

Support.com, Inc.

Form 10-K

March 07, 2016

TABLE OF CONTENTS

**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, 2015

OR

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

For the Transition Period from            to

**Commission File No. 000-30901**

**SUPPORT.COM, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or  
Organization)

**94-3282005**

(I.R.S. Employer Identification No.)

**900 Chesapeake Drive, 2nd Floor, Redwood City, CA**

(Address of Registrant's Principal Executive Offices)

**94063**

(Zip Code)

Registrant's telephone number including area code: (650) 556-9440

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

**Title of each class**

Common Stock, \$.0001 par value

Preferred Stock Purchase Rights

**Name of each exchange on which registered**

The NASDAQ Global Select Market

The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if 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 ☐



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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a 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 ☐

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 ☐

The aggregate market value of the registrant's common stock, \$.0001 par value, held by non-affiliates of the registrant was \$76,944,096 based on the closing price of \$1.41 per share as of June 30, 2015. Shares of common stock held by each executive officer, director, and stockholders known by the registrant to own 10% or more of the outstanding stock based on Schedule 13G filings and other information known to us, have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 29, 2016, there were 54,875,121 shares of the registrant's common stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10 (as to directors, section 16(a) beneficial ownership and audit committee and audit committee financial expert), 11, 12 (as to beneficial ownership), 13 and 14 incorporate by reference information from the registrant's definitive proxy statement (the "Proxy Statement") to be mailed to stockholders in connection with the solicitations of proxies for its 2016 annual meeting of stockholders. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of this report.



TABLE OF CONTENTS**SUPPORT.COM, INC.****FORM 10-K****FOR FISCAL YEAR ENDED DECEMBER 31, 2015****TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	<b><u>4</u></b>
<u>ITEM 1. Business</u>	<u>4</u>
<u>ITEM 1A. Risk Factors</u>	<u>10</u>
<u>ITEM 1B. Unresolved Staff Comments</u>	<u>23</u>
<u>ITEM 2. Properties</u>	<u>23</u>
<u>ITEM 3. Legal Proceedings</u>	<u>24</u>
<u>ITEM 4. Mine Safety Disclosures</u>	<u>24</u>
<b><u>PART II</u></b>	<b><u>25</u></b>
<u>ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>25</u>
<u>ITEM 6. Selected Consolidated Financial Data</u>	<u>26</u>
<u>ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
<u>ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
<u>ITEM 8. Financial Statements and Supplementary Data</u>	<u>40</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>41</u>
<u>ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosures</u>	<u>72</u>
<u>ITEM 9A. Controls and Procedures</u>	<u>72</u>
<u>Report of Management on Internal Control over Financial Reporting</u>	<u>73</u>
<u>Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	<u>74</u>
<u>ITEM 9B. Other Information</u>	<u>75</u>
<b><u>PART III</u></b>	<b><u>75</u></b>
<u>ITEM 10. Directors, Executive Officers and Corporate Governance</u>	<u>75</u>
<u>ITEM 11. Executive Compensation</u>	<u>75</u>
<u>ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>75</u>
<u>ITEM 13. Certain Relationships and Related Transactions and Director Independence</u>	<u>75</u>
<u>ITEM 14. Principal Accountant Fees and Services</u>	<u>75</u>
<b><u>PART IV</u></b>	<b><u>76</u></b>
<u>ITEM 15. Exhibits and Financial Statement Schedules</u>	<u>76</u>
<u>Signatures</u>	<u>79</u>
<u>Exhibit Index</u>	<u>80</u>



**FORWARD LOOKING STATEMENTS AND PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

This Annual Report on Form 10-K (the "Form 10-K") contains forward-looking statements that involve risks and uncertainties. Please see the section entitled *Risk Factors* in Item 1A of this Report for important information to consider when evaluating these statements.

In this Form 10-K, unless the context indicates otherwise, the terms "we," "us," "Support.com," "the Company" and "our" refer to Support.com, Inc., a Delaware corporation, and its subsidiaries. References to "\$" are to United States dollars.

We have compiled the market size and growth data in this Form 10-K using statistics and other data obtained from several third-party sources. Some market and statistical data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the third-party sources referred to. This information may prove to be inaccurate because of the method by which the data is obtained or because this



TABLE OF CONTENTS

information cannot be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, although we believe this information is reliable, we have not independently verified the third-party data and cannot guarantee the accuracy and completeness of this information.

Various amounts and percentages used in this Form 10-K have been rounded and, accordingly, they may not total 100%.

We own or otherwise have rights to the trademarks and trade names, including those mentioned in this Form 10-K, used in conjunction with the marketing and sale of our products.



## TABLE OF CONTENTS

### **PART I**

#### **ITEM 1. BUSINESS.**

##### **Overview**

Support.com, Inc. is a leading provider of cloud-based software and services that enable technology support for a connected world. Support.com is the choice of leading communications providers, top retailers, and other important brands in software, consumer and business electronics, and connected technology.

Our technology support services programs help leading brands create new revenue streams and deepen customer relationships. We offer turnkey, outsourced support services for service providers, retailers, IoT (Internet of Things) solution providers and technology companies. Our technology support services programs are designed for both the consumer and small and medium business ( SMB ) markets, and include computer and mobile device set-up, security and support, virus and malware removal, wireless network set-up, and home security and automation system support. Most of our technology specialists work from their homes rather than in brick-and-mortar facilities. We are compensated for our services on a per-incident, per-subscription or labor rate basis.

Our Support.com Cloud offering ( Nexus® ) is a software-as-a-service ( SaaS ) solution for companies to optimize support interactions with their customers using their own or third party support personnel. The solution enables companies to quickly resolve complex technology issues for their customers, boosting support agent productivity, providing ease of use for customer self-service, and dramatically improving the customer experience.

We also offer end-user software products including tools and apps designed to address some of the most common technology issues, including computer and mobile device maintenance, optimization and security.

We market our technology support services primarily through partners, who resell the services to their customers or include them in their service offerings. Our Support.com Cloud offering (Nexus) is marketed directly, primarily through our sales team as well as through partners. We market our end-user software products directly, principally online, and through partners. Our sales and marketing efforts are primarily focused in North America.

##### **Industry Background**

Technology has become an essential feature of the modern home and office. Products such as personal computers, printers, tablets, smartphones, digital cameras, connected entertainment systems, home automation and other smart home appliances have become ubiquitous. Each year, these products become more feature-rich, offering many new capabilities. Consumers and SMB s now depend on such technology for must-have information, communication and entertainment as well as for tasks and activities of our daily lives.

Technology has also become increasingly connected, with networks now commonplace in the home as well as the office, and with the Internet of Things adding a diverse array of sensors that monitor, track and automate the physical world. At the same time, technology has become increasingly mobile, with anytime/anywhere access to voice, data, video and applications becoming commonplace.

For consumers and SMB s, the complexity of the technology environment creates challenges in obtaining the benefits of the connected home and office. For customer support organizations it results in more difficult problems to solve, including the need to support third-party products in addition to their own offerings. The proliferation of smartphones (68% of American adults own a smartphone, according to a 2015 Pew Research Center study) and connected devices (the average US broadband home today has seven and a half connected devices, according to a 2015 Parks Associates report, while Gartner predicts that IoT installed devices will grow from 5 billion in 2015 to 25 billion in 2020)



compels customer support organizations to fundamentally transform how interactive support is delivered. An Accenture survey finds that 83% of consumers encounter challenges using intelligent devices , such as wearables, connected home systems, and connected vehicle products. According to the Accenture study, the biggest challenges facing consumers are that the intelligent devices are too complicated to use, difficult to set-up, and do not work as advertised. In fact, according to the 2015 Parks Associates report smart home products and systems are generating just over seven million support requests in the US in 2015 and this number is expected to grow to about 11 million requests in 2019. These trends in number of



## TABLE OF CONTENTS

devices, connected nature of these devices, and the related complex ecosystem requires that customer support organizations use modern tools and analytics to fundamentally transform how interactive support is delivered.

At the same time, consumer demographics are shifting and the rise of the millennial generation is clearly changing customer support preferences. According to a 2015 Forrester Research report, web self-service was the most widely used communication channel for customer service, surpassing use of the voice channel for the first time. This means that companies need to embrace multiple support channels and do so in a seamless way for their customers in order to reduce customer effort and meet these new market expectations. For instance, in a recent survey we undertook in September 2015, nearly a quarter (24%) of connected consumers say what frustrates them most about their customer support experience today is having to repeat information at each step of the process.

Technology support is becoming increasingly critical to the overall customer experience, not just for technology products, but also for other products and services that depend on technology to deliver the brand value. According to recent Forrester Research findings, customer experience leaders outperform the competition in the market, confirming that customer experience correlates to revenue growth. As a result, technology support solutions have begun to address the parts of the customer experience that are mediated by technology.

### **Our Growth Strategy**

Our objective is to become the leading provider of cloud-based software and services for technology support. We seek to be both the premier provider of turnkey support programs and a leading best-of-breed software supplier for technology support organizations. From a financial perspective, our goals are to grow and diversify revenue and enhance profitability. Our strategies for achieving our goals include increasing SaaS revenue from our Support.com Cloud offering ( Nexus® ), expanding existing technology support services programs, launching new services programs, and improving service delivery efficiency.

- To increase SaaS revenue from our Support.com Cloud offering (Nexus), we expect to invest in product, R&D, sales and marketing. Our product investment will include deepening the support interaction optimization features, building out an open platform, enhancing both assisted and self-service support capabilities, incorporating support for the Internet of Things, and expanding our data analytics capabilities.
- To expand existing service programs, we plan to increase our focus on programs with potential for growth and for diversifying our portfolio of programs.
- To launch new service programs, we intend to pursue opportunities with leading communications, retail, technology, and other partners in the mobile, Internet of Things ( IoT ) and connected home markets.
- To improve our service delivery efficiency, we intend to optimize operating processes, continue using our Support.com cloud-based software and enhancing our internal service delivery management tools, and evolve our labor model.

We intend to execute our growth strategy organically and through acquisitions of complementary businesses, where appropriate.

### **Our Technology Support Service Programs**

Support.com® technology support services are distributed through partners, using the partner's brand or in referral programs using the Support.com® brand. Partners include retailers, original equipment manufacturers ( OEMs ), software providers, broadband providers, Internet services providers and warranty providers. The services programs include one-time services ( incidents ), subscriptions, and bundled components of broader offerings. Our programs are based on the following core services:



*Connected Home and IoT Services.* For connected home technology and automation systems, we offer a complete range of services to help customers set up, configure and use new systems, including helping consumers personalize system settings to meet specific lifestyle needs.

*Technical Support Services.* We offer a variety of troubleshooting, installation, set-up and enablement services for computers, peripherals and mobile devices and their connectivity. We identify, diagnose and repair



## TABLE OF CONTENTS

technical problems, including issues associated with viruses, spyware, and other forms of malware, connectivity issues, and issues with software applications. We create new user accounts, configure automatic system updates, remove unnecessary trial software, connect devices to the cloud, find and install applications, and synchronize data among devices. These services cover a wide variety of devices, regardless of manufacturer. Support is provided for devices including PC, laptops, tablets, mobile devices and other connected devices. Our smartphone and tablet services include configuring mobile devices for wireless network (WiFi) access, setting up email, and educating customers on how to browse the Internet and install apps. We secure and repair problems with wireless networks. We configure, connect and establish secure connections among computers, the wireless network and supported devices.

We deliver our services using specialists who work from their homes rather than in brick and mortar facilities. These technology specialists are recruited, tested, hired and trained on a virtual basis using proprietary methods and remote technology. We also utilize contract labor in our service programs. We strive to continually enhance service delivery through evolution of our labor model, process improvement using Six Sigma methodologies and enhancement of our internal service delivery management tools.

### **Our Support.com Cloud offering (Nexus)**

Our cloud-based software is the Company's flagship offering in the Support Interaction Optimization (SIO) space, which has been identified by Frost & Sullivan as a \$1.3 billion, rapidly growing market. Support.com Cloud (Nexus) is a SaaS offering that provides significant levels of automation and analytics that enable companies to deliver superior technology issue resolution while improving both the customer experience and operational performance. Based on insights from supporting more than six million connected technology transactions annually, our patented software architecture is designed to enable resolving problems in a consistent manner by using proprietary, automated workflow while capturing rich data for service delivery optimization. Flexible architecture means that companies can take advantage of additional functionality as their business requirements change, and can add richer analytics, marketing and subscription management, and third-party applications to resolve issues.

Our Support.com Cloud offering (Nexus) includes the following cloud applications:

1. *Agent Support* – our flagship application for automated guidance for customer support agents leading to more productive and engaged support teams, a more consistent support experience and higher customer satisfaction.
2. *Self-Support* – a newly released application for contextual self-service support for end-consumers either via the web or mobile apps leading to lower customer effort, a better customer experience and higher customer retention and loyalty.
3. *Embedded Support* – a Software Development Kit (SDK) allowing access to support guidance to be integrated within web sites or mobile apps for a seamless product experience.

Key features of our Support.com Cloud offering (Nexus) include:

*Smart Guidance.* Patent-pending Guided Paths® codify the organization's best practices and ensures that agents and customers get the right guidance at the right time to help resolve customer problems. Guided Paths go beyond knowledge articles and decision trees to gather contextual information and pertinent device data and to automate time-consuming, multi-step activities in ways that lead to effective and consistent problem resolution and satisfied customers.

*Blended Support Capability.* A context engine tracks and analyzes information about what the end-customer is trying to achieve and about what activities they have already taken to help themselves. This context is maintained across support channels – for instance, if the customer escalates from self-service to assisted support - and leads to a seamless blended support experience and reduced customer effort, overcoming one of the most frequent customer complaints



about customer support experiences.

*Remote Support Tools.* A set of advanced tools including remote access, screen co-browsing on-screen assistance, and SupportCam™ - remote video support using the customer's smart phone as a camera - is available to support representatives enabling them to quickly and effectively troubleshoot technical problems.



## TABLE OF CONTENTS

*Data and Analytics.* Our cloud-based data architecture brings Big Data benefits to technology support, delivering business insights from rich data captured during service delivery and enabling organizations to track program performance and identify potential issues and inefficiencies.

*Web-based Application Programming Interfaces (APIs).* Open APIs enable integration with other contact center applications (such as ticketing systems, CRM platforms or knowledge bases) so that our Support.com Cloud (Nexus) applications can be fully integrated into the agent-customer interaction. The open APIs allow for data transfer and sharing between applications.

### **Our End-User Software Products**

Our end-user software products are designed to maintain, optimize and secure computers and mobile devices. Certain software products are licensed on a perpetual basis while others are offered on a subscription basis.

Our principal software products include products designed for malware protection and removal (SUPERAntiSpyware®), PC, smartphone and tablet maintenance and optimization (Cosmos®), and PC registry cleaning and repair (ARO®).

### **Sales and Marketing**

*Technology Support Services.* We sell our services principally through partners. Our partners include leading communication providers, retailers, and technology companies.

Our partnerships typically begin with a pilot phase and can take several weeks to more than a year to progress to a broader roll-out. We typically wholesale services to our partners on a per-incident, per-subscription or labor rate basis and our partners resell the services to consumers and SMBs at prices our partners determine or bundle them with other services. In these partnerships, the services are generally sold under the partner's brand. In certain cases, in addition to service delivery we sell the services on our partner's behalf and receive commissions.

We acquire partners through our business development organization, and we support partners through our account management organization. We organize account management along industry lines.

