 million, and \$45.4

million respectively. Our agreement with Google was extended in December 2016 for an additional twelve-month period and expires in February 2018 unless we and Google mutually elect to renew it. 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 revenue 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 methodologies, 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, financial condition and results of operations would be materially and adversely affected. Moreover, consumers' increased use of search tools other than the Google-branded search tool we provide would have similar effects.

We have a history of significant pre-tax net losses and may not be profitable in future periods, which would limit our ability to use our net operating loss carryforwards.

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 December 31, 2016 our cumulative net operating loss carryforward totals approximately \$14 million. We have taken cost saving measures, including a reduction in workforce carried out in September 2014. However, our expenses may increase in future periods as we implement initiatives designed to grow our business including, among other things, the start-up and product development expenses we will 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, we may incur significant losses and may not be profitable. For example, although our revenue in 2016 increased as compared to 2015 and our revenue in 2015 increased as compared to 2014, 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 materially and 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 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 in the past few years 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. 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 will 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 materially 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 have 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 2016, approximately 82% in 2015 and approximately 85% in 2014. 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. We expect we will have invested a total of approximately \$10 million through March 31, 2017 in start-up expenses, development expenses and capital expenditures relating to our contract with AT&T, including approximately \$8.2 million invested in the year ended December 31, 2016, of which approximately \$6.3 million was operating expense and the remaining \$1.9 million was capital expenditure, and we expect to invest an additional \$2 million in 2017, of which we expect approximately \$0.1 million to be capital expenditure and the remainder to be operating expense.

Not all of these activities 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 engagement that in turn results in revenue increases that exceed these expenses, our business, financial condition and results of operations will be adversely affected.

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

Our future success will depend, in part, on our ability to modify or enhance our services and products to meet customer and consumer needs, to add functionality and to address technological advancements that would improve their performance. For example, if our 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 a material negative effect on our operating results. Our rights to the content that we offer to our customers and their consumers are not exclusive, and the content providers could license their content to our competitors. Our content providers could even grant our competitors exclusive licenses. In addition, our customers are not prohibited from entering into content deals directly with our content providers. Any failure to enter into or maintain satisfactory arrangements with content providers would adversely affect our ability to provide a variety of attractive services and products to our customers. Our reputation and operating results could suffer as a result, and it may be more difficult for us to develop new relationships with potential customers.

Our 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 proprietary software 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. There can be no assurance that this initiative will yield an increase in revenue.

13

---

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, such as our end-to-end video solutions portfolio or our Zimbra Email/Collaboration product;
- 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.

14

---

Other risks of doing business in international markets include the increased risks and burdens of complying with different legal and regulatory standards, difficulties in managing and staffing foreign operations, recruiting and retaining talented direct sales personnel, limitations on the repatriation of funds and fluctuations of foreign exchange rates, varying levels of internet technology adoption and infrastructure and our ability to enforce contracts and our intellectual property 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 effectively, 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 a material adverse effect on our business, financial condition and results of operations.

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

Certain of our agreements with Managed Portals and Advertising customers and content providers require us to make fixed payments to them. The aggregate amount of such fixed payments for the year ending December 31, 2017 is approximately \$1.6 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 not 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 \$20 million for cyber loss (\$38 million for physical loss). Any system failure or disruption and any resulting losses that are not recoverable under our insurance policies may materially harm our business, financial condition and results of operations. To date, we have never experienced any material losses.

Our data centers are not on full second-site redundancy, however we have the capability to do so; only certain customers require us to. We regularly back-up our systems and store the system back-ups in Atlanta, Georgia; Dallas, 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 materially harm our business and our operating results.

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

Security breaches, computer malware and computer hacking attacks are prevalent in the technology industry. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and results of operations. We have previously experienced hacking attacks on our systems, and may in the future experience hacking attacks. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our 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, and William J. Stuart, our Chief Financial Officer. The loss of the services of any of our executive officers or other key employees could harm our business and our prospects. All of our executive officers and key employees are at-will employees, which means they may terminate their employment relationship with us at any time.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative personnel. Further, we will need to hire personnel outside the United States to

continue to pursue an international expansion strategy, and we will need to hire additional advertising salespeople to sell more advertisements directly. We face intense competition for qualified individuals from numerous technology, marketing and media companies, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals, or we may be required to pay increased compensation in order to do so. If we 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.

Following the merger of our predecessor companies, Chek, Inc., or Chek, and MyPersonal.com, Inc., or MyPersonal, to form Synacor, much of our business expansion 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; in 2015 we acquired the Zimbra assets and hired certain related personnel and we purchased assets from, and hired the personnel of, NimbleTV; and in March 2013, we entered into a joint venture in China. 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.

Finally, our skill at investing our funds in illiquid securities issued by other companies, such as our investment in a privately held Delaware corporation called Blazer and Flip Flops, Inc., or B&FF (doing business as The Experience Engine), is untested.

Although we review the results and prospects of such investments carefully, it is possible that our investments could result in a total loss. Additionally, we will typically have little or no control in the companies in which we invest, and we will be forced to rely on the management of companies in which we invest to make reasonable and sound business decisions. If the companies in which we invest are not successfully able to manage the risks facing them, such companies could suffer, and our own business, financial condition and results of operations could be harmed.

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

The operation of our business and our growth strategy may require significant additional capital, especially if we were to accelerate our expansion and acquisition plans. For example, we invested approximately \$8.2 million in 2016 in preparing to support AT&T as a customer, and we expect to invest an additional \$2 million in 2017 in support of that goal. 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.

In addition, while we are in compliance at December 31, 2016 with the financial covenants contained in our credit facility with Silicon Valley Bank, our future financial performance, including our expected investments in start-up expenses, development expenses and capital expenditures associated with our contract with AT&T, 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 is critical to our success. We rely on copyright and service mark enforcement, contractual restrictions and trade secret laws to protect our proprietary rights. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with certain parties with whom we conduct business to limit access to and disclosure 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 many other trademark applications in the U.S. We have not applied for copyright protection in any jurisdiction including in the U.S. 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 property rights. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our

trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could be costly and divert management resources, either of which could harm our business. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

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

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

Companies in the internet and technology industries tend to own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have been subject to claims that the presentation of certain licensed content on our 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 European Commission and the United States Department of Commerce recently designed a new 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 1995 European Union Data Protection 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. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection to the extent possible. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or our privacy-related legal obligations (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, 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, 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 46%, 43%, and 36% of our revenue for the years ended December 31, 2016, 2015, and 2014, respectively. 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; and
- continuing to grow our direct advertising sales force and develop and diversify our advertising capabilities.

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.

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

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires our management to evaluate and report on our internal control over financial reporting. This report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. In addition, our independent registered public accounting firm may be required to formally attest to the effectiveness of our internal control over financial reporting beginning with the Annual Report on Form 10-K for the year in which we are no longer an "emerging growth company." At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are designed or operating.

While we have determined that our internal control over financial reporting was effective as of December 31, 2016, as indicated in our Management Report on Internal Control over Financial Reporting included in this Annual Report on Form 10-K, we must continue to monitor and assess our internal control over financial reporting. If our management identifies one or more material weaknesses in our internal control over financial reporting and such weakness remains uncorrected at fiscal year-end, we will be unable to assert such internal control is effective at fiscal year-end. If we are unable to assert that our internal control over financial reporting is effective at fiscal year-end, or if our independent

registered public accounting firm, when required, is unable to express an opinion on the effectiveness of our internal controls or concludes that we have a material weakness in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would likely have an adverse effect on our business and stock price.

Even if we conclude our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles, or GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

After the end of 2017, we will no longer be an “emerging growth company” as defined in the Jumpstart Our Business Startups (“JOBS”) Act. If, at that time, we are also no longer a “smaller reporting company,” then we will be required to comply with the auditor attestation requirements contained in Section 404. Any delay in compliance with the auditor attestation provisions of Section 404, when applicable to us, could subject us to a variety of administrative sanctions, including ineligibility for short-form resale registration, action by the SEC, the suspension or delisting of our common stock and the inability of registered broker-dealers to make a market in our common stock, which would further reduce the trading price of our common stock and could harm our business.

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

As of December 31, 2016, 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.

#### Risks Related to Our Industry

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

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

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

Our business strategy depends on continued internet and high-speed internet access growth. Any downturn in the use or growth rate of the internet or high-speed internet access would be detrimental to our business. If the internet continues to experience significant growth in number of users, frequency of use and amount of data transmitted, the internet infrastructure might not be able to support the demands placed on it and the performance or reliability of the internet may be adversely affected. The success of our business therefore depends on the development and maintenance of a sound internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as timely development of complementary products, such as

routers, for providing reliable internet access and services. Consequently, as internet usage increases, the growth of the market for our products depends upon improvements made to the internet as well as to individual customers' networking infrastructures to alleviate overloading and congestion. In addition, any delays in the adoption of new standards and protocols required to govern increased levels of internet activity or increased governmental regulation may have a detrimental effect on the internet infrastructure.