*Support.com Cloud Offering (Nexus).* We license Support.com Cloud (Nexus) applications separately from support services provided by our technology specialists. In such an arrangement, customers receive the right to use our cloud-based software in their own technology support organization, using a SaaS model under which customers pay us on a per-user or a per-session basis during the term of the arrangement. We also provide implementation services to customers, typically covering integration of our software with other customer's systems. We charge for these services on a time-and-materials basis or as part of a fixed-fee package.

We acquire Support.com Cloud (Nexus) customers through our direct sales channel, which uses a variety of Internet-based lead generation strategies, thought leadership initiatives and industry presence marketing to drive demand. We also acquire customers through our partner channels. We expect to increase the sales and marketing investment devoted to our cloud offering during 2016.

*End-User Software Products.* We license our end-user software products directly to customers and through partners. To date, a majority of our end-user software revenue has come through direct sales to customers. Online advertising allows customers to click through to our software offerings where they can order and download our products on demand. In addition to fully featured software products available for a license fee, a substantial percentage of our end-user software revenue arises from customers who download free trial versions of our software or free versions of



our software with limited functionality before making a purchase decision.

### **Research and Development**

Technology is at the core of our business model and a direct source of revenue and growth, and as a result our recent investment in research and development is critical. Our Support.com cloud-based software creates a competitive advantage for us as we seek to be both the premier provider of turnkey support programs and a leading best-of-breed software supplier for technology support organizations. We maintain dedicated research and development teams in Redwood City, California, Bangalore, India, and Eugene, Oregon. Research and development expense was \$7.0 million in 2015, \$5.1 million in 2014, and \$5.7 million in 2013.



## TABLE OF CONTENTS

We have developed, maintain, and continue to improve proprietary, market-leading, cloud-based technologies that are essential to our business. We focus our investment in research and development across the following major areas: SaaS solutions for support interaction optimization; endpoint applications and other extensions to gather data to assist support interactions and allow remote support when necessary; business analytics and reporting; open application interfaces; and internal service delivery management tools.

Our SaaS technology includes patent-pending Guided Paths automated workflows, remote control of customer devices, automated device and systems data collection, and business analytics. We expect to increase the research and development investment devoted to Support.com Cloud (Nexus) applications during 2016.

The service delivery management tools used by our agents for technology support services include our own Support.com cloud-based software capabilities and other contact center applications such as customer relationship management ( CRM ), ticketing, ordering, methods of payment, and telephony, which are all integrated into highly effective and efficient application for our technology specialists.

For business analytics and reporting, we build and maintain a data warehouse that securely aggregates and restructures data from all of our applications to create a comprehensive view of the service delivery lifecycle, as well as data about the disposition of support interactions. This rich data set provides visibility into sales conversion effectiveness, service delivery efficiency, service level performance, subscription utilization, partner program performance and many other aspects of running and optimizing our business. Our partners also receive reports and analytic information from the warehouse for their programs on a regular basis via secure data feeds, or they can access reports via an online reporting portal.

Open application interfaces of our Support.com Cloud (Nexus) enable integration with CRM, ticketing systems, and other contact center applications.

For end-user software, we build and enhance the products described under Our End-User Software Products .

### **Intellectual Property**

We own the registered trademarks SUPPORT.COM, GUIDED PATHS, PERSONAL TECHNOLOGY EXPERTS, BUSINESS TECHNOLOGY EXPERTS and NEXUS in the United States for specified support services and software, and we have registrations and common law rights for several related trademarks in the U.S. and certain other countries. We own the domain name support.com and other domain names. We have exclusive rights to our proprietary services technology, and our end user software products. We also have non-exclusive rights to distribute certain other software products.

We own three U.S. patents related to our business and have a number of pending patent applications covering certain advanced technology. Our issued patents include U.S. Patent No. 8,020,190 ( Enhanced Browser Security ), U.S. Patent No. 6,754,707 ( Secure Computer Support System ) and U.S. Patent No. 6,167,358 ( System and Method for Remotely Monitoring a Plurality of Computer-Based Systems ). We do not know if our current patent applications or any future patent application will result in a patent being issued with the scope of the claims we seek, if at all. Also, we do not know whether any patents we have or may receive will be challenged or invalidated. It is difficult to monitor unauthorized use of technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as they do in the United States, and our competitors may develop technology that competes with ours but nevertheless does not infringe our intellectual property rights.

We rely on a combination of copyright, trade secret, trademark and contractual protection to establish and protect our proprietary rights that are not protected by patents. We also enter into confidentiality agreements with our employees



and consultants involved in product development. We generally require our employees, customers and potential business partners to enter into confidentiality agreements before we will disclose any sensitive aspects of our business. Also, we generally require employees and contractors to agree to assign and surrender to us any proprietary information, inventions or other intellectual property they generate while working for us in the scope of employment. These precautions, and our efforts to register and protect our intellectual property, may not prevent misappropriation or infringement of our intellectual property.



## **TABLE OF CONTENTS**

### **Competition**

We are active in markets that are highly competitive and subject to rapid change. Although we do not believe there is one principal competitor for all aspects of our offerings, we do compete with a number of other vendors.

With respect to partnerships for our technology support services, our competitors include privately-held companies focused on premium technology services, providers of electronics warranties, emerging IoT technology support providers, global business process outsourcing providers or contact centers focused on technical support and other companies who offer technical support through partners. We believe the principal competitive factors in our services market include: breadth and depth of service offerings; quality of the customer experience; proprietary technology; time to market; pricing; account management; vendor reputation; scale; and financial resources.

With respect to licenses of our Support.com Cloud offering (Nexus), our competitors include companies focused on service desk, knowledge management, remote support and IT process automation. We believe the principal competitive factors in the Support Interaction Optimization ( SIO ) space include breadth and depth of functionality; ease of implementation; performance; scalability; pricing; vendor reputation; financial resources; and customer support. We believe that our Support.com Cloud offering (Nexus) can compete favorably because it provides an integrated end-to-end solution for SIO that stands out in terms of coverage of all the different areas of functionality required by customers.

In the market for our end-user software products, we face direct competition from software vendors, application providers, operating system providers, network equipment manufacturers, and other original equipment manufacturers ( OEMs ) that may provide similar solutions and function in their products, and from individuals and groups who offer free and open source utilities online.

The competitors in our markets for services and software can have some or all of the following competitive advantages: longer operating histories, greater economies of scale, greater financial resources, greater engineering and technical resources, greater sales and marketing resources, stronger strategic alliances and distribution channels, larger user bases, products with different functions and feature sets and greater brand recognition than we have. We expect new competitors to continue to enter the markets in which we operate.

For additional information related to competition, see Item 1A, Risk Factors.

### **Environmental Regulation**

We are not aware at this time of any material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have on our business. Our assessment could change if and when any new regulations of such sort are enacted or adopted.

### **Employees**

As of December 31, 2015, we had 1,695 employees, of whom 1,493 were work-from-home agents and 202 were corporate employees. In addition to our work-from-home employees, we also use contract labor. None of our employees are covered by collective bargaining agreements.

### **Securities and Exchange Commission ( SEC ) Filings and Other Available Information**



## Edgar Filing: Support.com, Inc. - Form 10-K

We were incorporated in Delaware in December 1997. We file reports with the SEC, including without limitation annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act ). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, we are an electronic filer. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC at the website address located at [www.sec.gov](http://www.sec.gov).



## TABLE OF CONTENTS

Our telephone number is 650-556-9440 and our website address is [www.support.com](http://www.support.com). The information contained on our website does not form any part of this Annual Report on Form 10-K. However, we make available, free of charge through our website, our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. In addition, we also make available on <http://www.support.com/about/investor-relations/corporategovernance> our Code of Ethics and Business Conduct for Employees, Officers and Directors. This Code is also available in print without charge to any person who requests it by writing to:

Support.com, Inc.  
Investor Relations  
900 Chesapeake Drive, 2<sup>nd</sup> Floor  
Redwood City, CA 94063

### **ITEM 1A. RISK FACTORS.**

This report contains forward-looking statements regarding our business and expected future performance as well as assumptions underlying or relating to such statements of expectation, all of which are forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We are subject to many risks and uncertainties that may materially affect our business and future performance and cause those forward-looking statements to be inaccurate. Words such as expects, anticipates, intends, plans, believes, forecasts, estimates, seeks, may result in, focused on, continue to, and similar expressions often i forward-looking statements. In this report, forward-looking statements include, without limitation, statements regarding the following:

- Our expectations and beliefs regarding future financial results;
- Our expectations regarding partners, renewal of contracts with these partners and the anticipated timing and magnitude of revenue from programs with these partners;
- Our ability to successfully license, implement and support our Support.com Cloud offering (Nexus);
- Our expectations regarding sales of our end-user software products, and our ability to source, develop and distribute enhanced versions of these products;
- Our ability to successfully monetize customers who receive free versions of our end-user software products;
- Our ability to expand and diversify our customer base;
- Our ability to execute effectively in the SMB market;
- Our ability to offer subscriptions to our services in a profitable manner;
- Our expectations regarding our ability to deliver technology services efficiently and through arrangements that are profitable, including both in SKU-based and time-based pricing models and other pricing models we may employ;
- Our ability to attract and retain qualified management and employees;
- Our ability to hire, train, manage and retain technology specialists in a home-based model in quantities sufficient to meet forecast requirements, and our ability to continue to enhance the flexibility of our staffing model;
- Our ability to match staffing levels with service volume in a cost-effective manner;
- Our ability to manage contract labor as a component of our workforce;
- Our ability to operate successfully in a time-based billing model;
- Our ability to adapt to changes in the market for technology support services;
- Our ability to manage sales costs in programs where we are responsible for sales;
- Our ability to successfully manage advertising costs associated with our end-user software products;



## TABLE OF CONTENTS

- Our beliefs and expectations regarding the introduction of new services and products, including additional cloud applications, software products and service offerings for devices beyond computers and routers;
- Our expectations regarding revenues, cash flows expenses, including cost of revenue, sales and marketing, research and development efforts, and administrative expenses, and profits;
- Our assessment of seasonality, mix of revenue, and other trends for our business and the business of our partners;
- Our ability to deliver projected levels of profitability;
- Our expectations regarding the costs and other effects of acquisition and disposition transactions;
- Our expectations regarding unit volumes, pricing and other factors in the market for computers and other technology devices, and the effects of such factors on our business;
- Our ability to successfully operate in markets that are subject to extensive regulation, such as support for home security systems;
- Our expectations regarding the results of pending, threatened or future litigation;
- Actions of activist investors and the cost and disruption caused in responding to the actions;
- The assumptions underlying our Critical Accounting Policies and Estimates, including our assumptions regarding revenue recognition; assumptions used to estimate the fair value of stock-based compensation; assumptions used to estimate self-insurance accruals; assumptions regarding the impairment of goodwill and intangible assets; and expected accounting for income taxes; and
- The expected effects of the adoption of new accounting standards.

An investment in our stock involves risk, and we caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this report and in our other filings with the SEC before deciding to invest in our stock or to maintain or change your investment. Forward-looking statements are based on information as of the filing date of this report, and we undertake no obligation to publicly revise or update any forward-looking statement for any reason.

Because forward-looking statements involve risks and uncertainties, there are important factors that may cause actual results to differ materially from our stated expectations. A number of these factors are described below; provided, however that this list does not include all risks that could affect our business. If these or any other risks or uncertainties materialize, or if our underlying assumptions prove to be inaccurate, actual results could differ materially from past results and from our expected future results.

### **Recently, our business has not been profitable and may not achieve profitability in future periods.**

Through the fourth quarter of 2013, we delivered six consecutive quarters of profitability. Since then we have sustained significant changes in our largest partner program that materially affect our revenue and margins. We also are making significant investments in support of our Support.com Cloud offering (Nexus), and expect to continue to experience periods of losses in the future. If we fail to achieve revenue growth as a result of our additional investments and efforts, or if such revenue growth does not result in our achieving profitability, the market price of our common stock will likely decline. Future losses will likely continue to result in usage of cash to fund our operating activities and a corresponding reduction in our cash balance.

### **Our business is based on a relatively new and evolving business model.**

We are executing a plan to grow our business by providing technology support services, licensing our Support.com Cloud (Nexus) applications, and providing end-user consumer software products. We may not be able to offer these services and software products successfully. Our technology specialists are generally home-based, which requires a high degree of coordination and quality control of employees working from diverse and remote locations. We have been experiencing financial losses in our business and we expect to use cash and incur losses in the future to support



our growth initiatives. Our investments, which typically are made in advance of revenue, may not yield increased revenue to offset these expenses. As a result of these factors, the



## TABLE OF CONTENTS

future revenue and income potential of our business is uncertain. Any evaluation of our business and our prospects must be considered in light of these factors and the risks and uncertainties often encountered by companies in our stage of development. Some of these risks and uncertainties relate to our ability to do the following:

- Maintain our current relationships and service programs, and develop new relationships, with service partners and licensees of our Support.com Cloud offering (Nexus) on acceptable terms or at all;
- Reach prospective customers for our software products in a cost-effective fashion;
- Reduce our dependence on a limited number of partners for a substantial majority of our revenue;
- Successfully license and grow our revenue related to Support.com Cloud offering (Nexus);
- Attract and retain qualified management and employees in competitive markets for talent;
- Hire, train, manage and retain our home-based technology specialists and enhance the flexibility of our staffing model in a cost-effective fashion and in quantities sufficient to meet forecast requirements;
- Manage substantial headcount changes over short periods of time;
- Manage contract labor efficiently and effectively;
- Meet revenue targets;
- Maintain gross and operating margins;
- Match staffing levels with demand for services and forecast requirements;
- Obtain bonuses and avoid penalties in contractual arrangements;
- Operate successfully in a time-based pricing model;
- Operate effectively in the SMB market;
- Offer subscriptions to our services in a profitable manner;
- Successfully introduce new, and adapt our existing, services and products for consumers and businesses;
- Respond effectively to changes in the market for technology support services;
- Respond effectively to changes in the online advertising markets in which we participate;
- Respond effectively to competition;
- Respond to changes in macroeconomic conditions as they affect our and our partners' operations;
- Realize benefits of any acquisitions we make;
- Adapt to changes in the markets we serve, including the decline in sales of personal computers, the proliferation of tablets and other mobile devices and the introduction of new devices into the connected home and the Internet of Things ;
- Adapt to changes in our industry, including consolidation;
- Respond to government regulations relating to our current and future business;
- Manage and respond to present, threatened, and future litigation and actions by activist shareholders; and
- Manage our expanding operations and implement and improve our operational, financial and management controls.

If we are unable to address these risks, our business, results of operations and prospects could suffer.



## TABLE OF CONTENTS

### **Our quarterly results have in the past, and may in the future, fluctuate significantly.**

Our quarterly revenue and operating results have in the past and may in the future fluctuate significantly from quarter to quarter. As a result, we believe that quarter-to-quarter and year-to-year comparisons of our revenue and operating results may not be accurate indicators of future performance.

Several factors that have contributed or may in the future contribute to fluctuations in our operating results include:

- Demand for our services and products;
- The performance of our partners;
- Change in or discontinuance of our principal programs with partners;
- Our reliance on a small number of partners for a substantial majority of our revenue;
- Instability or decline in the global macroeconomic climate and its effect on our and our partners' operations;
- Our ability to successfully license and grow revenue related to our Support.com Cloud offering (Nexus);
- The availability and cost-effectiveness of advertising placements for our software products and our ability to respond to changes in the online advertising markets in which we participate;
- Our ability to serve the SMB market;
- Our ability to attract and retain qualified management and employees in competitive markets;
- The efficiency and effectiveness of our technology specialists;
- Our ability to effectively match staffing levels with service volumes on a cost-effective basis;
- Our ability to manage contract labor;
- Our ability to hire, train, manage and retain our home-based technology specialists and enhance the flexibility of our staffing model in a cost-effective fashion and in quantities sufficient to meet forecast requirements;
- Our ability to manage substantial headcount changes over short periods of time;
- Our ability to manage sales costs in programs where we are responsible for sales;
- Our ability to operate successfully in a time-based pricing model;
- Our ability to attract and retain partners;
- The price and mix of products and services we or our competitors offer;
- Pricing levels and structures in the market for technology support services;
- Our ability to successfully monetize customers who receive free versions of our consumer software;
- Usage rates on the subscriptions we offer;
- The rate of expansion of our offerings and our investments therein;
- Changes in the markets for computers and other technology devices relating to unit volume, pricing and other factors, including changes driven by declines in sales of personal computers and the growing popularity of tablets, and other mobile devices and the introduction of new devices into the connected home;
- Our ability to adapt to our customers' needs in a market space defined by frequent technological change;
- The amount and timing of operating costs and capital expenditures in our business;



## TABLE OF CONTENTS

- Diversion of management's attention from other business concerns, incurrence of costs and disruption of our ongoing business activities as a result of acquisitions or divestitures by us or actions of activist shareholders;
- Costs related to the defense and settlement of litigation which can also have an additional adverse impact on us because of negative publicity, diversion of management resources and other factors;
- Potential losses on investments, or other losses from financial instruments we may hold that are exposed to market risk; and
- The exercise of judgment by our management in making accounting decisions in accordance with our accounting policies.

**Our inability to meet future financial performance targets that we announce or that are published by research analysts could cause the market price of our common stock to decline.**

From time to time, we provide guidance related to our future financial performance. In addition, financial analysts may publish their own expectations of our future financial performance. Because our quarterly revenue and our operating results fluctuate and are difficult to predict, future financial performance is difficult to predict. We have in the past failed to meet our guidance for a particular period or analyst expectations for our guidance for future periods and our stock price has declined. Generally, the market prices of technology companies have been extremely volatile. Stock prices of many technology companies have often fluctuated in a manner unrelated or disproportionate to the operating performance of such companies. In the past, following periods of market volatility, stockholders have often initiated securities class action litigation relating to the stock trading and price volatility of the technology company in question. Any securities litigation we may become involved in could result in our incurring substantial defense costs and diverting resources and the attention of management from our business.

**If we cannot meet Nasdaq's continuing listing requirements and Nasdaq rules, Nasdaq may delist our securities, which could negatively affect us, the price of our securities and your ability to sell our securities.**

Although our shares are currently listed on Nasdaq, we may not be able to meet the continued listing requirements of Nasdaq, which require, among other things, a minimum bid price of \$1.00 per share for common shares listed on the exchange. Our stock has closed below \$1.00 for over 30 consecutive business days during the first quarter of 2016. On February 18, 2016, we received a letter from Nasdaq indicating that Nasdaq listing rules require a minimum bid price of \$1 per share, and based on the closing price for the 30 consecutive trading days preceding February 18, 2016 (from January 5, 2016 to February 17, 2016), we no longer meet this requirement. The letter from Nasdaq further noted that we would have 180 days to regain compliance and that if the closing bid price of our securities is at least \$1 for a minimum of 10 consecutive business days, they would provide us written notification of compliance. While we will consider implementation of customary options, including a reverse stock split, if our common stock does not trade at a level that regains compliance, if we do not seek such options or if our efforts are unsuccessful and we are unable to satisfy the Nasdaq criteria for maintaining our listing, our securities could be subject to delisting. As a consequence of any such delisting, our shareholders would likely find it more difficult to dispose of, or to obtain accurate quotations as to the prices of our securities. In the event of a delisting, we would expect to seek to take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock or prevent our common stock from dropping below the Nasdaq minimum bid price requirement in the future. If Nasdaq decides to delist our common stock from trading on its exchange, we could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a limited amount of news and analyst coverage for our company;
- a decreased ability to issue additional securities or obtain additional financing in the future.



## TABLE OF CONTENTS

**Because a small number of partners have historically accounted for, and for the foreseeable future will account for, the substantial majority of our revenue, under-performance of specific programs or loss of certain partners or programs could decrease our revenue substantially.**

For the three months ended December 31, 2015, Comcast and Office Depot accounted for 66% and 15%, respectively, of our total revenue. For the twelve months ended December 31, 2015, Comcast and Office Depot accounted for 68% and 15% of our total revenue. The loss of these or other significant relationships, the change of the terms or terminations of our arrangements with any of these firms, the reduction or discontinuance of programs with any of these firms, or the failure of any of these firms to achieve their targets has in the past adversely affected, and could in the future adversely affect our business. For example, we have experienced in past quarters, and may experience in future quarters, reductions in our call volume and revenue resulting from Comcast's efforts to improve its Wireless Gateway customer experience. Generally, the agreements with our partners do not require them to conduct any minimum amount of business with us, and therefore they have decided in the past and could decide at any time in the future to reduce or eliminate their programs or the use of our services in such programs. They may also enter into multi-sourcing arrangements with other vendors for services previously provided exclusively by us. Further, we may not successfully obtain new partners or customers. There is also the risk that, once established, our programs with these and other partners may take longer than we expect to produce revenue or may not produce revenue at all, and the revenue produced may not be profitable if the costs of performing under the program are greater than anticipated or the program terminates before up-front investments can be recouped. One or more of our key partners may also choose not to renew their relationship with us, discontinue certain programs, offer them only on a limited basis or devote insufficient time and attention to promoting them to their customers. Some of our key partners may prefer not to work with us if we also partner with their competitors. If any of these key partners merge with one of their competitors (as occurred with Office Depot and OfficeMax in 2013), all of these risks could be exacerbated.

Each of these risks could reduce our sales and have a material adverse effect on our operating results. Further risks associated with the loss or decline in a significant partner are detailed in Our failure to establish and expand successful partnerships to sell our services and products would harm our operating results below.

**Our failure to establish and expand successful partnerships to sell our services and products would harm our operating results.**

Our current business model requires us to establish and maintain relationships with partners who market and sell our services and products. Failure to establish or maintain such relationships could materially and adversely affect the success of our business. We sell to numerous customers through each of these partners, and therefore a delay in the launch or rollout of our services or the reduction or discontinuance of a program with even one of these partners could cause us to miss revenue or other financial targets. The process of establishing a relationship with a partner can be complex and time consuming, and we must pass multiple levels of review in order to be selected. If we are unable to establish a sufficient number of new partners on a timely basis our sales will suffer.

**Our Support.com Cloud offering (Nexus) is in its early stages and failure to market, sell and develop the offering effectively and competitively could result in a lack of growth.**

A number of competitive offerings exist in the market, providing various feature sets that may overlap with our Support.com Cloud offering (Nexus) today or in the future. Some competitors in this market far exceed our spending on sales and marketing activities and benefit from greater existing brand awareness, channel relationships and existing customer relationships. We may not be able to reach the market effectively and adequately or convey our differentiation as needed to grow our customer base. To reach our target market effectively, we may be required to continue to invest substantial resources in sales and marketing and research and development activities, which could have a material adverse effect on our financial results. In addition, if we fail to develop and maintain competitive



features, deliver high-quality products and satisfy existing customers, our Support.com Cloud offering (Nexus) could fail to grow. Growth in Support.com Cloud (Nexus) license revenue also depends on scaling our multi-tenant technology flexibly and cost-effectively to meet changing customer demand. Disruptions in infrastructure operations as described below could impair our ability to deliver our Support.com Cloud offering (Nexus) to customers, thereby affecting our reputation with existing and prospective customers and possibly resulting in monetary penalties or financial losses.



## TABLE OF CONTENTS

### **Our end-user software revenues are dependent on online traffic patterns and the availability and cost of online advertising in certain key placements.**

Some of our consumer end-user software revenue stream is obtained through advertising placements in certain key online media placements. From time to time a trend or a change in a key advertising placement will impact us, decreasing traffic or significantly increasing the cost or effectiveness of online advertising and therefore compromising our ability to purchase a desired volume and placement of advertisements at profitable rates. If such a change were to continue to occur, as it did in 2013 and on several occasions in the past, we may be unable to attract desired amounts of traffic, our costs for advertising may further increase beyond our forecasts and our software revenues may further decrease. As a result, our operating results would be negatively impacted.

### **Our business depends on our ability to attract and retain talented employees.**

Our business is based on successfully attracting and retaining talented employees. The market for highly skilled workers and leaders in our industry is extremely competitive. If we are not successful in our recruiting efforts, or if we are unable to retain key employees and executive management, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees and executive management could hinder our strategic planning and execution.

### **If we fail to attract, train and manage our technology specialists in a manner that meets forecast requirements and provides an adequate level of support for our customers, our reputation and financial performance could be harmed.**

Our business depends in part on our ability to attract, manage and retain our technology specialists and other support personnel. If we are unable to attract, train and manage in a cost-effective manner adequate numbers of competent technology specialists and other support personnel to be available as service volumes vary, particularly as we seek to expand the breadth and flexibility of our staffing model, our service levels could decline, which could harm our reputation, result in financial losses under contract terms, cause us to lose customers and partners, and otherwise adversely affect our financial performance. Our ability to meet our need for support personnel while controlling our labor costs is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the workforce, unemployment levels, prevailing wage rates, changing demographics, health and other insurance costs and the cost of compliance with labor and wage laws and regulations. In the case of programs with time-based pricing models, the impact of failing to attract, train and manage such personnel could directly and adversely affect our revenue and profitability. Although our service delivery and communications infrastructure enables us to monitor and manage technology specialists remotely, because they are typically home-based and geographically dispersed we could experience difficulties meeting services levels and effectively managing the costs, performance and compliance of these technology specialists and other support personnel. Any problems we encounter in effectively attracting, managing and retaining our technology specialists and other support personnel could seriously jeopardize our service delivery operations and our financial results.

### **Changes in the market for computers and other consumer electronics and in the technology support services market could adversely affect our business.**

Reductions in unit volumes of sales for computers and other devices we support, or in the prices of such equipment, could adversely affect our business. We offer both services that are attached to the sales of new computers and other devices, and services designed to fix existing computers and other devices. Declines in the unit volumes sold of these devices or declines in the pricing of such devices could adversely affect demand for our services or our revenue mix, either of which would harm our operating results. Further, we do not support all types of computers and devices,



meaning that we must select and focus on certain operating systems and technology standards for computers, tablets, smart phones, and other devices. We may not be successful in supporting new devices in the connected home and Internet of Things, and consumers and SMBs may prefer equipment we do not support, which may decrease the market for our services and products if customers migrate away from platforms we support. In addition, the structures and pricing models for programs in the technology support services market may change in ways that reduce our revenues and our margins.



## TABLE OF CONTENTS

### **Our failure to effectively manage third-party service providers would harm our operating results.**

We enter into relationships with third parties to provide certain elements of our service offerings. We may be less able to manage the quality of services provided by third-party service providers as directly as we would our own employees. In addition, providing these services may be more costly. We also face the risk that disruptions or delays in the communications and information technology infrastructure of these third parties could cause lengthy interruptions in the availability of our services. Any of these risks could harm our operating results.

### **Disruptions in our information technology and service delivery infrastructure and operations, including interruptions or delays in service from third-party web hosting providers, could impair the delivery of our services and harm our business.**

We depend on the continuing operation of our information technology and communication systems and those of our third-party service providers. Any damage to or failure of those systems could result in interruptions in our service, which could reduce our revenues and damage our reputation. The technology we use to serve partners and the Support.com Cloud offering (Nexus) we license are hosted at a third-party facility located in the United States, and we use a separate, independent third-party facility in the United States for emergency back-up and failover services in support of the hosted site. These two facilities are operated by unrelated publicly held companies specializing in operating such facilities, and we do not control the operation of these facilities. These facilities may experience unplanned outages and other technical difficulties in the future, and are vulnerable to damage or interruption from fires, floods, earthquakes, telecommunications and connectivity failures, power failures, and similar events. These facilities are also subject to risks from vandalism, break-ins, intrusion, and other malicious attacks. Despite substantial precautions taken, such as disaster recovery planning and back-up procedures, a natural disaster, act of terrorism or other unanticipated problem could cause a loss of information and data and lengthy interruptions in the availability of our services and technology platform offerings, as our backup systems may not be able to meet our needs for an extended period of time. We rely on hosted systems maintained by third-party providers to deliver technology services and our Support.com Cloud (Nexus) service which is delivered in a SaaS model to customers, including taking customer orders, handling telecommunications for customer calls, tracking sales and service delivery and making platform functionality available to customers. Any interruption or failure of our internal or external systems could prevent us or our service providers from accepting orders and delivering services, or cause company and consumer data to be unintentionally disclosed. Our continuing efforts to upgrade and enhance the security and reliability of our information technology and communications infrastructure could be very costly, and we may have to expend significant resources to remedy problems such as a security breach or service interruption. Interruptions in our services resulting from labor disputes, telephone or Internet failures, power or service outages, natural disasters or other events, or a security breach could reduce our revenue, increase our costs, cause customers and partners and licensees to fail to renew or to terminate their use of our offerings, and harm our reputation and our ability to attract new customers. We maintain insurance programs with highly rated carriers using policies that are designed for businesses in the technology sector and that expressly address, among other things, cyber-attacks and potential harm resulting from incidents such as data privacy breaches; but depending on the type of damages, the amount, and the cause, all or part of any financial losses experienced may be excluded by the policies resulting in material financial losses for us.

### **We must compete successfully in the markets in which we operate or our business will suffer.**

We compete in markets that are highly competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. We compete with a number of companies in the markets for technology services, end-user software products and technology support software. In addition, our partners may develop similar offerings internally.



The markets for our services and software products are still rapidly evolving, and we may not be able to compete successfully against current and potential competitors. Our ability to expand our business will depend on our ability to maintain our technological advantage, introduce timely enhanced products and services to meet growing support needs, deliver on-going value to our customers, scale our business cost-effectively, and develop complimentary relationships with other companies providing services or products to our partners. Competition in our markets could reduce our market share or require us to reduce the price of products and services, which could harm our business, financial condition and operating results.



## TABLE OF CONTENTS

The competitors in our markets for services and software can have some or all of the following comparative advantages: longer operating histories, greater economies of scale, greater financial resources, greater engineering and technical resources, greater sales and marketing resources, stronger strategic alliances and distribution channels, lower labor costs, larger user bases, products with different functions and feature sets and greater brand recognition than we have. We expect new competitors to continue to enter the markets in which we operate.

### **Our future service and product offerings may not achieve market acceptance.**

If we fail to develop new and enhanced versions of our services and products in a timely manner or to provide services and products that achieve rapid and broad market acceptance, we may not maintain or expand our market share. We may fail to identify new service and product opportunities for our current market or new markets. In addition, our existing services and products may become obsolete if we fail to introduce new services and products that meet new customer demands or support new standards. While we are developing new services and products, there can be no assurance that they will be timely released or ever be completed, and if they are, that they will gain market acceptance or generate material revenue for us. We have limited control over factors that affect market acceptance of our services and products, including the willingness of partners to offer our services and products and customer preferences for competitor services, products and delivery models.