A substantial majority of our revenue is derived from 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 substantial majority of our revenue from search and digital advertising, including advertising on our Managed Portals. Such search and digital advertising revenue accounted for approximately 59%, 71% and 79% of our revenue for the years ended December 31, 2016, 2015 and 2014, or \$74.9 million, \$78.3 million, and \$83.9 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 material negative effect on our financial results.

Market prices for online advertising may decrease due to competitive or other factors. In addition, if a large number of internet users use filtering software 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 decline and our business may be harmed.

Competition in the market for internet-based services and products in which we operate is intense and involves rapidly changing technologies and customer and subscriber requirements, as well as evolving industry standards and frequent product introductions. Our competitors may develop solutions that are similar or superior to our technology. Our primary competitors include high-speed internet service providers with internal information technology staff capable of developing solutions similar to our technology. Other competitors include: Yahoo!; Google; AOL, 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 materially harm our business, financial condition and results of operations.

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

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.

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. 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 users from the EEA.

We may incur expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. 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 March 16, 2017, approximately 28% of our outstanding common stock (including exercisable options). Additionally, shares beneficially owned by TZ Holdings as of March 16, 2017, representing approximately 11% of our outstanding common stock, are subject to a voting agreement pursuant to which all shares held by TZ Holdings shall be voted in the manner recommended by our Board of Directors. As a result, 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. If these entities or another entity do take control of 10% of our common stock, our stockholder rights plan could be triggered. 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 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 and our stockholder rights plan may discourage, delay or prevent a merger or acquisition or prevent the removal of our current board of directors and management.

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

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

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

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

Finally, on July 14, 2014 we implemented a stockholder rights plan, also called a poison pill, which may have the effect of discouraging or preventing a change of control of us by, among other things, making it uneconomical for a third-party to acquire us on a hostile basis. We expect this plan will expire on July 14, 2017 in accordance with its terms.

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 March 16, 2017, 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, including, for example, the agreement we entered into with AT&T in May 2016 to provide desktop and mobile portal solutions;
- changes in the estimates of our operating results or changes in recommendations or withdrawal of research coverage by securities analysts;
- market conditions in our industry, the industries of our customers and the economy as a whole; and
- adoption or modification of laws, regulations, policies, procedures or programs applicable to our business or announcements relating to these matters.

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

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

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

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

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

serving on the boards of public companies.

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

26

---

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located at 40 La Riviere Drive, Buffalo, New York 14202. We lease approximately 31,000 square feet of office space at this address pursuant to a sublease agreement that expires in November 2018.

We also maintain administrative and product development offices in New York, New York; Toronto and Ottawa, Ontario, Canada; Westford, Massachusetts; Frisco, Texas; Los Angeles and San Francisco, California; Pune, India; London, United Kingdom; Tokyo, Japan; Paris, France; and Singapore. Our data centers are located in Atlanta, Georgia; Dallas, Texas; Lewis Center, Ohio; Denver, Colorado, Toronto, Canada and Amsterdam, The Netherlands.

We believe that our facilities are adequate to meet our current needs and that suitable additional or substitute space will be available as needed.

**ITEM 3. LEGAL PROCEEDINGS**

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

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information

Our common stock has been listed on The Nasdaq Global Market, or Nasdaq, under the symbol "SYNC" since February 10, 2012.

The following table sets forth, for the indicated periods, the high and low sales prices per share by quarter for our common stock as reported by Nasdaq.

Fiscal Year 2016 Quarters Ended:	High	Low
March 31, 2016	\$1.95	\$1.38
June 30, 2016	\$3.98	\$1.33
September 30, 2016	\$3.34	\$2.51
December 31, 2016	\$3.40	\$2.65
Fiscal Year 2015 Quarters Ended:		
March 31, 2015	\$2.83	\$1.95
June 30, 2015	\$2.64	\$1.58
September 30, 2015	\$1.88	\$1.03
December 31, 2015	\$1.88	\$1.29

## Holders of Record

As of March 16, 2017, there were 159 holders of record of our common stock. The number of holders of record of our common stock does not reflect the number of beneficial holders whose shares are held by depositors, brokers or other nominees.

## Dividend Policy

We have never declared or paid cash dividends on our common stock. It is our policy to retain earnings to finance the growth and development of our business and, therefore, we do not anticipate paying any dividends in the foreseeable future. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on the existing conditions, including our financial condition, operating results, applicable Delaware law, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. For example, our loan and security agreement with Silicon Valley Bank restricts our ability to pay any dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

## Securities Authorized for Issuance under Equity Compensation Plans

The information required to be disclosed by Item 201(d) of Regulation S-K regarding our equity securities authorized for issuance under our equity incentive plans is incorporated herein by reference to the section entitled "Securities Authorized for Issuance Under Equity Compensation Plans" in our definitive Proxy Statement for our Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of fiscal year 2016 pursuant to

Regulation 14A.

Recent Sales of Unregistered Securities

None.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

None.

28

---

## ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated historical financial data below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements, related notes and other financial information included in this Annual Report on Form 10-K. The selected consolidated financial data in this section is not intended to replace the financial statements and is qualified in its entirety by the financial statements and related notes included in this Annual Report on Form 10-K.

We derived the selected consolidated financial data for the years ended December 31, 2016, 2015, and 2014 and as of December 31, 2016 and 2015 from our audited consolidated financial statements and related notes, which are included in this Annual Report on Form 10-K. We derived the selected consolidated financial data for the years ended December 31, 2013 and 2012 and as of December 31, 2014, 2013 and 2012 from our audited consolidated financial statements and related notes, which are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
	2016	2015 (4)	2014	2013	2012
	(in thousands except share and per share data)				
<b>Consolidated Statements of Operations</b>					
<b>Data:</b>					
Revenue	\$ 127,373	\$ 110,245	\$ 106,579	\$ 111,807	\$ 121,981
Costs and operating expenses:					
Cost of revenue (1)	59,146	54,423	57,939	59,622	66,620
Technology and development (1)(2)	25,612	20,007	26,259	28,458	25,603
Sales and marketing (2)	22,846	16,272	10,807	8,124	9,120
General and administrative (1)(2)	19,695	15,543	14,249	11,663	11,011
Depreciation and amortization	9,235	6,901	5,126	4,650	3,779
Gain on sale of domain	—	—	(1,000)	—	—
Total costs and operating expenses	136,534	113,146	113,380	112,517	116,133
(Loss) income from operations	(9,161)	(2,901)	(6,801)	(710)	5,848
Other (expense) income	(42)	(16)	(28)	(37)	1
Interest expense	(318)	(245)	(218)	(193)	(270)
(Loss) income before income taxes	(9,521)	(3,162)	(7,047)	(940)	5,579
Provision (benefit) for income taxes	1,219	239	4,821	(134)	1,764
Loss in equity interest	—	(73)	(1,063)	(561)	—
Net (loss) income	\$(10,740)	\$(3,474)	\$(12,931)	\$(1,367)	\$3,815
Net (loss) income per share:					
Basic	\$(0.36)	\$(0.12)	\$(0.47)	\$(0.05)	\$0.16
Diluted	\$(0.36)	\$(0.12)	\$(0.47)	\$(0.05)	\$0.14
Weighted average shares used to compute net (loss) income per share:					
Basic	30,251,685	28,213,838	27,389,793	27,306,882	24,411,194
Diluted	30,251,685	28,213,838	27,389,793	27,306,882	28,097,313
<b>Other Financial Data:</b>					
Adjusted EBITDA (3)	\$3,179	\$7,593	\$2,180	\$6,501	\$11,626

Notes:

(1) Exclusive of depreciation and amortization shown separately.

(2) Includes stock-based compensation as follows:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Technology and development	\$921	\$936	\$1,621	\$1,184	\$523
Sales and marketing	784	942	599	348	404
General and administrative	1,066	1,237	1,375	1,029	1,072
	\$2,771	\$3,115	\$3,595	\$2,561	\$1,999

- (3) We define adjusted EBITDA as net (loss) income plus: provision (benefit) for income taxes, interest expense, other (income) expense, depreciation, asset impairments, loss in equity interest, stock-based compensation, acquisition costs and certain one-time items. Please see “Adjusted EBITDA” below for more information and for a reconciliation of adjusted EBITDA to net (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP.
- (4) Results for 2015 include the results of operations relating to the acquired Zimbra assets since the closing of the acquisition in September 2015.

	As of December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 14,315	\$ 15,697	\$ 25,600	\$ 36,397	\$ 41,944
Accounts receivable, net	27,386	24,341	20,479	14,569	15,624
Property and equipment, net	14,406	14,377	15,128	14,085	11,043
Total assets	93,399	89,026	66,238	74,789	76,330
Long-term debt and capital lease obligations	6,996	7,581	1,383	885	1,712
Total stockholders' equity	39,649	46,104	42,482	52,231	50,811

#### Adjusted EBITDA

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

We have included adjusted EBITDA in this Annual Report on Form 10-K 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 GAAP. Some of these limitations are:

- although depreciation and asset impairments are non-cash charges, the assets being depreciated 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 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.