### **We may make acquisitions that deplete our resources and do not prove successful.**

We have made acquisitions in the past and may make additional acquisitions in the future. We may not be able to identify suitable acquisition candidates at prices we consider appropriate. If we do identify an appropriate acquisition candidate, we may not be able to successfully negotiate the terms of the acquisition. Our management may not be able to effectively implement our acquisition program and internal growth strategy simultaneously. The integration of acquisitions involves a number of risks and presents financial, managerial and operational challenges. We may have difficulty, and may incur unanticipated expenses related to, integrating management and personnel from these acquired entities with our management and personnel. Our failure to identify, consummate or integrate suitable acquisitions could adversely affect our business and results of operations. We cannot readily predict the timing, size or success of our future acquisitions. Even successful acquisitions could have the effect of reducing our cash balances. Acquisitions could involve a number of other potential risks to our business, including the following, any of which could harm our business results:

- Unanticipated costs and liabilities and unforeseen accounting charges or fluctuations;
- Delays and difficulties in delivery of services and products;
- Failure to effectively integrate or separate management information systems, personnel, research and development, marketing, sales and support operations;
- Loss of key employees;
- Economic dilution to gross and operating profit;
- Diversion of management's attention from other business concerns and disruption of our ongoing business;
- Difficulty in maintaining controls and procedures;
- Uncertainty on the part of our existing customers about our ability to operate after a transaction;
- Loss of customers;
- Loss of partnerships;
- Inability to execute our growth plans;
- Declines in revenue and increases in losses;
- Declines in cash balances as a result of cash usage on any acquisition;
- Failure to realize the potential financial or strategic benefits of the acquisition or divestiture; and
- Failure to successfully further develop the combined or remaining technology, resulting in the impairment of amounts recorded as goodwill or other intangible assets.







## TABLE OF CONTENTS

**Our systems collect, access, use, and store personal customer information and enable customer transactions, which poses security risks, requires us to invest significant resources to prevent or correct problems caused by security breaches, and may harm our business.**

A fundamental requirement for online communications, transactions and support is the secure collection, storage and transmission of confidential information. Our systems collect and store confidential and personal information of our individual customers as well as our partners and their customers' users, including personally identifiable information and payment card information, and our employees and contractors may access and use that information in the course of providing services. In addition, we collect and retain personal information of our employees in the ordinary course of our business. We and our third-party contractors use commercially available technologies to secure this information. Despite these measures, parties may attempt to breach the security of our data or that of our customers. In addition, errors in the storage or transmission of data could breach the security of that information. We may be liable to our customers for any breach in security and any breach could subject us to governmental or administrative proceedings or monetary penalties, damage our relationships with partners and harm our business and reputation. Also, computers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. We may be required to expend significant capital and other resources to comply with mandatory privacy and security standards required by law, industry standard, or contract, and to further protect against security breaches or to correct problems caused by any security breach.

**We are exposed to risks associated with payment card and payment fraud and with payment card processing.**

Certain of our customers use payment cards to pay for our services and products. We may suffer losses as a result of orders placed with fraudulent payment cards or other payment data. Our failure to detect or control payment fraud could have an adverse effect on our results of operations. We are also subject to payment card association operating standards and requirements, as in effect from time to time. Compliance with those standards requires us to invest in network and systems infrastructure and processes. Failure to comply with these rules or requirements may subject us to fines, potential contractual liabilities, and other costs, resulting in harm to our business and results of operations.

**Privacy concerns and laws or other domestic or foreign regulations may require us to incur significant costs and may reduce the effectiveness of our solutions, and our failure to comply with those laws or regulations may harm our business and cause us to lose customers.**

Our software and services contain features that allow our technology specialists and other personnel to access, control, monitor and collect information from computers and other devices. Federal, state and foreign government bodies and agencies, however, have adopted or are considering adopting laws and regulations restricting or otherwise regulating the collection, use and disclosure of personal information obtained from consumers and individuals. Those regulations could require costly compliance measures, could reduce the efficiency of our operations, or could require us to modify or cease to provide our systems or services. Liability for violation of, costs of compliance with, and other burdens imposed by such laws and regulations may limit the use and adoption of our services and reduce overall demand for them. Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit adoption of our solutions by current and future customers. In addition, we may face claims about invasion of privacy or inappropriate disclosure, use, storage, or loss of information obtained from our customers. Any imposition of liability could harm our reputation, cause us to lose customers and cause our operating results to suffer.



## TABLE OF CONTENTS

**We rely on third-party technologies in providing certain of our software and services. Our inability to use, retain or integrate third-party technologies and relationships could delay service or software development and could harm our business.**

We license technologies from third parties, which are integrated into our services, technology and end user software. Our use of commercial technologies licensed on a non-exclusive basis from third parties poses certain risks. Some of the third-party technologies we license may be provided under open source licenses, which may have terms that require us to make generally available our modifications or derivative works based on such open source code. Our inability to obtain or integrate third-party technologies with our own technology could delay service development until equivalent compatible technology can be identified, licensed and integrated. These third-party technologies may not continue to be available to us on commercially reasonable terms or at all. If our relationship with third parties were to deteriorate, or if such third parties were unable to develop innovative and saleable products, or component features of our products, we could be forced to identify a new developer and our future revenue could suffer. We may fail to successfully integrate any licensed technology into our services or software, or maintain it through our own development work, which would harm our business and operating results. Third-party licenses also expose us to increased risks that include:

- Risks of product malfunction after new technology is integrated;
- Risks that we may be unable to obtain or continue to obtain support, maintenance and updates from the technology supplier;
- The diversion of resources from the development of our own proprietary technology; and
- Our inability to generate revenue from new technology sufficient to offset associated acquisition and maintenance costs.

### **Our business operates in regulated industries.**

Our current and anticipated service offerings operate in industries, such as home security, that are subject to various federal, state, provincial and local laws and regulations in the markets in which we operate. In certain jurisdictions, we may be required to obtain licenses or permits in order to comply with standards governing employee selection and training and to meet certain standards or licensing requirements in the conduct of our business. The loss of such licenses or permits or the imposition of conditions to the granting or retention of such licenses or permits could have a material adverse effect on us.

Changes in laws or regulations could require us to change the way we operate or to utilize resources to maintain compliance, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses for us or our partners. If laws and regulations were to change, or if we or our products and services we deemed not to comply with them, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

**In some cases we are exposed to greater risks of liability for employee acts or omissions or system failure, than may be typical in other businesses.**

We expect to support, among other programs, partners offering home security services and other devices and programs for us in the connected home. Because these services related to programs intended to help protect the lives and property, real and personal, of consumers, we may have greater exposure to liability and litigation risks than businesses that provide support for other consumer and SMB products and services. Our ability to limit our liability for the acts or omissions of our employees in our contract terms with partners and consumers in relation to such programs may be substantially less than in other markets we serve, which is to say, we may have much greater inherent legal liability exposure in such programs than is customarily seen in programs for markets we have offered



historically. In the event of litigation with respect to such matters, it is possible that our risk-mitigation provisions in contracts may be deemed not applicable or unenforceable exposing us to substantial liability exposure, and, regardless of the ultimate outcome, we may incur significant costs of defense that could materially and adversely affect our business, financial condition, results of operations and cash flows.



## TABLE OF CONTENTS

**If our services are used to commit fraud or other similar intentional or illegal acts, we may incur significant liabilities, our services may be perceived as not secure and customers may curtail or stop using our services.**

Certain software and services we provide, including our Support.com Cloud (Nexus) applications, enable remote access to and control of third-party computer systems and devices. We generally are not able to control how such access may be used or misused by licensees of our SaaS offerings. If our software is used by others to commit fraud or other illegal acts, including, but not limited to, violating data privacy laws, proliferating computer files that contain a virus or other harmful elements, interfering or disrupting third-party networks, infringing any third party's copyright, patent, trademark, trade secret or other rights, transmitting any unlawful, harassing, libelous, abusive, threatening, vulgar, obscene or otherwise objectionable material, or committing unauthorized access to computers, devices, or protected information, third parties may seek to hold us legally liable. As a result, defending such claims could be expensive and time-consuming regardless of the merits, and we could incur significant liability or be required to undertake expensive preventive or remedial actions. As a result, our operating results may suffer and our reputation may be damaged.

**We rely on intellectual property laws to protect our proprietary rights, and if these rights are not sufficiently protected or we are not able to obtain sufficient protection for our technology, it could harm our ability to compete and to generate revenue.**

We rely on a combination of laws, such as those applicable to patents, copyrights, trademarks and trade secrets, and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. Our ability to compete and grow our business could suffer if these rights are not adequately protected. Our proprietary rights may not be adequately protected because:

- Laws and contractual restrictions may not adequately prevent infringement of our proprietary rights and misappropriation of our technologies or deter others from developing similar technologies; and
- Policing infringement of our patents, trademarks and copyrights, misappropriation of our trade secrets, and unauthorized use of our products is difficult, expensive and time-consuming, and we may be unable to determine the existence or extent of this infringement or unauthorized use.

Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. The outcome of any litigation is uncertain and could significantly impact our financial results. Also, the laws of other countries in which we market our products may offer little or no protection of our proprietary technologies. Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without paying us for them, which would harm our competitive position and market share.

Our success and ability to compete depend to a significant degree on the protection of our solutions and other proprietary technology. It is possible that:

- We may not be issued patents we may seek to protect our technology;
- Competitors may independently develop similar technologies or design around any of our patents;
- Patents issued to us may not be broad enough to protect our proprietary rights; and
- Our issued patents could be successfully challenged.

**We may face intellectual property infringement claims that could be costly to defend and result in our loss of significant rights.**

Our business relies on the use and licensing of technology. Other parties may assert intellectual property infringement claims against us or our customers, and our products may infringe the intellectual property rights of third parties. For example, our products may infringe patents issued to third parties. In addition, as is increasingly common in the



technology sector, we may be confronted with the aggressive enforcement of patents by companies whose primary business activity is to acquire patents for the purpose of offensively asserting them against other companies. From time to time, we have received allegations or claims of intellectual property infringement, and we may receive more claims in the future. We may also be required to pursue litigation to protect our intellectual property rights or defend against allegations of infringement. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. The outcome of any litigation is uncertain and could significantly impact our financial results. If there is a successful



## TABLE OF CONTENTS

claim of infringement, we may be required to develop non-infringing technology or enter into royalty or license agreements, which may not be available on acceptable terms, if at all. Our failure to develop non-infringing technologies or license proprietary rights on a timely basis would harm our business.

### **We may face class actions and similar claims that could be costly to defend or settle and result in negative publicity and diversion of management resources.**

Our business involves direct sale and licensing of services and software to consumers and SMBs, and we typically include customary indemnification provisions in favor of our partners in our agreements for the distribution of our services and software. As a result we can be subject to consumer litigation and legal proceedings related to our services and software, including putative class action claims and similar legal actions. As our employee count grows and consists mostly of hourly ( non-exempt ) employees working from home, we can also be subject to employee litigation and legal proceedings related to our employment practices attempted on a class or representative basis. Such litigation can be expensive and time-consuming regardless of the merits of any action, and could divert management's attention from our business. The cost of defense can be large as can any settlement or judgment in an action. The outcome of any litigation is uncertain and could significantly impact our financial results. Regardless of outcome, litigation can have an adverse impact on us because of defense costs, negative publicity, diversion of management resources and other factors.

### **Our long-term success depends, in part, on our ability to expand sales to customers located outside of the United States, and thus our business is susceptible to risks associated with international sales and operations.**

We currently have sales personnel only within the United States but anticipate expanding our international operations. Our international expansion efforts may not be successful. In addition, conducting international operations subjects us to new risks that we have not generally faced in the United States. These risks include:

- Localization of our services, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- Lack of familiarity with and unexpected changes in foreign regulatory requirements;
- Longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- Difficulties in managing and staffing international operations;
- Fluctuations in currency exchange rates;
- Potentially adverse tax consequences, including the complexities of foreign value added or other tax systems and restrictions on the repatriation of earnings;
- Dependence on certain third parties, including channel partners with whom we do not have extensive experience;
- The burdens of complying with a wide variety of foreign laws and legal standards;
- Increased financial accounting and reporting burdens and complexities;
- Political, social and economic instability abroad, terrorist attacks and security concerns in general; and
- Reduced or varied protection for intellectual property rights in some countries.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

### **We have recorded long-lived assets, and our results of operations would be adversely affected if their value becomes impaired.**

Goodwill and identifiable intangible assets were recorded in part due to our acquisition of substantially all of the assets and liabilities of YourTechOnline.com in May 2008, our acquisition of substantially all of the assets of Xeriton



Corporation in December 2009, our acquisition of certain assets and assumed liabilities of SUPERAntiSpyware in June 2011 and our acquisition of certain assets and assumed liabilities of RightHand IT Corporation in January 2012. We also have certain intangible assets with indefinite lives. We assess the impairment of goodwill and indefinite lived intangible assets annually or more often (as occurred during 2015;



## TABLE OF CONTENTS

see Note 1 in the accompanying consolidated financial statements for additional information on our goodwill impairment) if events or changes in circumstances indicate that the carrying value may not be recoverable. We assess the impairment of acquired product rights and other finite lived intangible assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If an impairment of our long-lived assets occurs, we will incur non-cash impairment charges.

**Actions of activist stockholders against us could be disruptive and costly and the possibility that activist stockholders may wage proxy contests or gain representation on or control of our Board of Directors could cause uncertainty about the strategic direction of our business.**

Stockholders may from time to time engage in proxy solicitations, advance stockholder proposals or board nominations or otherwise attempt to effect changes, assert influence or acquire some level of control over us. While our Board of Directors and management team strive to maintain constructive, ongoing communications with all of the Company's stockholders, including activist stockholders, and welcomes their views and opinions with the goal of enhancing value for all stockholders, including any suggestions they may have for enhancing the depth and breadth of our Board, activist campaigns that contest, or conflict with, our strategic direction or seek changes in the composition of our Board could have an adverse effect on us because:

- Responding to proxy contests and other actions by activist stockholders can disrupt our operations, be costly and time-consuming, and divert the attention of our Board and senior management from the pursuit of business strategies, which could adversely affect our results of operations and financial condition; Perceived uncertainties as to our future direction as a result of changes to the composition of our Board may lead to the perception of a change in the direction of the business, instability or lack of continuity which may
- be exploited by our competitors, cause concern to our current or potential clients, may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners; These types of actions could cause significant fluctuations in our stock price based on temporary or
- speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business; and
- If individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders.

**Delaware law and our certificate of incorporation and bylaws contain anti-takeover provisions, and our Board of Directors adopted a short-term stockholder rights agreement, any of which could delay or discourage takeover attempts that some stockholders may consider favorable.**

Delaware law and our certificate of incorporation and amended and restated bylaws contain certain provisions, and our Board of Directors adopted a short-term stockholder rights agreement with an expiration date of October 10, 2016, any of which could render more difficult, or discourage a merger, tender offer, or assumption of control of the Company that is not approved by our Board of Directors that some stockholders may consider favorable. The rights agreement, however, should not interfere with any merger, tender or exchange offer or other business combination approved by our Board of Directors. Nor does the rights agreement prevent our Board of Directors from considering any offer that it considers to be in the best interest of the Company's stockholders.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

### **ITEM 2. PROPERTIES.**

Our corporate headquarters is located in Redwood City, California, where we sublease an office facility of approximately 21,620 square feet. The sublease agreement will expire on February 18, 2017. We are in the process of



evaluating an expansion of our corporate headquarters to support the growth of the business. We also lease office facilities in Eugene, Oregon (for which the lease agreement will expire on December 31, 2017) and Louisville, Colorado (for which the lease agreement expired on January 31, 2016 and was renewed in 2016 for one year). In addition, we lease an office in Bangalore, India with 6,838 square feet for which the lease will expire on August 31, 2021.