30

---

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net (loss) income and our other GAAP results. The following table presents a reconciliation of adjusted EBITDA to net (loss) income for each of the periods indicated:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
<b>Reconciliation of Adjusted EBITDA:</b>					
Net (loss) income	\$(10,740)	\$(3,474)	\$(12,931)	\$(1,367)	\$3,815
Provision (benefit) for income taxes	1,219	239	4,821	(134 )	1,764
Interest expense	318	245	218	193	270
Other expense (income) (1)	42	16	28	37	(1 )
Depreciation and amortization	9,235	6,901	5,126	4,650	3,779
Capitalized software impairment	334	—	—	—	—
Loss in equity interest	—	73	1,063	561	—
Stock-based compensation expense	2,771	3,115	3,595	2,561	1,999
Gain on sale of domain	—	—	(1,000 )	—	—
Reduction in workforce severance and related costs	—	—	1,260	—	—
Acquisition costs	—	478	—	—	—
Adjusted EBITDA	\$3,179	\$7,593	\$2,180	\$6,501	\$11,626

Note:

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

31

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our results of operations and financial condition should be read in conjunction with the information set forth in "Selected Financial Data" and our financial statements and the notes thereto included in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon our current expectations, estimates and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements due to, among other considerations, the matters discussed under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

### Overview

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 deepen their subscriber relationships.

We generate revenue from consumer traffic on our Managed Portals, 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 search and digital advertising revenue with our customers. We also generate Recurring and Fee-Based revenue for the use of our technology, email/collaboration, premium services and paid content. Growth in our business is dependent on expansion of relationships with our existing customers and new customers adopting our solutions and their respective consumers' use of our Managed Portals ramping up as described below. Since our acquisition of the Zimbra assets in September 2015, we generate revenue from the licensing and distribution of our Email/Collaboration products and services, including perpetual licenses, and we generate recurring revenue in the form of maintenance and support fees as well. As we expand our Cloud ID, syndicated content and Email/Collaboration offerings, we expect to generate increased Recurring and Fee-Based revenue from our customers.

During 2016, Managed Portals and Advertising revenue was \$74.9 million, a decrease of 4% compared to \$78.3 million in 2015. Search revenue decreased by \$15.4 million, or 49%, in 2016 compared to 2015. We believe the decrease was due to lower search activity associated with the increased usage of competitor search tools on other devices, such as tablets and smartphones, generally across the consumer base. In addition, a portion of the decrease was due to the residual effect of the placement of our Managed Portals on the second tab of the default Windows 8 internet browser by our consumer electronics customers. 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.

We anticipate that search activity and our search revenue will increase in 2017 when our AT&T portal services are deployed. In addition, we anticipate search activity will increase on smartphones and tablets in the future and 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.

Digital advertising revenue increased by \$12.0 million, or 26%, in 2016 compared to 2015. We believe this increase was due primarily to increased syndicated advertising activity, particularly as a result of our acquisition of Technorati in February 2016.

We anticipate video advertising will continue to become an increasing percentage of our advertising revenue which may also serve to increase our advertising cost-per-thousand impressions (referred to as cost per mille, or CPMs). We also anticipate that the signing and launching of new customers, particularly our pending launch of the AT&T portal, and our mobile product initiatives may help add new search and digital advertising revenue in future years.

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, which consisted primarily of our Email/Collaboration and professional services products such as security, Cloud ID, online games, music and other premium services and paid content. In addition, we also generate revenue from the licensing and distribution of our Email/Collaboration products and services, including perpetual licenses and recurring revenue in the form of subscriber maintenance and support fees. During 2016, Recurring and Fee-Based revenue was \$52.4 million, an increase of 64% from \$31.9 million in 2015. This increase was primarily driven by growth in the hosting and management of our email product, sales of the Zimbra Email/Collaboration product and services, and increasing adoption of our Cloud ID services by our customers. Our 2016 results include a full year of revenue and expenses relating to the Zimbra Email/Collaboration product and services, as compared with 2015 which included only 3-1/2 months of revenue and expenses. We believe there are opportunities to generate new sources of Recurring and Fee-Based revenue, such as by selling solutions that generate Recurring and Fee-Based revenue into the customer base we obtained as part of the acquisition of the Zimbra assets.

As we obtain new customers and those new customers introduce our Managed Portals and Advertising solutions to their consumers, we expect usage of our solutions and revenue from our Managed Portals and Advertising solutions to increase over time. There are a variety of reasons for this ramp-up process. For example, a new customer may migrate its consumers from its existing technology to our technology over a period of time. Moreover, a new customer may initially launch a selection of our services and products, rather than our entire suite of offerings and subsequently broaden their service and product offerings over time. When a customer launches a new service or product, marketing and promotional activities may be required to generate awareness and interest among consumers.

Revenue attributable to our customers includes the Recurring and Fee-Based revenue earned directly from them, as well as the search and digital 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 2016, revenue attributable to one customer accounted for approximately 16% of our revenue, or \$20.8 million. In 2016 search advertising through our relationship with Google generated approximately 12% of our revenue, or \$15.9 million (all of which was attributable to our customers).

The initiatives described below under “Key Initiatives” are expected to contribute to our ability to maintain and grow revenue and return to 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 CPMs 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.

#### Trends Affecting Our Business

Our customers, predominantly high-speed internet service providers that also offer television services, are facing increasing competition from companies that deliver video content over the internet, more commonly referred to as “over-the-top,” or OTT. These new competitors include a number of large and growing companies, such as Google, Netflix, Inc., or Netflix, Hulu, LLC, or Hulu, and Amazon.com Inc., or Amazon. With the increased availability of high-speed internet access and over-the-top programming, consumers’ video content consumption preferences may shift away from current viewing habits.

As a result, many of our customers and potential customers are compelled to find new ways to deliver services and content to their consumers via the internet. We expect this pressure to become even greater as more video content becomes available online. We expect to continue to benefit from this trend as customers adopt our solutions to package and deliver video programming and other related authentication services on our Managed Portals.

Another trend affecting our customers and our business is the proliferation of internet-connected devices, especially mobile devices. Smartphones, tablets and connected TVs have made it more convenient for consumers to access services and content online, including television programming. To remain competitive, our customers and potential customers must have the capability to deliver their services and products to consumers on these new devices. Our technology enables them to extend their presence beyond traditional personal computers, and we expect that some portion of our revenue growth will come from traffic on these devices.

Our business is also affected by growth in advertising on the internet, for which the proliferation of high-speed internet access and internet-connected devices will be the principal drivers. We believe we have experienced a decline

in search advertising revenue based on consumers' internet searching habits increasingly transitioning to mobile devices. However, we expect that the launch of the AT&T portal will result in an increase in search advertising revenue. In addition, we believe there continue to be growth opportunities for advertising related to the video, images and text on our Managed Portals and hosted email/collaboration products. We expect our results of operations will benefit from the growth in the number of mobile internet users as our customers adopt our mobile and tablet offerings.

We continue to be impacted by consumer electronics customers that have the Windows 8 and Windows 10 operating systems pre-installed on their laptop or desktop computers; our Managed Portals are placed on a second tab when the Windows 8 internet browser is launched, and in certain instances, without our Google search bar. 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. These Windows updates have caused us to reduce our revenue expectations from our consumer electronics customers.

## 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 Metrics

In addition to the line items in our financial statements, we review the number of Multiplatform Unique Visitors – Managed Portal and Multiplatform Unique Visitors – Ad Network to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe disclosing these metrics is useful for investors and analysts to understand the underlying trends in our business. The following table reflects the number of multiplatform unique visitors for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	2015	2014
<b>Multiplatform Unique Visitors:</b>			
Managed Portal	19,552,939	20,902,492	20,868,428
Ad network	188,858,408	-	-
<b>Total</b>	<b>208,411,347</b>	<b>20,902,492</b>	<b>20,868,428</b>

We define Multiplatform Unique Visitors – Managed Portal 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. As the number of Multiplatform Unique Visitors – Managed Portal 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. In addition, following the acquisition of the Technorati media solutions platform in 2016 we have begun tracking Multiplatform Unique Visitors – Ad Network, which reflects the number of multiplatform unique visitors through our advertising network as a key business metric. We define Multiplatform Unique Visitors – Ad Network as 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 – Ad Network increases, we expect that we will generate additional digital advertising revenue.

## Components of our Results of Operations

### Revenue

We derive our revenue from two categories: revenue generated from search and digital advertising activities and Recurring and Fee-Based revenue, each of which is described below. The following table shows the revenue in each category, both in amount and as a percentage of revenue, for 2016, 2015 and 2014.

Edgar Filing: Synacor, Inc. - Form 10-K

Year Ended December 31,  
2016      2015      2014  
(in thousands)

<b>Revenue:</b>						
Search and digital advertising	\$74,889		\$78,316		\$83,906	
Recurring and fee-based	52,484		31,929		22,673	
Total revenue	\$127,373		\$110,245		\$106,579	
<b>Percentage of revenue:</b>						
Search and digital advertising	59	%	71	%	79	%
Recurring and fee-based	41		29		21	
Total revenue	100	%	100	%	100	%

## Search and Digital Advertising Revenue

We use internet advertising to generate revenue from the traffic on our Managed Portals and Advertising solutions, categorized as search advertising and digital advertising.

In the case of search advertising, we have a revenue-sharing relationship with Google, pursuant to which we include a Google-branded search tool on our Managed Portals. When a consumer makes a search query using this tool, we deliver the query to Google and they return search results to consumers that include advertiser-sponsored links. If the consumer clicks on a sponsored link, Google receives payment from the sponsor of that link and shares a portion of that payment with us. The net payment we receive from Google is recognized as revenue.

Digital advertising includes video, image and text advertisements delivered on one of our Managed Portals. Advertising inventory is filled with advertisements sourced by our direct sales force, independent advertising sales representatives and advertising network partners. Revenue is generated for us 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 calculated 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 Revenue

Recurring and Fee-Based revenue includes subscription fees and other fees that we receive 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 calculating and generating Recurring and Fee-Based revenue. They are generally determined by multiplying a per-subscriber per-month fee by the number of subscribers using the particular services being offered or consumed. In other cases, the fee is fixed. Revenue earned as subscription fees and maintenance and support fees is recognized from customers as the service is delivered.

Revenue is also recognized from the licensing and distribution of our Email/Collaboration products and services, including perpetual licenses. Revenue from perpetual licenses is recognized upon execution of the contract, and when all other criteria have been met.

## Costs and Expenses

### 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.

#### Gain on Sale of Domain

Gain on sale of domain was unique to 2014. The proceeds collected from the sale of an internet domain were recognized as a gain in their entirety.

#### Other Expense

Other expense consists primarily of foreign exchange gains and losses, net of interest income earned.

#### Interest Expense

Interest expense primarily consists of interest on bank debt and capital leases.

#### 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 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.

#### Loss in Equity Interest

Loss in equity interest represents our percentage share of losses in investments in entities in which we can exercise significant influence, but do not own a majority equity interest or otherwise control.

#### Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenue and expenses, and the related disclosures of contingent liabilities in the financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to

understanding our results. See Note 1, The Company and Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

#### Revenue Recognition

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured.

The terms of our arrangements with our customers, Google and our advertising network partners are specified in written agreements. These written agreements constitute the persuasive evidence of the arrangements with our customers that are a pre-

condition to the recognition of revenue. The evidence used to document that delivery or performance has occurred generally consists of communication of either numbers of subscribers or the revenue generated in a reporting period from customers, advertising partners, vendors and our own internally-generated reports. Occasionally, a customer will notify us of subsequent adjustments to previously reported subscriber data. These adjustments, once accepted by us, will result in adjustments to revenue and cost of revenue. The historical occurrences of such adjustments, and the amounts involved, have not been significant.

Although prices used in our revenue recognition formulas are generally fixed pursuant to the written arrangements with our customers, Google and our advertising network partners, the number of subscribers or the amount of search and digital advertising revenue that are subject to our pricing arrangements are not known until the reporting period has ended. Although this data is, in most cases, available prior to the completion of our periodic financial statements, this data may need to be estimated. When made, these estimates are based upon our historical experience with the relevant party. Adjustments to these estimates have historically not been significant. The receipt of this volume data also serves to verify that we have appropriately satisfied our obligation to our customers for that reporting period. Adjustments are recorded in the period in which the data is received.

Certain Recurring and Fee-Based revenue is derived from the sale of software licenses on a perpetual or subscription basis, for which revenue is recognized upon receipt of an external agreement and delivery of the software, provided the fees are fixed and determinable, and collection is probable. For agreements that include one or more elements to be delivered at a future date, revenue is recognized using the residual method, under which the vendor-specific objective evidence (“VSOE”) of fair value of the undelivered elements is deferred, and the remaining portion of the agreement fee is recognized as license revenue. If VSOE of fair value has not been established for certain undelivered elements, revenue is deferred until those elements have been delivered or their fair values have been determined.

We undertake an evaluation of the creditworthiness of both new and, on a periodic basis, existing customers. Based on these reviews we determine whether collection of our prospective revenue is probable.

#### Revenue Sharing

We pay our Managed Portals and Advertising customers a portion of the revenue generated from search and digital advertising. The portion paid to our customers depends on, among other things, the consumer base of the customer and their expected ability to drive consumer traffic to our Managed Portals. This revenue consists of the consideration we receive from Google and our digital advertising partners in connection with traffic supplied by the applicable customer.

#### Gross Versus Net Presentation of Revenue for Revenue Sharing

We evaluate our relationship between our search and digital advertising partners and our Managed Portals and Advertising customers in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 605-45, Principal Agent Considerations. We have determined that the revenue derived from traffic supplied by our customers is reported on a gross basis because we are the primary obligor (we are responsible to our customers for fulfilling search and digital advertising services and premium and other services), are involved in the service specifications, perform part of the service, have discretion in supplier selection, have latitude in establishing price and bear credit risk.

#### Stock-Based Compensation

We account for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date

based on the fair value of the award and is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. As a result, we are required to estimate the amount of stock-based compensation we expect to be forfeited based on our historical experience. If actual forfeitures differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially impacted. Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates, and expected dividends, which are estimated as follows:

Expected Term - The expected term was estimated using the simplified method allowed under SEC guidance. As we develop more experience, our estimate of the life of awards may change.

Volatility - Expected stock price volatility for our common stock was estimated by blending our average historic price volatility with that of our industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the technology industry, some larger and some similar in size, stage of life cycle and financial leverage. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

Risk-free Rate - The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

Dividend Yield - We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Additionally, our loan and security agreement with Silicon Valley Bank restricts our ability to pay any dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources." Accordingly, we used an expected dividend yield of zero.

#### Income Taxes

We record income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We also provide reserves as necessary for uncertain tax positions taken on our tax filings. First, we determine if a tax position is more likely than not to be sustained upon audit solely based on technical merits, including resolution of related appeals or litigation processes, if any. Second, based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement we recognize any such differences as a liability. In the event that any unrecognized tax benefits are recognized, the effective tax rate will be affected. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will be the same as these estimates. These estimates are updated quarterly based on factors such as changes in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues.

We follow specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Our judgments regarding future profitability may change due to many factors, including future market conditions and our ability to successfully execute our business plans and/or tax planning strategies. Should there be a change in our ability to recover our deferred tax assets, our tax provision would increase or decrease in the period in which the assessment is changed.

## 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.

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Revenue	\$127,373	\$110,245	\$106,579
Costs and operating expenses:			
Cost of revenue (1)	59,146	54,423	57,939
Technology and development (1)(2)	25,612	20,007	26,259
Sales and marketing (2)	22,846	16,272	10,807
General and administrative (1)(2)	19,695	15,543	14,249
Depreciation and amortization	9,235	6,901	5,126
Gain on sale of domain	—	—	(1,000 )
Total costs and operating expenses	136,534	113,146	113,380
Loss from operations	(9,161 )	(2,901 )	(6,801 )
Other expense	(42 )	(16 )	(28 )
Interest expense	(318 )	(245 )	(218 )
Loss before income taxes	(9,521 )	(3,162 )	(7,047 )
Provision for income taxes	1,219	239	4,821
Loss in equity interest	—	(73 )	(1,063 )
Net loss	\$(10,740 )	\$(3,474 )	\$(12,931 )

## Notes:

(1) Exclusive of depreciation and amortization shown separately.

(2) Includes stock-based compensation as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Technology and development	\$921	\$936	\$1,621
Sales and marketing	784	942	599
General and administrative	1,066	1,237	1,375
	\$2,771	\$3,115	\$3,595

	Year Ended December 31,		
	2016	2015	2014
Revenue	100 %	100 %	100 %

Edgar Filing: Synacor, Inc. - Form 10-K

Costs and operating expenses:			
Cost of revenue (1)	46	49	54
Technology and development (1)	20	18	25
Sales and marketing	18	15	10
General and administrative (1)	16	14	13
Depreciation and amortization	7	6	5
Gain on sale of domain	-	—	(1 )
Total costs and operating expenses	107	103	106
Loss from operations	(7 )	(3 )	(6 )
Other expense	—	—	—
Interest expense	—	—	—
Loss before income taxes	(7 )	(3 )	(7 )
Provision for income taxes	1	—	5
Loss in equity interest	—	—	(1 )
Net loss	(8 )%	(3 )%	(12 )%

Note:

(1) Exclusive of depreciation and amortization shown separately.