TABLE OF CONTENTS**ITEM 3. LEGAL PROCEEDINGS.****Legal Contingencies**

On April 3, 2014, LT Tech LLC filed a complaint against the Company in U.S. District Court for the Eastern District of Texas alleging infringement of United States Patent No. 6,177,932. LT Tech LLC is believed to be a non-practicing entity ( NPE ) and has filed several patent infringement lawsuits against other companies in U.S. District Court for the Eastern District of Texas and elsewhere. On June 30, 2014, the Company and LT Tech LLC executed a Settlement and License Agreement according to which the Company paid LT Tech LLC a total amount of \$150,000 which was recorded as a charge against earnings in cost of services in the second quarter of 2014. On July 8, 2014, the Company obtained a dismissal for the complaint filed by LT Tech LLC. The Company denies any wrongdoing or liability and entered into the settlement to minimize the costs of defense.

On February 7, 2012, a lawsuit seeking class-action certification was filed against the Company in the United States District Court for the Northern District of California, No. 12-CV-00609, alleging that the design of one the Company's software products and the method of promotion to consumers constitute fraudulent inducement, breach of contract, breach of express and implied warranties, and unjust enrichment. On the same day the same plaintiffs' law firm filed another action in the United States District Court for the Southern District of New York, No. 12-CV-0963, involving similar allegations against a subsidiary of the Company and one of the Company's partners who distributes our software products, and that partner requested indemnification under contract terms with the Company. The law firm representing the plaintiffs in both cases has filed unrelated class actions in the past against a number of major software providers with similar allegations about those providers' products. On May 30, 2013, the Company received final court approval relating to the terms of a settlement of these actions. Under the terms of the settlement, the Company offered a one-time cash payment, covered by the Company's insurance provider, to qualified class-action members; the deadline to submit a claim form concluded on February 28, 2013. In addition, the Company offered a limited free subscription to one of its software products; the deadline for redemptions concluded on August 31, 2013. Therefore, the Company reversed a previous accrual of \$57,000 associated with these actions and recorded a benefit in the same amount within interest income and other, net in the condensed consolidated statements of operations for the year ended December 31, 2013. The Company denies any wrongdoing or liability and entered into the settlement to minimize the costs of defense.

We are also subject to other routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business, potentially including assertions that we may be infringing patents or other intellectual property rights of others. We currently do not believe that the ultimate amount of liability, if any, for such routine legal proceedings (alone or combined) will materially affect our financial position, results of operations or cash flows. The ultimate outcome of any litigation is uncertain, however, and unfavorable outcomes could have a material negative impact on our financial condition and operating results. Regardless of outcome, litigation can have an adverse impact on us because of defense costs, negative publicity, diversion of management resources and other factors.

**Guarantees**

We have identified guarantees in accordance with ASC 450, *Contingencies*. This guidance stipulates that an entity must recognize an initial liability for the fair value, or market value, of the obligation it assumes under the guarantee at the time it issues such a guarantee, and must disclose that information in its interim and annual financial statements. We have entered into various service level agreements with our partners, in which we may guarantee the maintenance of certain service level thresholds. Under some circumstances, if we do not meet these thresholds, we may be liable for certain financial costs. We evaluate costs for such guarantees under the provisions of ASC 450. We consider such factors as the degree of probability that we would be required to satisfy the liability associated with the guarantee and the ability to make a reasonable estimate of the resulting cost. We incurred zero costs as a result of such obligations



during the years ended December 31, 2015 and 2014. We have not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2015 and 2014.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.



TABLE OF CONTENTS**PART II**

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

**Market of Common Stock**

Our common stock has been traded publicly on the Nasdaq Global Select Market ( Nasdaq ) under the symbol SPRT since July 19, 2000. Before July 19, 2000, there was no public market for our common stock. The following table sets forth the highest and lowest sale price of our common stock for the quarters indicated:

	<b>Low</b>	<b>High</b>
<b>Fiscal Year 2015:</b>		
First Quarter	\$ 1.56	\$ 2.08
Second Quarter	\$ 1.38	\$ 1.82
Third Quarter	\$ 1.09	\$ 1.41
Fourth Quarter	\$ 0.97	\$ 1.27
<b>Fiscal Year 2014:</b>		
First Quarter	\$ 2.40	\$ 3.87
Second Quarter	\$ 2.21	\$ 2.71
Third Quarter	\$ 2.16	\$ 2.81
Fourth Quarter	\$ 1.90	\$ 2.30

**Holders of Record**

As of February 29, 2016, there were approximately 113 holders of record of our common stock (not including beneficial holders of stock held in street name).

**Dividend Policy**

We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to do so in the foreseeable future. We currently anticipate that all future earnings, if any, generated from operations will be retained by us to develop and expand our business. Any future determination with respect to the payment of dividends will be at the discretion of the Board of Directors and will depend on, among other things, our operating results, financial condition and capital requirements, the terms of then-existing indebtedness, general business conditions and such other factors as the Board of Directors deems relevant.

**Securities Authorized for Issuance Under Equity Compensation Plans**

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of Part III of this Report.



**TABLE OF CONTENTS****Stock Price Performance Graph**

The following graph illustrates a comparison of the cumulative total stockholder return (change in stock price plus reinvested dividends) of the Company's Common Stock and the CRSP Total Return Index for the Nasdaq U.S. Stocks (the Nasdaq Composite Index) and Nasdaq Computer and Data Processing Services Index from December 31, 2010 through December 31, 2015. The graph assumes that \$100 was invested on December 31, 2010 in us, the Nasdaq Composite Index and the Nasdaq Computer and Data Processing Services Index and that all dividends were reinvested. No cash dividends have been declared or paid on our common stock. Our common stock has been traded on the Nasdaq since July 19, 2000. The comparisons in the table are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

**COMPARISON OF CUMULATIVE TOTAL RETURN AMONG  
SUPPORT.COM, INC.,  
THE NASDAQ COMPOSITE INDEX, AND  
THE NASDAQ COMPUTER INDEX**

**CUMULATIVE TOTAL RETURN AT PERIOD END**

	<b>12/31/10</b>	<b>12/30/11</b>	<b>12/31/12</b>	<b>12/31/13</b>	<b>12/31/14</b>	<b>12/31/15</b>
Support.com, Inc.	\$ 100.00	\$ 34.72	\$ 64.35	\$ 58.49	\$ 32.56	\$ 15.59
Nasdaq Composite Index	\$ 100.00	\$ 98.20	\$ 113.82	\$ 157.44	\$ 178.53	\$ 188.75
Nasdaq Computer Index	\$ 100.00	\$ 100.49	\$ 113.03	\$ 149.13	\$ 178.78	\$ 189.94

The information presented above in the stock performance graph shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C, except to the extent that we subsequently specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act of 1933 or Exchange Act.

**ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.**

Support.com is a leading provider of cloud-based software and services for technology support. In June 2009, we sold our legacy Enterprise software business to Consona Corporation and focused our efforts purely on the consumer and SMB markets for technology services, and, more recently, our Support.com Cloud offering (Nexus). Therefore, our audited consolidated financial statements, accompanying notes and other information provided in this Form 10-K reflect the Enterprise business as a discontinued operation for all periods presented in accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company currently reports its operations as a single operating segment.



**TABLE OF CONTENTS**

The information set forth below is not necessarily indicative of results of future operations and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in Items 7 and 8 of Part II of this Report.

	Year Ended December 31,				
	2015 <sup>(1)</sup>	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2012	2011
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue:					
Services	\$ 72,151	\$ 77,272	\$ 74,867	\$ 57,622	\$ 37,248
Software and other	5,182	5,719	13,296	14,332	16,591
Total revenue	77,333	82,991	88,163	71,954	53,839
Cost of revenue:					
Cost of services	61,439	60,606	43,208	37,343	29,919
Cost of software and other	536	840	1,172	1,421	1,744
Total cost of revenue	61,975	61,446	44,380	38,764	31,663
Gross profit	15,358	21,545	43,783	33,190	22,176
Operating expenses:					
Research and development	6,957	5,078	5,735	6,773	6,057
Sales and marketing	8,545	7,206	14,599	18,285	21,791
General and administrative	13,011	11,320	11,376	12,234	12,005
Amortization of intangible assets and other	1,069	1,091	1,321	1,522	866
Goodwill impairment	14,240	—	—	—	—
Total operating expenses	43,822	24,695	33,031	38,814	40,719
Income (loss) from operations	(28,464 )	(3,150 )	10,752	(5,624 )	(18,543 )
Interest income and other, net	430	294	369	297	455
Income (loss) from continuing operations, before income taxes	(28,034 )	(2,856 )	11,121	(5,327 )	(18,088 )
Income tax provision	(965 )	740	772	208	401
Income (loss) from continuing operations, after income taxes	(27,069 )	(3,596 )	10,349	(5,535 )	(18,489 )
Income (loss) from discontinued operations, after income taxes	28	113	34	111	(151 )
Net income (loss)	\$ (27,041 )	\$ (3,483 )	\$ 10,383	\$ (5,424 )	\$ (18,640 )
Basic earnings (loss) per share:					
Continuing operations, after income taxes	\$ (0.50 )	\$ (0.07 )	\$ 0.20	\$ (0.11 )	\$ (0.39 )
Discontinued operations, after income taxes	0.00	0.01	0.00	0.00	(0.00 )



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Basic net earnings (loss) per share	\$	(0.50 )	\$	(0.06 )	\$	0.20	\$	(0.11 )	\$	(0.39 )
Diluted earnings (loss) per share:										
Continuing operations, after income taxes	\$	(0.50 )	\$	(0.07 )	\$	0.19	\$	(0.11 )	\$	(0.39 )
Discontinued operations, after income taxes		0.00		0.01		0.00		0.00		(0.00 )
Diluted net earnings (loss) per share	\$	(0.50 )	\$	(0.06 )	\$	0.19	\$	(0.11 )	\$	(0.39 )
Shares used in computing per share amounts:										
Basic		54,548		53,834		51,553		48,798		48,288
Diluted		54,548		53,834		53,825		48,798		48,288

- (1) Certain amounts in the consolidated financial statements for the year ended December 31, 2013, as well as in the condensed consolidated financial statements for the first and second quarters of 2014, have been reclassified to conform to the current period's presentation. Please see Note 1 in Notes to the Consolidated Financial Statements for further discussion on Financial Statement Reclassification.



TABLE OF CONTENTS

	2015	2014	December 31, 2013 (in thousands)	2012	2011
<b>Consolidated Balance Sheet Data:</b>					
Cash, cash equivalents and investments	\$ 65,734	\$ 73,793	\$ 72,357	\$ 56,350	\$ 53,013
Working capital	\$ 67,873	\$ 79,758	\$ 77,973	\$ 54,758	\$ 51,168
Total assets	\$ 81,492	\$ 107,987	\$ 106,899	\$ 88,259	\$ 84,996
Long-term obligations	\$ 792	\$ 2,201	\$ 1,804	\$ 1,456	\$ 1,575
Accumulated deficit	\$ (186,514 )	\$ (159,473 )	\$ (155,990 )	\$ (166,373 )	\$ (160,949 )
Total stockholders' equity	\$ 71,346	\$ 95,721	\$ 95,396	\$ 74,163	\$ 71,335



## TABLE OF CONTENTS

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

**The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Form 10-K. The following discussion includes forward-looking statements. Please see the section entitled *Risk Factors* in Item 1A of this Report for important information to consider when evaluating these statements.**

#### **Overview**

Support.com, Inc. is a leading provider of cloud-based software and services that enable technology support for a connected world. Support.com is the choice of leading communications providers, top retailers, and other important brands in software, consumer and business electronics, and connected technology.

Our technology support services programs help leading brands create new revenue streams and deepen customer relationships. We offer turnkey, outsourced support services for service providers, retailers, IoT (Internet of Things) solution providers and technology companies. Our technology support services programs are designed for both the consumer and SMB markets, and include computer and mobile device set-up, security and support, virus and malware removal, wireless network set-up, and home security and automation system support. Most of our technology specialists work from their homes rather than in brick-and-mortar facilities. We are compensated for our services on a per-incident, per-subscription or labor rate basis.

Our Support.com Cloud offering ( Nexus® ) is a software-as-a-service ( SaaS ) solution for companies to optimize support interactions with their customers using their own or third party support personnel. The solution enables companies to quickly resolve complex technology issues for their customers, boosting support agent productivity, providing ease of use for customer self-service, and dramatically improving the customer experience.

Total revenue for the year ended December 31, 2015 decreased by \$5.7 million, or 7%, from 2014. Revenue from services decreased by \$5.1 million, or 7%, from 2014. The decrease in service revenue was mainly due to 1) a decrease in the Comcast Wireless Gateway program due to call volume declines, which was somewhat offset by an increase in the Xfinity Home program due to a full year of contribution and program growth, 2) a decrease in Office Depot revenue primarily as a result of price reductions provided at the time of the 2014 contract extension and 3) other fluctuations in various programs due to market conditions. Revenue from software and other decreased by \$0.5 million, or 9%, from 2014 primarily due to expirations of subscriptions exceeding new subscriptions.

Cost of services for the year ended December 31, 2015 increased by 1% from 2014 primarily as a result of an increase in technology specialists primarily to support new program launches. Cost of software and other for the year ended December 31, 2015 decreased by 36% year-over-year due to lower sales of end-user software products. Total gross margin declined from 26% to 20% year-over-year due to a higher percentage of revenue generated by the lower margin Comcast home networking support bundle program and Comcast Xfinity home program and costs associated with new program launches.

Operating expenses for the year ended December 31, 2015 increased by 77% from 2014. Included in operating expenses was an impairment charge of \$14.2 million related to the write-off of goodwill, accounting for 74% of the increase. We expect to increase research and development and sales and marketing investment related to our Support.com Cloud offering (Nexus) during 2016.

Our key goals for 2016 are to increase SaaS revenue from our Support.com Cloud offering (Nexus), to expand existing service programs, to launch service programs with new partners, and to improve service delivery efficiency. We will also execute on our product roadmap to provide automation and analytics that enable companies to deliver



superior technology issue resolution while improving both the customer experience and operational performance.

We intend the following discussion of our financial condition and results of operations to provide information that will assist in understanding our consolidated financial statements, the changes in certain key items in those consolidated financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our consolidated financial statements.



**TABLE OF CONTENTS****Critical Accounting Policies and Estimates**

In preparing our consolidated financial statements in conformity with generally accepted accounting principles in the United States, we make assumptions, judgments and estimates that can have a significant impact on our revenue and operating results, as well as on the value of certain assets and liabilities on our consolidated balance sheet. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis we evaluate our assumptions, judgments and estimates and make changes accordingly. We believe that the assumptions, judgments and estimates involved in the accounting for revenue recognition, fair value measurements, purchase accounting in business combinations, self-insurance accruals, accounting for goodwill and other intangible assets, stock-based compensation and accounting for income taxes have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. We discuss below the critical accounting estimates associated with these policies. For further information on the critical accounting policies, see Note 1 of our Notes to Consolidated Financial Statements.