39

---

## Comparison of Years Ended December 31, 2016, 2015 and 2014

## Revenue

	Year Ended December 31,			2015 to	2014 to	
	2016	2015	2014	2016	2015	
	(in thousands)			%	%	
				Change	Change	
<b>Revenue:</b>						
Search and digital advertising	\$74,889	\$78,316	\$83,906	(4 )%	(7 )%	
Recurring and fee-based	52,484	31,929	22,673	64 %	41 %	
Total revenue	\$127,373	\$110,245	\$106,579	16 %	3 %	
<b>Percentage of revenue:</b>						
Search and digital advertising	59 %	71 %	79 %			
Recurring and fee-based	41	29	21			
Total revenue	100 %	100 %	100 %			

In 2016, our revenue increased by \$17.1 million, or 16%, compared to 2015. Search and digital advertising revenue decreased by \$3.4 million, driven by a \$15.4 million decrease in search revenue, or 49%, compared to 2015, and offset partially by a \$12.0 million increase in digital advertising revenue, or 26%, as compared to 2015. The increase in digital advertising was driven by a combination of an increase syndicated advertising and an increase in video advertising and higher contractual rates for such advertisements. Video advertising yields higher CPMs than traditional image or text advertising. We believe the decrease in search revenue was due to lower search activity associated with the increased usage of competitor search tools on other devices, such as tablets and smartphones, generally across the consumer base. In addition, we believe a portion of the decrease was due to the residual effect of the placement of our Managed Portals on the second tab of the default Windows 8 internet browser by our consumer electronics customers. Recurring and Fee-Based Revenue increased \$20.6 million, or 64% primarily due to increases in usage of our Email/Collaboration, Cloud ID and video solutions by our customers. Our 2016 results include a full year of revenue and related costs and expenses relating to our Zimbra Email/Collaboration products and services, while 2015 included results only from the date of acquisition (September 2015).

In 2015, our revenue increased by \$3.7 million, or 3%, compared to 2014. Digital advertising revenue increased by \$8.5 million, or 22%. The increase in digital advertising was driven by a combination of an increase in video advertising and higher contractual rates for advertisements. Search advertising revenue decreased by \$14.1 million, or 31%, compared to 2014. We believe the decrease was due to lower search activity associated with the increased usage of competitor search tools on other devices, such as tablets and smartphones, generally across the consumer base. In addition, a portion of the decrease was due to the residual effect of the placement of our Managed Portals on the second tab of the default Windows 8 internet browser by our consumer electronics customers. Recurring and Fee-Based Revenue increased \$9.3 million, or 41%, primarily due to increased usage of our Zimbra Email/Collaboration solutions (driven by the acquisition of the Zimbra assets in September 2015), various other services by our customers, and to a lesser extent, Cloud ID and video solutions by our customers

## Cost of Revenue

	Year Ended December 31,			2015 to	2014 to
	2016	2015	2014	2016	2015
	(in thousands)			%	%
				Change	Change
Cost of revenue	\$59,146	\$54,423	\$57,939	9 %	(6 )%
Percentage of revenue	46 %	49 %	54 %		

In 2016, our cost of revenue increased by \$4.7 million, or 9%, compared to 2015. However, our cost of revenue decreased as a percentage of revenue from 49% in 2015 to 46% in 2016. The increase in our cost of revenue was driven primarily by increased syndicated advertising costs. The decrease in our cost of revenue as a percentage of revenue resulted from a shift in mix, as higher-margin Email/Collaboration revenue increased in 2016 as compared to 2015, offset partially by the effect of increased lower-margin syndicated advertising revenue in 2016 as compared to the prior year.

In 2015, our cost of revenue decreased by \$3.5 million, or 6%, compared to 2014. The decrease in our cost of revenue was driven by decreased revenue sharing costs due to declining search revenue, offset by an increase in revenue-sharing costs from digital advertising due to increase placement of video-based advertising. Cost of revenue as a percentage of revenue decreased, from 54% to

49%, because of changes in the mix of revenue, mix of customers, related revenue-sharing arrangements, and the increase in Recurring and Fee-Based revenue from our Email/Collaboration products.

#### Technology and Development Expenses

	Year Ended December 31,			2015 to	2014 to
	2016	2015	2014	2016	2015
	(in thousands)			%	%
				Change	Change
Technology and development	\$25,612	\$20,007	\$26,259	28	(24)
Percentage of revenue	20	18	25	%	%

In 2016, technology and development expenses increased by \$5.6 million, or 28%, compared to 2015. The increase was primarily due to increased headcount and spending in technology and development activities in preparation for our 2017 AT&T portal services product launch. We added or redeployed 52 positions specifically devoted to the development of the AT&T portal. We anticipated that total expenditures for the AT&T portal would be approximately \$10 million, consisting of \$8 million of operating expense and \$2 million of capital expenditures. Of this amount, approximately \$6.3 million of operating expense and \$1.9 million of capital expenditures were incurred during 2016, primarily in technology and development. Also contributing to the increase in technology and development expenses in 2016 over 2015 were the costs associated with the addition of the former Zimbra development group.

In 2015, technology and development expenses decreased by \$6.3 million, or 24%, compared to 2014. Approximately \$4.3 million of the decrease was due to reduced salaries expense and related costs due to the implementation of our cost reduction plan in October 2014. Additionally, \$2.3 million of the decrease is due to a shift in activities of certain personnel responsible for products to be marketed, from technology and development to sales and marketing. This change in activities took effect on October 1, 2014.

#### Sales and Marketing Expenses

	Year Ended December 31,			2015 to	2014 to
	2016	2015	2014	2016	2015
	(in thousands)			%	%
				Change	Change
Sales and marketing	\$22,846	\$16,272	\$10,807	40	50
Percentage of revenue	18	15	10	%	%

Edgar Filing: Synacor, Inc. - Form 10-K

In 2016, sales and marketing expenses increased by \$6.6 million, or 40%, compared to 2015. The increase was primarily due to a full year of personnel and other expenses relating to sales and marketing of the Zimbra Email/Collaboration product and services in 2016, as compared to four months in 2015. With the acquisition of the Zimbra assets in September 2015, we acquired sales and marketing teams in Europe, Japan, Singapore, India and Latin America.

In 2015, sales and marketing expenses increased by \$5.5 million, or 50%, compared to 2014. The increase was primarily due to a shift in activities of certain personnel from technology and development to sales and marketing, resulting in additional sales and marketing expense, as discussed above. Additionally, the incremental expenses of sales and marketing activities related to the Zimbra assets from the date of the acquisition to December 31, 2015 contributed to the increase. This was partially offset by a reduction in salaries expense and related costs due to our cost reduction plan implemented in 2014, resulting in a decrease in 2015.

General and Administrative Expenses

	Year Ended December 31,			2015 to	2014 to
	2016	2015	2014	2016	2015
	(in thousands)			%	%
				Change	Change
General and administrative	\$ 19,695	\$ 15,543	\$ 14,249	27 %	9 %
Percentage of revenue	15 %	14 %	13 %		

In 2016, general and administrative expenses increased by \$4.2 million, or 27%, compared to 2015. The increase is due principally to increased facility costs and administrative personnel relating to our two new or acquired offices in the United States and four international offices acquired with the Zimbra assets, plus increased professional fees year over year.

In 2015, general and administrative expenses increased by \$1.3 million, or 9% compared 2014. The increase is principally due to additional expenses following our acquisition of the Zimbra assets as well as the direct expenses associated with the assets acquired.

#### Depreciation and amortization

	Year Ended December 31,			2015 to	2014 to
	2016	2015	2015	2016	2015
	(in thousands)			%	%
				Change	Change
Depreciation and amortization	\$9,235	\$6,901	\$5,126	34	% 35
Percentage of revenue	7	% 6	% 5	%	%

In 2016, depreciation and amortization increased by \$2.3 million or 34%, compared to 2015, primarily attributable to a \$1.6 million increase in amortization of acquired Zimbra-related intangible assets, and additional depreciation expense relating to our acquired and internally-developed fixed assets.

In 2015, depreciation and amortization increased \$1.8 million, or 35%, compared to 2014. This increase was due to placing certain software development projects into service during the fourth quarter of 2014 and throughout 2015, as well as depreciation and amortization on property and equipment and intangible assets acquired in the Zimbra transaction.

#### Gain on Sale of Domain

	Year Ended		2015 to 2016	2014 to 2015
	December 31,	December 31,	% Change	% Change
	2015	2014		
	(in thousands)			
Gain on sale of domain	\$—	—\$1,000	NM	NM
Percentage of revenue	—	—	1	%

The gain on sale of a domain amounted to \$1.0 million during 2014, which was equal to the sale price. The sale was unique to 2014 and no such transactions occurred in the comparative periods.

#### Other Expense

Edgar Filing: Synacor, Inc. - Form 10-K

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Other expense	\$(42)	\$(16)	\$(28)

For each of 2016, 2015 and 2014, other expense consisted primarily of interest income coupled with foreign currency transaction losses related to our foreign operations.