*Revenue Recognition*

Our revenue recognition policy is one of our critical accounting policies because revenue is a key component of our results of operations, and revenue recognition is based on complex rules which require us to make judgments. In accordance with the provisions of ASC 605, *Revenue Recognition*, we recognize revenue only when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) collection is considered probable, and (iv) the fees are fixed or determinable. We do not record revenue on sales transactions when the collection of cash is in doubt at the time of sale, and we use management judgment in determining collectability. From time to time, we may enter into agreements which involve us making payments to our partners. We use judgment in evaluating the treatment of such payments and in determining which portions of the consideration paid to customers should be recorded as contra-revenue and which should be recorded as an expense. We generally provide a refund period on services and end-user software products, and we employ judgment in determining whether a customer is eligible for a refund based on that customer's specific facts and circumstances. Our Support.com Cloud (Nexus) agreements usually include service level thresholds under which we may be liable for certain financial costs. If our estimates and judgments on any of the foregoing are incorrect, our revenue for one or more periods may be incorrectly recorded. Please see Note 1 in Notes to the Consolidated Financial Statements for further discussion of our revenue recognition policies.

*Fair Value Measurements*

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Therefore, determining fair value for Level 1 instruments generally does not require significant management judgment, and the estimation is not difficult.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs



that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 instruments require limited management judgment.

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The determination of fair value for Level 3 instruments requires the most management judgment and subjectivity.



## TABLE OF CONTENTS

Our Level 2 securities are priced using quoted market prices for similar instruments, nonbinding market prices that are corroborated by observable market data, or discounted cash flow techniques. Marketable securities, measured at fair value using Level 2 inputs, are primarily comprised of commercial paper, corporate bonds, corporate notes and U.S. government agencies securities. We review trading activity and pricing for these investments as of the measurement date. When sufficient quoted pricing for identical securities is not available, we use market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data.

### *Purchase Accounting in Business Combinations*

Under the purchase method of accounting, we allocate the purchase price of acquired companies to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. We record the excess of purchase price over the aggregate fair values of the tangible and identifiable intangible assets as goodwill. We determine the fair values of assets acquired and liabilities assumed. These valuations require us to make significant estimates and assumptions, especially with respect to intangible assets. Such estimates include assumptions regarding future revenue streams, market performance, customer base, and various vendor relationships. We estimate the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expenses. We estimate the future cash flows to be derived from such assets, and these estimates are used to determine the fair value of the assets. If any of these estimates change, depreciation or amortization expenses could be changed and/or the value of our intangible assets could be impaired.

### *Accounting for Goodwill and Other Intangible Assets*

We test goodwill for impairment annually on September 30 and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable in accordance with ASC 350, *Intangibles - Goodwill and Other*. Consistent with our assessment that we have only one reporting segment, we test goodwill for impairment at the entity level. We test goodwill using the two-step process required by ASC 350. In the first step, we compare the carrying value of the reporting unit to the fair value based on quoted market prices of our common stock. If the fair value of the reporting unit exceeds the carrying value, goodwill is not considered impaired and no further testing is required. If the carrying value exceeds the fair value, goodwill is potentially impaired and the second step of the impairment test must be performed. In the second step, we compare the implied fair value of the goodwill, as defined by ASC 350, to the carrying value to determine the impairment loss, if any. We performed our annual goodwill impairment tests on September 30, 2014, and 2013 and concluded that there was no impairment.

For the quarter ended June 30, 2015, based on various quantitative and qualitative factors which included, among others, the continuing decline in the Company's market capitalization, the Company determined that sufficient indicators existed warranting a review to determine if the fair value of its single reporting unit had been reduced to below its carrying value. As a result, the Company performed goodwill impairment testing using the required two-step process.

The result of the Company's step one test indicated that the carrying value of the Company's single reporting unit exceeded its estimated fair value. Accordingly, the Company performed the second step test and concluded that its goodwill was fully impaired and thus recorded a non-cash impairment charge of \$14.2 million for the quarter ended June 30, 2015.

We assess the impairment of identifiable intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss would be recognized when the sum of the future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying value.



During the second and fourth quarter of 2015, based on various quantitative and qualitative factors which included, among others, the continuing decline in the Company's market capitalization, the Company determined that sufficient indicators existed warranting a review of the future net cash flows expected to result from the use of the identifiable intangible assets and their eventual disposition. We determined that asset values were recoverable based on future estimated cash flows and concluded that there was no impairment.



## TABLE OF CONTENTS

If our estimates regarding future cash flows derived from such assets were to change, we may record an impairment charge to the value of these assets. Such impairment loss would be measured as the difference between the carrying value of the asset and its fair value.

### *Stock-Based Compensation*

We account for stock-based compensation in accordance with the provisions of ASC 718, *Compensation - Stock Compensation*. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period of the award. We estimate the fair value of stock-based awards on the grant date using (i) the Black-Scholes-Merton option-pricing model for service-based stock options, (ii) the Monte-Carlo simulation model for market-based stock options, and (iii) the quoted prices of the Company's common stock for restricted stock units. Determining the appropriate fair value model and calculating the fair value of stock-based awards requires judgment, including estimating stock price volatility, forfeiture rates and expected life. If any of these assumptions used in the option-pricing models change, our stock-based compensation expense could change on our consolidated financial statements.

### *Accounting for Income Taxes*

We are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves management's estimation of our current tax exposures together with an assessment of temporary differences determined based on the difference between the financial statement and tax basis of certain items. These differences result in net deferred tax assets and liabilities, which are included in our consolidated balance sheet. We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We currently have provided a full valuation allowance on our U.S. deferred tax assets that management determined are not likely to be realized due to cumulative net losses since inception and the difficulty in accurately forecasting the Company's results. In addition, we currently have provided a partial valuation allowance on certain foreign deferred tax assets. If any of our estimates change, we may change the likelihood of recovery and our tax expense as well as the value of our deferred tax assets would change.

Our deferred tax assets do not include excess tax benefits related to stock-based compensation post ASC 718 adoption. The total excess tax benefit component of our federal and state net operating loss carryforwards is \$4.2 million as of December 31, 2015. Consistent with prior years, the excess tax benefit reflected in our net operating loss carryforwards will be accounted for as a credit to stockholders' equity, if and when realized. In determining if and when excess tax benefits have been realized, we have elected to utilize the with-and-without approach with respect to such excess tax benefits.

Our income tax calculations are based on the application of the respective U.S. Federal, state or foreign tax law. The Company's tax filings, however, are subject to audit by the respective tax authorities. Accordingly, we recognize tax liabilities based on our estimate of whether, and the extent to which, additional taxes will be due when such estimates are more-likely-than-not to be sustained. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. To the extent the final tax liabilities are different than the amounts originally accrued, the increases or decreases are recorded as income tax expense or benefit in the consolidated statements of operations.



**TABLE OF CONTENTS****Results of Operations**

The following table presents certain Consolidated Statements of Operations data for the periods indicated as a percentage of total revenue:

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue:			
Services	93 %	93 %	85 %
Software and other	7	7	15
Total revenue	100	100	100
Cost of revenue:			
Cost of services	79	73	49
Cost of software and other	1	1	1
Total cost of revenue	80	74	50
Gross profit	20	26	50
Operating expenses:			
Research and development	9	6	7
Sales and marketing	11	9	17
General and administrative	17	14	13
Amortization of intangible assets and other	1	1	1
Impairment of goodwill	19	—	—
Total operating expenses	57	30	38
Income (loss) from operations	(37 )	(4 )	12
Interest income and other, net	1	1	1
Income (loss) from continuing operations, before income taxes	(36 )	(3 )	13
Income tax provision	(1 )	1	1
Income (loss) from continuing operations, after income taxes	(35 )	(4 )	12
Income from discontinued operations, after income taxes	0	0	0
Net income (loss)	(35 )	(4 )%	12 %

**Years Ended December 31, 2015, 2014, and 2013:*****Revenue***

<b>(\$ in thousands)</b>	<b>2015</b>	<b>% Change 2014 to 2015</b>	<b>2014</b>	<b>% Change 2013 to 2014</b>	<b>2013</b>
Services	\$ 72,151	(7 )%	\$ 77,272	3 %	\$ 74,867
Software and other	5,182	(9 )%	5,719	(57 )%	13,296
Total revenue	\$ 77,333	(7 )%	\$ 82,991	(6 )%	\$ 88,163



*Services.* Services revenue consists primarily of fees for technology services generated from our partners. We provide these services remotely, generally using service delivery personnel who utilize our proprietary technology to deliver the services. Services revenue is also comprised of the licensing of our Support.com Cloud (Nexus). Services revenue for the year ended December 31, 2015 decreased by \$5.1 million from 2014. The decrease in revenue was mainly due to 1) a decrease in the Comcast Wireless Gateway program due to call volume declines, which was somewhat offset by an increase in the Xfinity Home program due to a full year of contribution and program growth, 2) a decrease in Office Depot revenue primarily as a result of price reductions provided at the time of the 2014 contract extension and 3) other fluctuations in various programs due to market conditions. For the year ended December 31, 2015, services revenue generated from our partnerships was \$67.4 million compared to \$70.9 million for 2014. For the year ended December 31, 2015, direct services revenue was \$4.8 million compared to \$6.4 million for 2014.



**TABLE OF CONTENTS**

Services revenue for the year ended December 31, 2014 increased by \$2.4 million from 2013. The increase was mainly due to continued growth in our Comcast programs. For the year ended December 31, 2014, services revenue generated from our partnerships was \$70.9 million compared to \$70.6 million for 2013. For the year ended December 31, 2014, direct services revenue was \$6.4 million compared to \$4.2 million for 2013.

*Software and other.* Software and other revenue is comprised primarily of fees for end-user software products provided through direct customer downloads, and, to a lesser extent, through the sale of these software products via partners. Software and other revenue for the year ended December 31, 2015 decreased by \$537,000 from 2014 due to expirations of subscriptions being greater than new subscriptions. For the year ended December 31, 2015, direct software and other revenue was \$3.0 million compared to \$3.2 million for 2014. For the year ended December 31, 2015, software and other revenue generated from our partnerships was \$2.2 million compared to \$2.5 million for 2014.

Software and other revenue for the year ended December 31, 2014 decreased by \$7.6 million from 2013 due to a decision to discontinue our largest advertising placements in the second half of 2013. For the year ended December 31, 2014, direct software and other revenue was \$3.2 million compared to \$8.3 million for 2013. For the year ended December 31, 2014, software and other revenue generated from our partnerships was \$2.5 million compared to \$5.0 million for 2013.

***Revenue Mix***

The components of revenue, expressed as a percentage of total revenue were:

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Services	93 %	93 %	85 %
Software and other	7 %	7 %	15 %
Total revenue	100 %	100 %	100 %

We expect that services revenue will increase as a percentage of our total revenue and that software and other revenue will decrease as a percentage of our total revenue over the next year.

For the year ended December 31, 2015, Comcast and Office Depot accounted for 68% and 15%, respectively, of our total revenue. For the year ended December 31, 2014, Comcast and Office Depot accounted for 64% and 16%, respectively, of our total revenue. For the year ended December 31, 2013, Comcast accounted for 53% of our total revenue. Had the Office Depot and OfficeMax merger been effective throughout the year ended December 31, 2013, the combined entity would have accounted for 18% of our total revenue. No other customers accounted for 10% or more of our total revenue in any year presented. Revenue from customers outside the United States accounted for less than 1% of our total revenue in 2015, 2014, and 2013.

***Cost of Revenue***

<b>(\$ in thousands)</b>	<b>2015</b>	<b>% Change 2014 to 2015</b>	<b>2014</b>	<b>% Change 2013 to 2014</b>	<b>2013</b>
Cost of services	\$ 61,439	1 %	\$ 60,606	40 %	\$ 43,208
Cost of software and other	\$ 536	(36 )%	840	(28 )%	1,172



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Total cost of revenues	\$ 61,975	1	%	\$ 61,446	38	%	\$ 44,380
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*Cost of services.* Cost of services consists primarily of compensation costs and contractor expenses for people providing services, technology and telecommunication expenses related to the delivery of services and other personnel-related expenses in service delivery. The increase of \$833,000 in cost of services for the year ended December 31, 2015 compared to 2014 was mainly due to increases in wages and employee benefits in connection with the hiring of additional technology specialists primarily to support new program launches.

The increase of \$17.4 million in cost of services for the year ended December 31, 2014 compared to 2013 was mainly due to increases in wages and employee benefits of \$13.0 million and in direct technology costs of \$1.3 million in connection with the hiring of additional technology specialists primarily for our home networking support bundle program and Xfinity home program with Comcast.



**TABLE OF CONTENTS**

*Cost of software and other.* Cost of software and other fees consists primarily of third-party royalty fees for our end-user software products. Certain of these products were developed using third-party research and development resources, and the third party receives royalty payments on sales of products it developed. The decrease of \$304,000 in cost of software and other for the year ended December 31, 2015 compared to 2014 was primarily due to lower sales of end-user software products. The decrease of \$332,000 in cost of software and other for the year ended December 31, 2014 compared to 2013 was primarily due to lower sales of end-user software products driven by our decision to discontinue our largest advertising placements in the second half of 2013.

***Operating expenses***

(\$ in thousands)	2015	% Change 2014 to 2015	2014	% Change 2013 to 2014	2013
Research and development	\$ 6,957	37 %	\$ 5,078	(11 )%	\$ 5,735
Sales and marketing	8,545	19 %	7,206	(51 )%	14,599
General and administrative	13,011	15 %	11,320	(0 )%	11,376
Amortization of intangible assets and other	1,069	(2 )%	1,091	(17 )%	1,321
Goodwill impairment	14,240	100 %	—	—	—
Total operating expenses	\$ 43,822	77 %	\$ 24,695	(25 )%	\$ 33,031

*Research and development.* Research and development expense consists primarily of compensation costs, third-party consulting expenses and related overhead costs for research and development personnel. Research and development costs are expensed as they are incurred. The increase of \$1.9 million in research and development expense for the year ended December 31, 2015 compared to 2014 resulted primarily from increases in salary and wage related expenses due to an increase in headcount. The decrease of \$657,000 in research and development expense for the year ended December 31, 2014 compared to 2013 resulted primarily from decreases in salary and employee related expenses including stock-based compensation expense due to a decrease in headcount.

*Sales and marketing.* Sales and marketing expense consists primarily of compensation costs of business development, program management and marketing personnel, as well as expenses for lead generation and promotional activities, including public relations, advertising and marketing. The increase of \$1.3 million in sales and marketing expense for the year ended December 31, 2015 compared to 2014 resulted primarily from increases in salary and wage related expenses due to an increase in headcount.

The decrease of \$7.4 million in sales and marketing expense for the year ended December 31, 2014 compared to 2013 resulted from our decision to discontinue our largest advertising placements in the second half of 2013.

*General and administrative.* General and administrative expense consists primarily of compensation costs and related overhead costs for administrative personnel and professional fees for legal, accounting and other professional services. The increase of \$1.7 million in general and administrative expense for the year ended December 31, 2015 compared to 2014 resulted primarily from increases in salary and wage related expenses due to an increase in headcount as well in an increase in professional services.



General and administrative expense for the year ended December 31, 2014 compared to 2013 was consistent year-over-year.

*Amortization of intangible assets and other.* The amortization of intangible assets and other for the year ended December 31, 2015 was consistent year-over-year. The decrease of \$230,000 in amortization of intangible assets and other for the year ended December 31, 2014 compared to 2013 was due to certain intangible assets becoming fully amortized as of the end of 2013.