Interest Expense

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Interest expense	\$(318)	\$(245)	\$(218)

Interest expense during 2016, 2015 and 2014 primarily relates to interest on capital leases and long-term debt.

Provision for Income Taxes

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Provision for income taxes	\$1,219	\$239	\$4,821

Our 2016 income tax provision includes \$0.8 million of foreign withholding taxes, \$0.2 million of current tax relating to our foreign subsidiaries' earnings, and \$0.1 million of deferred income tax expense. Certain foreign governments require tax withholdings on remittances relating to our sales in those countries. Such withholdings add to our foreign tax credit which is available to defray future U.S. income taxes; however because we have recorded a full valuation allowance against our U.S. net operating loss and credit carryforwards, such withholdings are recognized in deferred income tax expense.

Our 2015 tax provision consists of U.S. state minimum tax expense and \$0.2 million of foreign withholding taxes.

During 2014, we recognized additional income tax benefit related to our net operating loss, or NOL, of approximately \$2.8 million. In the fourth quarter of 2014, as a result of weighing the positive and negative evidence and guidance for accounting for income taxes, which includes an evaluation of recent cumulative pre-tax results, we determined it was appropriate to record a valuation allowance against our net deferred income tax assets because it was determined that it was no longer "more likely than not" that such NOLs will be utilized. As a result, we recognized a \$7.5 million income tax provision expense associated with our deferred tax asset valuation allowance.

#### Unaudited Quarterly Results of Operations and Other Data

The following tables present our unaudited quarterly results of operations and other data for the eight quarters ended December 31, 2016. This unaudited quarterly information has been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, the statement of operations data includes all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This table should be read in conjunction with our consolidated financial statements and related notes located elsewhere in this Annual Report on Form 10-K. The results of operations for any quarter are not necessarily indicative of the results of operations for any future periods.

For the Three Months Ended  
 March 31, June 30, September 30 December 31 March 31, June 30, September 30 December 31,  
 2015 (2) 2015 (2) 2015 (3) 2015 2016 2016 2016 2016  
 (in thousands, except per-share data)

Statements of Operations Data:	2015 (2)	2015 (2)	2015 (3)	2015	2016	2016	2016	2016
Revenue	\$26,730	\$24,716	\$26,351	\$32,448	\$30,260	\$30,476	\$31,721	\$34,916
Costs and operating expenses:								
Cost of revenue (1)	14,403	12,504	13,298	14,218	12,972	13,516	14,611	18,047
Technology and development (1)	4,866	4,561	4,361	6,219	5,873	6,591	6,791	6,357
Sales and marketing	3,562	3,639	4,274	4,797	5,650	5,620	5,907	5,669
General and administrative (1)	3,374	3,351	3,712	5,106	5,022	5,134	4,871	4,668
Depreciation and amortization	1,496	1,660	1,560	2,185	2,098	2,270	2,414	2,453
	27,701	25,715	27,205	32,525	31,615	33,131	34,594	37,194

Total costs and operating expenses								
Income (loss) from operations	\$ (971 )	\$ (999 )	\$ (854 )	\$ (77 )	\$ (1,355 )	\$ (2,655 )	\$ (2,873 )	\$ (2,278 )
Net loss	\$ (1,073 )	\$ (1,082 )	\$ (931 )	\$ (388 )	\$ (1,565 )	\$ (2,757 )	\$ (3,365 )	\$ (3,053 )
Net loss per share:								
Basic	\$ (0.04 )	\$ (0.04 )	\$ (0.03 )	\$ (0.01 )	\$ (0.05 )	\$ (0.09 )	\$ (0.11 )	\$ (0.10 )
Diluted	\$ (0.04 )	\$ (0.04 )	\$ (0.03 )	\$ (0.01 )	\$ (0.05 )	\$ (0.09 )	\$ (0.11 )	\$ (0.10 )

## Note:

- (1) Exclusive of depreciation and amortization shown separately.
- (2) Results for the quarters ended March 31 and June 30, 2015 do not include the results of operations relating to the acquired Zimbra assets, prior to the acquisition (September 14, 2015).
- (3) Results for the quarter ended September 30, 2015 include the results of operations relating to the acquired Zimbra assets from the date of acquisition (September 14, 2015) to September 30, 2015.

## 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. In addition, we expect to incur a total of approximately \$10.0 million in start-up expenses, development expenses and capital expenditures through the first quarter of 2017

specifically relating to our contract to provide desktop and mobile portal services to AT&T. Of this total, we have incurred approximately \$8.2 million during 2016, including \$6.3 million in operating expenses and \$1.9 million in capital expenditures.

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 most recently amended in November 2016. We refer to the agreement, as amended, as the “Loan Agreement.” 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 December 31, 2016, we had \$5.0 million in outstanding borrowing under the Loan Agreement; subject to the operation of the borrowing formula, an additional \$7.0 million was available for draw under the Loan Agreement.

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 December 31, 2016, we were in compliance with the covenants and anticipate continuing to be so.

As of December 31, 2016, we had approximately \$14.3 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.

In November 2016, we filed a shelf registration statement with the Securities and Exchange Commission, under which we may offer and sell shares of common stock totaling up to \$40.0 million. We may endeavor to sell shares under that registration statement during 2017, to raise funds for general corporate activities.

#### Cash Flows

Year Ended December 31,		
2016	2015	2014
(in thousands)		

## Statements of Cash Flows Data:

Cash flows provided (used) by operating activities	\$8,249	\$7,650	\$(3,309)
Cash flows used by investing activities	\$(8,439)	\$(20,496)	\$(4,754)
Cash flows (used) provided by financing activities	\$(1,187)	\$2,943	\$(2,752)

## Cash Provided (Used) by Operating Activities

Operating activities provided \$8.2 million of cash in 2016. The positive cash flow from operating activities primarily resulted from our net loss, adjusted for non-cash items, and changes in our operating assets and liabilities. We had a net loss of \$10.5 million, which included non-cash depreciation and amortization of \$9.2 million, non-cash stock-based compensation of \$2.8 million, and non-cash deferred income tax provision of \$0.1 million. Changes in our operating assets and liabilities provided \$6.3 million of cash, primarily due to an increase in our accounts payable and other current liabilities totaling \$9.1 million and an increase in deferred revenue totaling \$1.5 million, offset partially by increases in our accounts receivable of \$2.2 million and prepaid expenses and other current assets of \$2.0 million. The increase in our accounts receivable was primarily attributable to the increase in revenue in 2016 as compared to the prior

year. The increase in our accounts payable and accrued expenses of \$9.1 million was primarily the result of increased payables for syndicated advertising costs and timing of such payments. The increase in prepaid expenses and other current assets was principally the result of required prepayments of development costs and salable enhancements relating to our Zimbra Email/Collaboration product.

Operating activities provided \$7.7 million of cash in 2015. The cash flow from operating activities primarily resulted from our reduced net loss and improved collections from our accounts receivable. Net loss was \$3.5 million, which included non-cash depreciation and amortization of \$6.9 million and non-cash stock-based compensation of \$3.1 million. Changes in our operating assets and liabilities provided \$1.0 million of cash, primarily due to increases in deferred revenue of \$3.5 million and accrued expenses and other current liabilities of \$2.1 million, combined with a decrease of our accounts payable of \$3.6 million. The decrease in our accounts payable was primarily driven by the timing of payment of invoices to our vendors. The increase in our prepaid and other current assets was primarily due to the increase of prepayments to vendors for components of our cost of revenue and insurance coverages.

Operating activities used \$3.3 million of cash in 2014. The cash flow from operating activities primarily resulted from our net loss, adjusted for non-cash items and changes in our operating assets and liabilities. The use of cash by operating activities primarily relates to the change in working capital assets and liabilities. Our net loss was \$12.9 million, which included non-cash depreciation of \$5.1 million, non-cash stock-based compensation of \$3.6 million, non-cash change in the provision for income taxes of \$4.8 and a loss in an equity interest of \$1.0 million, offset by gain on the sale of domain of \$1.0 million, resulting in cash provided by components of net loss of \$0.6 million. Changes in our operating assets and liabilities used \$3.9 million of cash, primarily due to an increase in accounts receivable of \$5.9 million and offset by an increase in accrued expenses and other current liabilities of \$2.7 million. The increase in accounts receivable is partially due to our improved revenue performance late in the fourth quarter combined with a change in the mix of our receivables from Google search advertising receivable to digital advertising receivables, while the increase in accrued expenses and other current liabilities primarily relates to an increase in accrued compensation of \$1.3 million associated with accrued severance, bonus and commissions and an increase in accrued content fees of \$1.2 million due to timing of payments. Other working capital accounts had less significant fluctuations.

#### Cash Used by Investing Activities

Our primary investing activities have consisted of purchases of property and equipment, and payments for acquisitions. Purchases of property and equipment may vary from period to period due to the timing of the expansion of our operations and internal-use software development. We expect to continue to make significant investments in property and equipment and development of software for the remainder of 2017 and thereafter.