***Interest income and other, net***

(\$ in thousands)	2015	% Change 2014 to 2015	2014	% Change 2013 to 2014	2013
Interest income and other, net	\$ 430	46 %	\$ 294	(20 %) %	\$ 369



**TABLE OF CONTENTS**

*Interest income and other, net.* Interest income and other, net consists primarily of interest income on our cash, cash equivalents and short-term investments. The increase in interest income and other, net of \$136,000 for the year ended December 31, 2015 compared to 2014 was primarily due to increased interest on our investments. The decrease in interest income and other, net of \$75,000 for the year ended December 31, 2014 compared to 2013 was primarily due to a reversal of a previous legal accrual of \$57,000 associated with a class-action lawsuit that was concluded in August 2013.

***Income tax provision***

(\$ in thousands)	2015	% Change 2014 to 2015	2014	% Change 2013 to 2014	2013
Income tax provision	\$ (965 )	(230 )%	\$ 740	(4 )%	\$ 772

*Income tax provision.* The income tax provision (benefit) is comprised of estimates of current taxes due in domestic and foreign jurisdictions. For the year ended December 31, 2015, the income tax provision (benefit) primarily consisted of state income tax, foreign taxes, and tax benefit related to acquisition-related goodwill. For the year ended December 31, 2015, the income tax benefit consisted of \$216,000 provision for foreign taxes, \$1.2 million benefit for acquisition-related goodwill and \$23,000 provision for state income tax. For the year ended December 31, 2014, the income tax provision primarily consisted of state income tax, foreign taxes, and tax expense related to the recording of a deferred tax liability that results from the amortization for income tax purposes of acquisition-related goodwill. For the year ended December 31, 2014, the income tax provision consisted of \$422,000 for foreign taxes, \$265,000 for amortization for income tax purposes of acquisition-related goodwill and \$53,000 for state income tax. For the year ended December 31, 2013, the income tax provision consisted of \$351,000 for foreign taxes, \$265,000 for amortization for income tax purposes of acquisition-related goodwill and \$156,000 for state income tax.

***Liquidity and Capital Resources***

Total cash, cash equivalents and short-term investments at December 31, 2015 and 2014 was \$65.7 million and \$73.8 million, respectively. Cash equivalents and short-term investments are comprised of money market funds, certificates of deposit, corporate notes and bonds, and U.S. government agency securities. The decrease in cash, cash equivalents and short-term investments in fiscal year 2015 was primarily due to cash used by operating activities.

***Operating Activities***

Net cash provided by (used in) operating activities was \$(5.5) million for the year ended December 31, 2015, \$1.5 million for the year ended December 31, 2014, and \$10.2 million for the year ended December 31, 2013. Net cash provided by (used in) operating activities primarily reflects the net income (loss) for the period, adjusted for non-cash items such as stock-based compensation expense, amortization of intangible assets and other, amortization of premiums and discounts on investments, depreciation, warrant-related charges, and changes in operating assets and liabilities.

Net cash used in operating activities during 2015 was the result of a net loss for the period of \$(27.0) million, adjusted for non-cash items totaling \$17.8 million and changes in operating assets and liabilities of \$3.7 million. Adjustment for non-cash items primarily consisted of goodwill impairment of \$14.2 million, deferred tax benefits of \$1.2 million, stock-based compensation expense of \$2.9 million, amortization of intangible assets and other of \$1.0 million, and amortization of premiums and discounts on investments of \$467,000. Changes in operating assets and liabilities primarily consisted of a decrease in accounts receivable, net, of \$4.6 million due to decreased revenues and increased collection efforts and a \$(1.4) million decrease in accounts payable offset by a \$1.1 million increase in other accrued liabilities due to the timing of payments and invoices received.



Net cash provided by operating activities during 2014 was the result of a net loss for the period of \$(3.5) million, adjusted for non-cash items totaling \$5.3 million and changes in operating assets and liabilities of \$(351,000). Adjustment for non-cash items primarily consisted of stock-based compensation expense of \$2.9 million, amortization of intangible assets and other of \$1.1 million, and amortization of premiums and discounts on investments of \$726,000. The changes in operating assets and liabilities primarily consisted of an



## TABLE OF CONTENTS

increase in accounts receivable, net of \$634,000 due to an increase in revenues, a decrease in deferred revenue of \$632,000 due to a decrease in sales of services for which revenues are recognized ratably, offset by net increase in accounts payable, accrued compensation, other accrued liabilities and other long-term liabilities of \$900,000 due to the timing of payments.

Net cash provided by operating activities during 2013 was the result of net income for the period of \$10.4 million, adjusted for non-cash items totaling \$7.1 million and changes in operating assets and liabilities of \$(7.3) million. Adjustment for non-cash items primarily consisted of stock-based compensation expense of \$3.5 million, amortization of intangible assets and other of \$1.3 million, warrant-related charges of \$777,000, and amortization of premiums and discounts on investments of \$646,000. The changes in operating assets and liabilities primarily consisted of an increase in accounts receivable, net of \$4.3 million due to an increase in revenues and a decrease in deferred revenue of \$3.3 million due to a decrease in sales of services for which revenues are recognized ratably, offset by net increase in accounts payable, accrued compensation, other accrued liabilities and other long-term liabilities of \$335,000 due to the timing of payments.

### ***Investing Activities***

Net cash provided by (used in) investing activities was \$9.9 million for the year ended December 31, 2015, \$(7.5) million for the year ended December 31, 2014, and \$(19.4) million for the year ended December 31, 2013. Net cash provided by investing activities in 2015 was primarily due to purchases of investments of \$(37.7) million and purchases of property and equipment of \$(1.9) million offset by sales and maturities of investments of \$49.5 million. Net cash used in investing activities in 2014 was primarily due to purchases of investments of \$(63.5) million and purchases of property and equipment of \$(231,000) offset by sales and maturities of investments of \$56.3 million. Net cash used in investing activities in 2013 was primarily due to purchases of investments of \$(61.8) million and purchases of property and equipment of \$(221,000) offset by sales and maturities of investments of \$42.6 million.

### ***Financing Activities***

Net cash provided by financing activities was \$26,000 for the year ended December 31, 2015, \$1.1 million for the year ended December 31, 2014, and \$7.0 million for the year ended December 31, 2013. In 2015, cash generated by financing activities was primarily attributable to the purchase of \$157,000 of common stock under employee stock purchase plans offset by a reduction of \$(131,000) of treasury stock repurchases. In 2014, cash generated by financing activities was primarily attributable to the exercise of employee stock options and the purchase of common stock under employee stock purchase plans. Net cash provided by financing activities in 2013 was from the proceeds of exercises of employee stock options and the purchase of common stock under employee stock purchase plans of \$11.0 million offset by the repurchase of shares of \$(4.1) million.

### ***Working Capital and Capital Expenditure Requirements***

At December 31, 2015, we had stockholders' equity of \$71.3 million and working capital of \$67.9 million. We believe that our existing cash balances will be sufficient to meet our working capital requirements for at least the next 12 months.

If we require additional capital resources to grow our business internally or to acquire complementary technologies and businesses at any time in the future, we may seek to sell additional equity or debt securities. The sale of additional equity could result in more dilution to our stockholders.

We plan to continue to make investments in our business during 2016. We believe these investments are essential to creating sustainable growth in our business in the future. Additionally, we may choose to acquire other businesses or



complimentary technologies to enhance our product capabilities and such acquisitions would likely require the use of cash.



**TABLE OF CONTENTS****Contractual Obligations**

The following table summarizes our contractual obligations at December 31, 2015 and the effect these contractual obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	<b>Total</b>	<b>Payments Due By Period</b>		
		<b>Less than 1 year</b>	<b>1 - 3 Years</b>	<b>More than 3 Years</b>
Operating leases	\$ 1,160	\$ 588	\$ 279	\$ 293
Uncertain tax positions, including interest and penalties	614	241	118	255
	\$ 1,774	\$ 829	\$ 397	\$ 548

These obligations are for non-cancelable operating leases including our headquarters office and offices to carry out research and development and operations globally.

**Off-Balance Sheet Arrangements**

At December 31, 2015, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

**Recent Accounting Pronouncements**

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and earlier application is permitted. The adoption of ASU 2014-15 is not expected to have a material effect on our consolidated financial statements or disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for revenue recognition. ASU 2014-09 is applicable to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. ASU 2014-09 will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to receive in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current U.S. GAAP. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes software. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a



software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. ASU 2015-05 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2015 using either of two methods: (i) prospective to all arrangements entered into or materially modified after the effective date and represent a change in accounting principle; or (ii) retrospectively. We are currently evaluating the impact of the adoption of ASU 2015-05 on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes (Topic 740)*, which simplifies the presentation of deferred income taxes. Under ASU 2015-17, deferred tax assets and liabilities are required to be classified as noncurrent, eliminating the prior requirement to separate deferred



## TABLE OF CONTENTS

tax assets and liabilities into current and noncurrent. The new guidance is effective for the Company beginning on January 1, 2017, with early adoption permitted. The standard may be adopted prospectively or retrospectively to all periods presented. The Company is currently assessing the timing of adoption of the new guidance, but does not expect it will have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. Under ASU 2016-02, the Company will be required to recognize the assets and liabilities for the rights and obligations created by leased assets. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.** **Interest Rate and Market Risk**

The value and liquidity of the securities in which we invest could deteriorate rapidly and the issuers of such securities could be subject to credit rating downgrades. We actively monitor market conditions and developments specific to the securities and security classes in which we invest. While we believe we take prudent measures to mitigate investment related risks, such risks cannot be fully eliminated, as there are circumstances outside of our control.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve this objective, we invest our excess cash in a variety of securities, including U.S. government agency securities, corporate notes and bonds, commercial paper and money market funds. These securities are classified as available-for-sale. Consequently, our available-for-sale securities are recorded on the consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive loss within stockholder's equity. Our holdings of the securities of any one issuer, except government agencies, do not exceed 10% of our portfolio. We do not utilize derivative financial instruments to manage our interest rate risks.

As of December 31, 2015, we held \$38.1 million in short-term investments (excluding cash and cash equivalents), which consisted primarily of government debt securities, corporate notes and bonds, and commercial paper. The weighted average interest rate of our portfolio was approximately 0.53% at December 31, 2015. A decline in interest rates over time would reduce our interest income from our investments. A hypothetical 10% increase or decrease in interest rates, however, would not have a material impact adverse effect on our financial condition.

### **Impact of Foreign Currency Rate Changes**

The functional currencies of our international operating subsidiaries are the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their income and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our consolidated balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest income and other in our consolidated statements of operations. Since we translate foreign currencies (primarily Canadian dollars and Indian rupees) into U.S. dollars for a small portion of our operations, currency fluctuations have had an immaterial impact on our consolidated statements of operations. We have both revenue and expenses that are denominated in foreign currencies. Neither a weaker or stronger U.S. dollar environment would have a material impact on our consolidated statement of operations. The historical impact of currency fluctuations on our consolidated statements of operations has generally been immaterial. As of December 31, 2015, we did not engage in foreign currency hedging activities.



**TABLE OF CONTENTS**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.  
SUPPORT.COM, INC.  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Reports of Independent Registered Public Accounting Firms</u>	<u>41</u>
<u>Consolidated Balance Sheets</u>	<u>43</u>
<u>Consolidated Statements of Operations</u>	<u>44</u>
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	<u>45</u>
<u>Consolidated Statements of Stockholders' Equity</u>	<u>46</u>
<u>Consolidated Statements of Cash Flows</u>	<u>47</u>
<u>Notes to Consolidated Financial Statements</u>	<u>48</u>



**TABLE OF CONTENTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Support.com, Inc.  
Redwood City, California

We have audited the accompanying consolidated balance sheets of Support.com, Inc. as of December 31, 2015 and 2014 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Support.com, Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Support.com, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 7, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

San Jose, California  
March 7, 2016



**TABLE OF CONTENTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of  
Support.com, Inc.

We have audited the accompanying consolidated balance sheet of Support.com, Inc. as of December 31, 2013, and the related consolidated statement of operations, comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Support.com, Inc. at December 31, 2013, and the consolidated results of its operations and its cash flows for the year ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Francisco, California  
March 7, 2014



**TABLE OF CONTENTS****SUPPORT.COM, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands except share and per share data)**

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 27,598	\$ 23,354
Short-term investments	38,136	50,439
Accounts receivable, less allowance of \$6 and \$2 at December 31, 2015 and 2014, respectively	10,019	14,627
Prepaid expenses and other current assets	1,474	1,403
Total current assets	77,227	89,823
Property and equipment, net	1,989	417
Goodwill	—	14,240
Intangible assets, net	1,294	2,363
Other assets	982	1,144
Total assets	\$ 81,492	\$ 107,987
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 267	\$ 1,625
Accrued compensation	2,768	2,792
Other accrued liabilities	4,135	3,029
Short-term deferred revenue	2,184	2,619
Total current liabilities	9,354	10,065
Long-term deferred revenue	102	72
Other long-term liabilities	690	2,129
Total liabilities	10,146	12,266
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock; par value \$0.0001, 150,000,000 shares authorized; 56,152,317 issued and 54,860,883 outstanding at December 31, 2015; 55,457,001 issued and 54,264,483 outstanding at December 31, 2014	5	5
Additional paid-in capital	265,324	262,253
Treasury Stock, at cost (1,291,434 shares at December 31, 2015 and 1,192,598 shares at December 31, 2014)	(5,167 )	(5,036 )
Accumulated other comprehensive loss	(2,302 )	(2,028 )
Accumulated deficit	(186,514 )	(159,473 )
Total stockholders' equity	71,346	95,721
Total liabilities and stockholders' equity	\$ 81,492	\$ 107,987



See accompanying notes.



TABLE OF CONTENTS**SUPPORT.COM, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands except per share data)**

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue:			
Services	\$ 72,151	\$ 77,272	\$ 74,867
Software and other	5,182	5,719	13,296
Total revenue	77,333	82,991	88,163
Costs of revenue:			
Cost of services	61,439	60,606	43,208
Cost of software and other	536	840	1,172
Total cost of revenue	61,975	61,446	44,380
Gross profit	15,358	21,545	43,783
Operating expenses:			
Research and development	6,957	5,078	5,735
Sales and marketing	8,545	7,206	14,599
General and administrative	13,011	11,320	11,376
Amortization of intangible assets and other	1,069	1,091	1,321
Goodwill impairment	14,240	—	—
Total operating expenses	43,822	24,695	33,031
Income (loss) from operations	(28,464 )	(3,150 )	10,752
Interest income and other, net	430	294	369
Income (loss) from continuing operations, before income taxes	(28,034 )	(2,856 )	11,121
Income tax provision (benefit)	(965 )	740	772
Income (loss) from continuing operations, after income taxes	(27,069 )	(3,596 )	10,349
Income from discontinued operations, after income taxes	28	113	34
Net income (loss)	\$ (27,041 )	\$ (3,483 )	\$ 10,383
Basic earnings (loss) per share:			
Continuing operations, after income taxes	\$ (0.50 )	\$ (0.07 )	\$ 0.20
Discontinued operations, after income taxes	0.00	0.01	0.00
Basic net earnings (loss) per share	\$ (0.50 )	\$ (0.06 )	\$ 0.20
Diluted earnings (loss) per share:			
Continuing operations, after income taxes	\$ (0.50 )	\$ (0.07 )	\$ 0.19
Discontinued operations, after income taxes	0.00	0.01	0.00
Diluted net earnings (loss) per share	\$ (0.50 )	\$ (0.06 )	\$ 0.19



Shares used in computing basic net earnings (loss) per share	54,548	53,834	51,553
Shares used in computing diluted net earnings (loss) per share	54,548	53,834	53,825

See accompanying notes.