Cash used by investing activities in 2016 was \$8.4 million, of which \$5.9 million was expended for purchases of property and equipment (primarily related to the build-out of our data centers and internal-use software development), of which \$1.9 million relates specifically to preparation for the early 2017 deployment under our portal services contract with AT&T. Cash used in investing activities also included the cash outlay for the acquisition of Technorati, which totaled \$2.5 million in 2016.

Cash used by investing activities in 2015 was \$20.5 million, consisting of \$17.3 million of cash used for the acquisition of the Zimbra assets, net of cash acquired, and \$3.2 million for purchases of property and equipment (specifically related to the build-out of our data centers and internal-use software development).

Cash used by investing activities in 2014 was \$4.8 million, consisting of \$5.0 million used for purchases of property and equipment, which primarily relates to software development of our product portfolio, including the payment of \$0.7 million of software development costs recorded to accounts payable at December 31, 2013, and \$0.8 million for

an investment in an equity interest in our joint venture in China. These uses of cash were offset by \$1.0 million proceeds from the sale of a domain.

#### Cash (Used) Provided by Financing Activities

Net cash used by financing activities totaled \$1.2 million in 2016. We received \$1.6 million from the exercise of stock options, and we repaid \$1.7 million of our capital lease obligations. In addition, we paid \$0.9 million of contingent consideration relating to our 2015 acquisition of Zimbra.

In 2015, net cash provided by financing activities was \$2.9 million consisting primarily of \$5.0 million drawn under our credit facility with Silicon Valley Bank. This was offset by repayment of \$1.4 million on our capital lease obligations, and \$0.5 million for a deferred acquisition payment.

In 2014, net cash used by financing activities was \$2.8 million primarily for repayment of \$2.3 million on our capital lease obligations and purchase of treasury stock in the amount of \$0.6 million. We received \$0.1 million from the exercise of common stock options.

## Off-Balance Sheet Arrangements

At December 31, 2016, 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.

## Contractual Obligations

We lease office space and data center space under operating lease agreements and certain equipment under capital lease agreements. We are also obligated to make fixed payments under various contracts with vendors and customers, principally for revenue-sharing and content arrangements. These fixed payments are reflected in the table below as “contract commitments.” Reflected in “contingent consideration” are contingent payments in connection with our acquisition of the Zimbra assets and Technorati.

The following table sets forth our future contractual obligations as of December 31, 2016:

	Payments Due by Period					Total
	2017	2018	2019	2020	2021	
Operating lease obligations	\$2,378	\$1,727	\$766	\$492	\$368	\$5,731
Capital lease obligations	1,056	680	403	9	—	2,148
Contract commitments	1,560	—	—	—	—	1,560
Long-term debt obligations	—	5,000	—	—	—	5,000
Contingent consideration	1,193	—	—	—	—	1,193
Total	\$6,187	\$7,407	\$1,169	\$501	\$368	\$15,632

## Impact of Applicable Recent Accounting Pronouncements

In the normal course of business, we evaluate pronouncements issued by the Financial Accounting Standards Board (“FASB”), Securities and Exchange Commission (“SEC”), or other authoritative bodies to determine the potential impact they may have on our consolidated financial statements. Refer to Note 1 to the consolidated financial statements in Item 8 of this report for additional information about these recently issued accounting standards and their potential impact on our consolidated results of operations.

## ITEM 7A. 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. Other than our \$1.0 million investment in B&FF, 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.

We have bank debt with an outstanding balance of \$5.0 million at December 31, 2016, which bears 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. Although not significant, we are currently evaluating actions we may take to mitigate this exposure. Refer to Note 6, Long-Term Debt of the Notes to the Consolidated Financial Statements in Item 8 of this report 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 Risk

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, Yen, Rupee 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. We are currently evaluating our foreign currency rate exposures and may take steps to mitigate these exposures.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements are submitted on pages F-1 through F-24 of this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure and Control 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 December 31, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation as of December 31, 2016, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

### Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in “Internal Control—Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016. This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to a transition period established by the Jumpstart Our Business Startups Act, or JOBS Act, for emerging growth companies.

### Changes in Internal Control over Financial Reporting

We implemented a new Enterprise Resource Planning (“ERP”) system in 2016. This implementation has resulted in certain improvements to business processes and internal controls impacting financial reporting. We believe that the new ERP system and related changes to internal controls will enhance our internal controls over financial reporting. We have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during this period of system change and will continue to evaluate the operating effectiveness of related controls during subsequent periods.

Other than the implementation of our new ERP system, there were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

48

---

PART III

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

Our board of directors has adopted a Code of Business Conduct and a Code of Ethics applicable to all officers, directors and employees, which is available on our website ( <http://www.synacor.com> ) under “Investors—Corporate Governance.” We will provide a copy of these documents to any person, without charge, upon request, by writing to us at Synacor, Inc., Investor Relations Department, 40 La Riviere Drive, Suite 300, Buffalo, New York 14202. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Business Conduct or Code of Ethics by posting such information on our website at the address and the location specified above.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

1. Financial Statements: See Financial Statements and Supplementary Data, Part II, Item 8.
2. Financial Statement Schedules: Financial Statement Schedules have been omitted either because they are not required or because the information required is included in the notes to the financial statements.
3. Exhibits: See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

50

---

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNACOR, INC.

/s/ HIMESH BHISE  
 Himesh Bhise  
 President and Chief Executive Officer  
 (Principal Executive Officer)

Date: March 22, 2017

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Himesh Bhise and William J. Stuart, and each of them, his true and lawful attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ HIMESH BHISE Himesh Bhise	President, Chief Executive Officer and Director (Principal Executive Officer)	March 22, 2017
/s/ WILLIAM J. STUART William J. Stuart	Chief Financial Officer (Principal Financial and Accounting Officer)	March 22, 2017
/s/ MARWAN FAWAZ Marwan Fawaz	Director	March 22, 2017
/s/ GARY L. GINSBERG Gary L. Ginsberg	Director	March 22, 2017
/s/ ANDREW KAU	Director	March 22, 2017

Andrew Kau

/s/ JORDAN LEVY

Director

March 22,  
2017

Jordan Levy

/s/ MICHAEL J.  
MONTGOMERY  
Michael J. Montgomery

Director

March 22,  
2017

/s/ SCOTT MURPHY

Director

March 22,  
2017

Scott Murphy

51

---

## EXHIBITS

The following exhibits are incorporated by reference herein or filed here within:

Exhibit No.	Description	Incorporated by Reference			Filed
		Form	File No.	Date of Filing	Herewith Exhibit Number
2.1 <sup>§</sup>	Asset Purchase Agreement dated February 19, 2016 by and among Synacor, Inc.; Technorati, Inc.; and Shareholder Representative Services LLC, solely in its capacity as the representative of Technorati and Technorati's securityholders				X
3.1	Fifth Amended and Restated Certificate of Incorporation	S-1/A	333-178049	1/30/2012	3.2
3.2	Amended and Restated Bylaws	S-1/A	333-178049	1/30/2012	3.4
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock	8-K	001-33843	7/15/2014	3.1
4.1	Rights Agreement between Synacor, Inc. and American Stock Transfer & Trust Company, LLC dated July 14, 2014	8-K	001-33843	7/15/2014	4.1
4.2	First Amendment to Rights Agreement dated August 18, 2015 between Synacor, Inc. and American Stock Transfer & Trust Company, LLC as rights agent	8-K	001-33843	8/18/2015	4.1
10.1	Form of Indemnification Agreement between Synacor, Inc. and each of its directors and executive officers and certain key employees	S-1	333-178049	11/18/2011	10.1
10.2.1*	2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.1
10.2.2*	Amendment No. 1 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.2
10.2.3*	Amendment No. 2 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.3
10.2.4*	Amendment No. 3 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.4
10.2.5*	Amendment No. 4 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.5
10.2.6*	Amendment No. 5 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.6

Edgar Filing: Synacor, Inc. - Form 10-K

10.2.7*	Amendment No. 6 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.7
10.2.8*	Amendment No. 7 to 2006 Stock Plan	S-1/A	333-178049	1/18/2012	10.3.8
10.2.9*	Form of Stock Option Agreement under 2006 Stock Plan with Jordan Levy	S-1/A	333-178049	1/30/2012	10.3.9
10.2.10*	Form of Stock Option Agreement with George G. Chamoun under 2006 Stock Plan	S-1/A	333-178049	1/30/2012	10.3.12
10.2.11*	Form of Director Stock Option Agreement under 2006 Stock Plan	S-1/A	333-178049	1/30/2012	10.3.14
10.2.12*	Form of Director Stock Option Agreement under 2006 Stock Plan	S-1/A	333-178049	1/30/2012	10.3.15
10.2.13 *	Form of Stock Option Agreement with Himesh Bhise under 2006 Stock Plan				X
10.3.1*	2012 Equity Incentive Plan	S-1/A	333-178049	1/18/2012	10.4

52

---

Edgar Filing: Synacor, Inc. - Form 10-K

Exhibit No.	Description	Incorporated by Reference				Filed
		Date of		Exhibit	Herewith	
		Form	File No.			Filing
10.3.2*	Form of Stock Option Agreement under 2012 Equity Incentive Plan	S-1/A	333-178049	1/30/2012	10.4.2	
10.3.3*	Form of Stock Unit Agreement under 2012 Equity Incentive Plan	S-1/A	333-178049	1/30/2012	10.4.3	
10.3.4*	Form of Early Exercise Stock Option Agreement under 2012 Equity Incentive Plan	10-K	001-33843	3/26/2013	10.4.5	
10.3.5*	Form of Stock Option Agreement with George G. Chamoun under 2012 Equity Incentive Plan	10-K	001-33843	3/26/2013	10.4.6	
10.3.6*	Form of Stock Option Agreement with William J. Stuart under 2012 Equity Incentive Plan	10-K	001-33843	3/26/2013	10.4.7	
10.3.7*	Form of Stock Option Agreement with Himesh Bhise under 2012 Equity Incentive Plan					X
10.3.8*	Form of Stock Option Agreement with William J. Stuart under 2012 Equity Incentive Plan					X
10.4.1*	Employment and Noncompetition Agreement dated December 22, 2000 between George G. Chamoun and CKMP, Inc.	S-1	333-178049	11/18/2011	10.7.1	
10.4.2*	Severance Agreement with George G. Chamoun	S-1/A	333-178049	12/23/2011	10.7.2	
10.4.3*	Letter Agreement dated March 26, 2014 with George G. Chamoun	10-K	001-33843	3/26/2014	10.7.3	
10.4.4*	Amendment to Severance Agreement dated March 26, 2014 with George G. Chamoun	10-K	001-33843	3/26/2014	10.7.4	
10.5.1*	Letter Agreement dated August 3, 2011 with William J. Stuart	S-1	333-178049	11/18/2011	10.8	
10.5.2*	Severance Agreement with William J. Stuart	10-K	001-33843	3/26/2014	10.8.2	
10.5.3*	Letter Agreement dated August 26, 2013 with William J. Stuart	10-K	001-33843	3/26/2014	10.8.3	
10.6.1 †		10-Q	001-33843	11/14/2012	10.1.1	

Edgar Filing: Synacor, Inc. - Form 10-K

Amended and Restated Master Services Agreement  
between Qwest Corporation and Synacor, Inc. dated  
January 1, 2012

10.6.2 †	Amendment #1 to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated July 1, 2012	10-Q	001-33843	11/14/2012	10.1.2
10.6.3 †	Amendment #2 to Master Services Agreement between Qwest Corporation and Synacor, Inc. dated August 23, 2012	10-Q	001-33843	11/14/2012	10.1.3
10.6.4 †	Amendment #3 to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated December 7, 2012	10-Q	001-33843	5/15/2014	10.2.1
10.6.5 †	Fifth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated January 29, 2013	10-Q	001-33843	5/15/2014	10.2.2

53

---

Edgar Filing: Synacor, Inc. - Form 10-K

Exhibit No.	Description	Incorporated by Reference				Filed
		Date of			Herewith	
		Form	File No.	Filing	Exhibit Number	
10.6.6 †	Sixth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated November 1, 2013	10-Q	001-33843	5/15/2014	10.2.3	
10.6.7	Seventh Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated October 12, 2014	10-K/A	001-33843	3/13/2015	10.10.7	
10.6.8 †	Eighth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated December 18, 2015	10-K	001-33843	3/22/2016	10.7.8	
10.6.9 #	Ninth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated December 30, 2016				X	
10.7*	2007 Management Cash Incentive Plan	10-Q	001-33843	5/15/2012	10.1	
10.8.1 †	Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated July 1, 2010	S-1/A	333-178049	2/1/2012	10.12	
10.8.2 †	Amendment #1 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated December 1, 2011	10-Q	001-33843	11/14/2013	10.2.1	
10.8.3 †	Amendment #2 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 4, 2013	10-Q	001-33843	11/14/2013	10.2.2	
10.8.4 †	Amendment #3 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 4, 2013	10-Q	001-33843	11/14/2013	10.2.3	
10.8.5	Amendment #4 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 4, 2013	10-Q	001-33843	11/14/2013	10.2.4	

Edgar Filing: Synacor, Inc. - Form 10-K

10.8.6 †	Statement of Work #1 governed by Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 24, 2013	10-Q	001-33843	11/14/2013	10.2.5
10.8.7	Amendment #5 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 25, 2014	10-Q	001-33843	11/14/2014	10.2
10.8.8 †	Amendment #6 to Master Services and Linking Agreement between Toshiba America Information System, Inc. and Synacor, Inc. dated August 5, 2014	10-K/A	001-33843	3/13/2015	10.12.8

54

---

Edgar Filing: Synacor, Inc. - Form 10-K

Exhibit No.	Description	Incorporated by Reference				Filed
		Date of			Herewith	
		Form	File No.	Filing	Exhibit Number	
10.8.9 †	Marketing Services Statement of Work governed by Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated December 22, 2014	10-K/A	001-33843	3/13/2015	10.12.9	
10.8.10 †	Amendment #7 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc., effective September 15, 2015	10-Q	001-33843	11/17/2015	10.2	
10.8.11	Amendment #8 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc., and Synacor, Inc. effective April 1, 2016	10-Q	001-33843	8/15/2016	10.3	
10.9.1 †	Google Services Agreement between Google Inc. and Synacor, Inc. dated March 1, 2011	S-1/A	333-178049	2/1/2012	10.13.1	
10.9.2 †	Amendment Number One to Google Services Agreement between Google Inc. and Synacor, Inc. dated July 1, 2011	S-1/A	333-178049	12/29/2011	10.13.2	
10.9.3 †	Amendment Number Two to Google Services Agreement between Google Inc. and Synacor, Inc. dated May 1, 2012	10-Q	001-33843	8/13/2013	10.1.1	
10.9.4 †	Amendment Number Three to Google Services Agreement between Google Inc. and Synacor, Inc. dated May 1, 2013	10-Q	001-33843	8/13/2013	10.1.2	
10.9.5 †	Amendment Number Four to Google Services Agreement between Google Inc. and Synacor, Inc. dated March 1, 2014	10-Q	001-33843	5/15/2014	10.1	
10.9.6 †	Amendment Number Five to Google Services Agreement between Google Inc. and Synacor, Inc. dated August 1, 2014	10-K/A	001-33843	3/13/2015	10.13.6	
10.9.7 †	Amendment Number Six to Google Services Agreement between Google Inc. and Synacor, Inc. dated January 1, 2015	10-Q	001-33843	5/14/2015	10.1	

Edgar Filing: Synacor, Inc. - Form 10-K

10.9.8 †	Amendment Number Seven to Google Services Agreement between Google Inc. and Synacor, Inc. dated March 1, 2016	10-Q	001-33843	5/16/2016	10.3
10.9.9	Extension Notice Letter from Google Inc. dated December 16, 2016				X
10.10.1	Sublease dated March 3, 2006 between Ludlow Technical Products Corporation and Synacor, Inc.	S-1	333-178049	11/18/2011	10.14.1
10.10.2	First Amendment to Sublease dated September 25, 2006	S-1	333-178049	11/18/2011	10.14.2
10.10.3	Second Amendment to Sublease dated February 27, 2007	S-1	333-178049	11/18/2011	10.14.3
10.10.4	Third Amendment to Sublease dated June 30, 2010	10-K	001-33843	3/22/2016	10.11.4

---

55

Edgar Filing: Synacor, Inc. - Form 10-K

Exhibit No.	Description	Incorporated by Reference				Filed
		Form	File No.	Date of Filing	Exhibit Number	Herewith
10.10.5	Fourth Amendment to Sublease dated May 21, 2013	10-K	001-33843	3/22/2016	10.11.5	
10.10.6	Fifth Amendment to Sublease dated July 10, 2013	10-K	001-33843	3/22/2016	10.11.6	
10.10.7	Sixth Amendment to Sublease dated February 8, 2016	10-K	001-33843	3/22/2016	10.11.7	
10.11.1*	Letter Agreement dated March 1, 2008 with Jordan Levy	S-1/A	333-178049	1/30/2012	10.15.1	
10.11.2*	Letter Agreement dated June 23, 2009 with Jordan Levy	S-1/A	333-178049	1/30/2012	10.15.2	
10.11.3*	Letter Agreement dated March 1, 2008 with George G. Chamoun	S-1/A	333-178049	1/30/2012	10.15.5	
10.11.4*	Letter Agreement dated June 23, 2009 with George G. Chamoun	S-1/A	333-178049	1/30/2012	10.15.6	
10.12*	Form of Common Stock Repurchase Agreement	S-1/A	333-178049	1/30/2012	10.16	
10.13.1*	Special Purpose Recruitment Plan	Schedule 14A	001-33843	4/5/2013	App. A	