TABLE OF CONTENTS**SUPPORT.COM, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(in thousands)**

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income (loss)	\$ (27,041 )	\$ (3,483 )	\$ 10,383
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(236 )	(117 )	(357 )
Change in net unrealized gain (loss) on investments	(38 )	(37 )	(16 )
Other comprehensive income (loss)	(274 )	(154 )	(373 )
Comprehensive income (loss)	\$ (27,315 )	\$ (3,637 )	\$ 10,010

See accompanying notes.



TABLE OF CONTENTS**SUPPORT.COM, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(in thousands except share data)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive		Total Stockholders' Equity
	Shares	Amount			Loss	Accumulated Deficit	
Balances at December 31, 2012	49,809,989	5	242,954	(922 )	(1,501 )	(166,373 )	74,163
Net income	—	—	—	—	—	10,383	10,383
Other comprehensive loss	—	—	—	—	(373 )	—	(373 )
Stock-based compensation expense	—	—	3,481	—	—	—	3,481
Issuance of common stock upon exercise of stock options for cash and releases of RSUs	4,392,786	—	8,435	—	—	—	8,435
Issuance of common stock under employee stock purchase plan	79,221	—	290	—	—	—	290
Repurchase of common stock	(1,000,000 )	—	2,320	(4,114 )	—	—	(1,794 )
Warrant-related charges	—	—	777	—	—	—	777
Utilized excess tax benefit	—	—	34	—	—	—	34
Balances at December 31, 2013	53,281,996	5	258,291	(5,036 )	(1,874 )	(155,990 )	95,396
Net loss	—	—	—	—	—	(3,483 )	(3,483 )
Other comprehensive loss	—	—	—	—	(154 )	—	(154 )
Stock-based compensation expense	—	—	2,874	—	—	—	2,874
Issuance of common stock upon exercise of stock options for cash and releases of RSUs	864,954	—	874	—	—	—	874
	117,533	—	222	—	—	—	222



Issuance of  
common stock  
under employee  
stock purchase plan

Utilized excess tax benefit	—	—	(8 )	—	—	—	(8 )
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Balances at December 31, 2014	54,264,483	5	\$ 262,253	\$ (5,036 )	\$ (2,028 )	\$ (159,473 )	\$ 95,721
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Net loss	—	—	—	—	—	(27,041 )	(27,041 )
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Other comprehensive loss	—	—	—	—	(274 )	—	(274 )
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Stock-based compensation expense	—	—	2,914				2,914
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Issuance of common stock upon exercise of stock options for cash and releases of RSUs	553,484	—	—	—	—	—	—
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Issuance of common stock under employee stock purchase plan	141,752	—	157	—	—	—	157
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Repurchase of common stock	(98,836 )	—	—	(131 )	—	—	(131 )
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Balances at December 31, 2015	54,860,883	5	\$ 265,324	(5,167 )	(2,302 )	(186,514 )	71,346
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See accompanying notes.



**TABLE OF CONTENTS****SUPPORT.COM, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)**

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating activities:			
Net income (loss)	\$ (27,041 )	\$ (3,483 )	\$ 10,383
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock-based compensation expense	2,914	2,874	3,481
Amortization of intangible assets and other	1,069	1,091	1,321
Warrant-related charges	—	—	777
Amortization of premiums and discounts on investments	467	726	646
Depreciation	324	275	351
Goodwill impairment	14,240	—	—
Deferred income taxes	(1,167 )	326	419
Amortization of purchased technology	—	—	62
Changes in assets and liabilities:			
Accounts receivable, net	4,608	(634 )	(4,304 )
Prepaid expenses and other current assets	(73 )	(82 )	32
Other assets	141	(80 )	76
Accounts payable	(1,358 )	764	414
Accrued compensation	(27 )	634	539
Other accrued liabilities	1,101	(331 )	(623 )
Other long-term liabilities	(261 )	10	(103 )
Deferred revenue	(405 )	(632 )	(3,295 )
Net cash (used in) provided by operating activities	(5,468 )	1,458	10,176
Investing activities:			
Purchases of property and equipment	(1,896 )	(231 )	(221 )
Purchases of investments	(37,695 )	(63,510 )	(61,779 )
Sales of investments	—	—	104
Maturities of investments	49,493	56,275	42,544
Net cash provided (used in) by investing activities	9,902	(7,466 )	(19,352 )
Financing activities:			
Utilized excess tax benefit	—	(8 )	34
Proceeds from issuance of common stock	157	1,096	11,045
Repurchase of common stock	(131 )	—	(4,114 )
Net cash provided by financing activities	26	1,088	6,965
Net (decrease) increase in cash and cash equivalents	4,460	(4,920 )	(2,211 )



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Effect of exchange rate changes on cash and cash equivalents	(216 )	(116 )	(251 )
Cash and cash equivalents at beginning of year	23,354	28,390	30,852
Cash and cash equivalents at end of year	\$ 27,598	\$ 23,354	\$ 28,390
Supplemental schedule of cash flow information:			
Cash paid for income taxes	\$ 193	\$ 225	\$ 120

See accompanying notes.



## TABLE OF CONTENTS

### **SUPPORT.COM, INC**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Note 1. Organization and Summary of Significant Accounting Policies**

##### *Nature of Operations*

Support.com, Inc. ( Support.com , the Company , We or Our ), was incorporated in the state of Delaware on December 3, 1997. Our common stock trades on the Nasdaq Global Select Market ( Nasdaq ) under the symbol SPRT.

Support.com is a leading provider of cloud-based software and services that enable technology support for a connected world. Our technology support services programs help leading brands create new revenue streams and deepen customer relationships. We offer turnkey, outsourced support services for service providers, retailers and technology companies. Our technology support services programs are designed for both the consumer and small and medium business ( SMB ) markets, and include computer and mobile device set-up, security and support, virus and malware removal, wireless network set-up, and home security and automation system support. Our Support.com Cloud offering (Nexus) is a SaaS solution for companies to optimize support interactions with their customers using their own or third party support personnel. The solution enables companies to quickly resolve complex technology issues for their customers, boosting agent productivity and dramatically improving the customer experience.

##### *Basis of Presentation*

The consolidated financial statements include the accounts of Support.com and its wholly owned foreign subsidiaries. All intercompany transactions and balances have been eliminated.

In June 2009, we sold our legacy Enterprise software business to Consona Corporation. Therefore, our audited consolidated financial statements and accompanying notes reflect the Enterprise business as a discontinued operation for all periods presented in accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

##### *Foreign Currency Translation*

The functional currency of our foreign subsidiaries is generally the local currency. Assets and liabilities of our wholly owned foreign subsidiaries are translated from their respective functional currencies at exchange rates in effect at the balance sheet date, and revenues and expenses are translated at average exchange rates prevailing during the year. Any material resulting translation adjustments are reflected as a separate component of stockholders' equity in accumulated other comprehensive income (loss). Realized foreign currency transaction gains (losses) were not material during the years ended December 31, 2015, 2014, and 2013.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The accounting estimates that require management's most significant, difficult and subjective judgments include revenue recognition, the valuation of investments, the assessment of recoverability of intangible assets and their estimated useful lives, the assessment of recoverability of goodwill and indefinite-lived intangible assets, the valuation and recognition of stock-based compensation expense and the recognition and measurement of current and deferred income tax assets and liabilities. Actual results could differ



materially from these estimates.

*Concentrations of Credit Risk*

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents, investments and trade accounts receivable. Our investment portfolio consists of investment grade securities. Except for obligations of the United States government and securities issued by agencies of the United States government, we diversify our investments by limiting our holdings with any individual issuer. We are



TABLE OF CONTENTS

exposed to credit risks in the event of default by the issuers to the extent of the amount recorded on the balance sheet. The credit risk in our trade accounts receivable is substantially mitigated by our evaluation of the customers' financial conditions at the time we enter into business and reasonably short payment terms.

*Trade Accounts Receivable and Allowance for Doubtful Accounts*

Trade accounts receivable are recorded at the invoiced amount. We perform evaluations of our customers' financial condition and generally do not require collateral. We make judgments as to our ability to collect outstanding receivables and provide allowances for a portion of receivables when collection becomes doubtful. Our allowances are made based on a specific review of all significant outstanding invoices. For those invoices not specifically provided for, allowances are recorded at differing rates, based on the age of the receivable. In determining these rates, we analyze our historical collection experience and current payment trends. The determination of past-due accounts is based on contractual terms.

The following table summarizes the allowance for doubtful accounts as of December 31, 2015, 2014, and 2013 (in thousands):

	<b>Balance at Beginning of Period</b>	<b>Adjustments to Costs and Expenses</b>	<b>Write- offs</b>	<b>Balance at End of Period</b>
Allowance for doubtful accounts:				
Year ended December 31, 2013	\$ 2	\$ 1	\$ (3 )	\$ —
Year ended December 31, 2014	\$ —	\$ 12	\$ (10 )	\$ 2
Year ended December 31, 2015	\$ 2	\$ 29	\$ (25 )	\$ 6

As of December 31, 2015, Comcast and Office Depot accounted for approximately 73% and 13%, respectively, of our total accounts receivable. As of December 31, 2014, Comcast accounted for 80% of our total accounts receivable. No other customers accounted for 10% or more of our total accounts receivable as of December 31, 2015 and 2014.

*Cash, Cash Equivalents and Investments*

All liquid instruments with an original maturity at the date of purchase of 90 days or less are classified as cash equivalents. Cash equivalents and short-term investments consist primarily of money market funds, certificates of deposit, commercial paper, corporate and municipal bonds. Our interest income on cash, cash equivalents and investments is recorded monthly and reported as interest income and other in our consolidated statements of operations.

Our cash equivalents and short-term investments are classified as available-for-sale, and are reported at fair value with unrealized gains/losses included in accumulated other comprehensive loss within stockholders' equity on the consolidated balance sheets and in the consolidated statements of comprehensive income (loss). We view our available-for-sale portfolio as available for use in our current operations, and therefore we present our marketable securities as short-term assets.

We monitor our investments for impairment on a quarterly basis and determine whether a decline in fair value is other-than-temporary by considering factors such as current economic and market conditions, the credit rating of the security's issuer, the length of time an investment's fair value has been below our carrying value, the Company's intent to sell the security and the Company's belief that it will not be required to sell the security before the recovery of its amortized cost. If an investment's decline in fair value is deemed to be other-than-temporary, we reduce its carrying value to its estimated fair value, as determined based on quoted market prices or liquidation values. Declines in value



judged to be other-than-temporary, if any, are recorded in operations as incurred. At December 31, 2015, the Company evaluated its unrealized losses on available-for-sale securities and determined them to be temporary. We currently do not intend to sell securities with unrealized losses and we concluded that we will not be required to sell these securities before the recovery of their amortized cost basis.



**TABLE OF CONTENTS**

At December 31, 2015 and 2014, the estimated fair value of cash, cash equivalents and investments was \$65.7 million and \$73.8 million, respectively. The following is a summary of cash, cash equivalents and investments at December 31, 2015 and 2014 (in thousands):

**For the Year Ended December 31, 2015**

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Cash	\$ 8,486	\$ —	\$ —	\$ 8,486
Money market fund	19,112	—	—	19,112
Certificates of deposit	2,980	—	(1 )	2,979
Commercial paper	996	—	—	996
Corporate notes and bonds	31,255	—	(83 )	31,172
U.S. government agency securities	2,996	—	(7 )	2,989
	\$ 65,825	\$ —	\$ (91 )	\$ 65,734
Classified as:				
Cash and cash equivalents	\$ 27,598	\$ —	\$ —	\$ 27,598
Short-term investments	38,227	—	(91 )	38,136
	\$ 65,825	\$ —	\$ (91 )	\$ 65,734

**For the Year Ended December 31, 2014**

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Cash	\$ 9,572	\$ —	\$ —	\$ 9,572
Money market fund	9,859	—	—	9,859
Certificates of deposit	3,600	—	(5 )	3,595
Commercial paper	2,996	—	—	2,996
Corporate notes and bonds	45,819	—	(48 )	45,771
U.S. government agency securities	2,000	—	—	2,000
	\$ 73,846	\$ —	\$ (53 )	\$ 73,793
Classified as:				
Cash and cash equivalents	\$ 23,354	\$ —	\$ —	\$ 23,354
Short-term investments	50,492	—	(53 )	50,439
	\$ 73,846	\$ —	\$ (53 )	\$ 73,793

The following table summarizes the estimated fair value of our available-for-sale securities classified by the stated maturity date of the security (in thousands):

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Due within one year	\$ 23,588	\$ 41,449
Due within two years	14,548	8,990



\$ 38,136      \$ 50,439

We determined that the gross unrealized losses on our available-for-sale investments as of December 31, 2015 are temporary in nature. The fair value of our available-for-sale securities at December 31, 2015 and 2014 reflects a net unrealized loss of \$91,000 and \$53,000, respectively. There were no net realized gains (losses) on available-for-sale securities in the years ended December 31, 2015 and 2014. The cost of securities sold is based on the specific identification method.



**TABLE OF CONTENTS**

The following table sets forth the unrealized losses for the Company's available-for-sale investments as of December 31, 2015 and 2014 (in thousands):

<b>As of December 31, 2015</b>	<b>In Loss Position Less Than 12 Months</b>		<b>In Loss Position More Than 12 Months</b>		<b>Total In Loss Position</b>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<b>Description</b>						
Certificate of deposits	\$ 1,439	\$ (1 )	\$ 240	\$ —	\$ 1,679	\$ (1 )
Corporate notes and bonds	20,949	(24 )	11,218	(59 )	32,167	(83 )
U.S. government agency securities	—	—	2,989	(7 )	2,989	(7 )
Total	\$ 22,388	\$ (25 )	\$ 14,447	\$ (66 )	\$ 36,835	\$ (91 )

  

<b>As of December 31, 2014</b>	<b>In Loss Position Less Than 12 Months</b>		<b>In Loss Position More Than 12 Months</b>		<b>Total In Loss Position</b>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<b>Description</b>						
Certificate of deposits	\$ 1,679	\$ (1 )	\$ 1,196	\$ (4 )	\$ 2,875	\$ (5 )
Corporate notes and bonds	35,364	(29 )	7,794	(19 )	43,158	(48 )
Total	\$ 37,043	\$ (30 )	\$ 8,990	\$ (23 )	\$ 46,033	\$ (53 )

***Property and Equipment***

Property and equipment are stated at cost, less accumulated depreciation which is determined using the straight-line method over the estimated useful lives of two years for computer equipment and software, three years for furniture and fixtures, and the shorter of the estimated useful lives or the lease term for leasehold improvements. Repairs and maintenance costs are expensed as they are incurred.

***Goodwill***

We test goodwill for impairment annually on September 30 and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable in accordance with Accounting Standards Codification ( ASC ) 350, *Intangibles - Goodwill and Other*. Consistent with our assessment that we have only one reporting segment, we test goodwill for impairment at the entity level. We test goodwill using the two-step process required by ASC 350. In the first step, we compare the carrying value of the reporting unit to the fair value based on quoted market prices of our common stock. If the fair value of the reporting unit exceeds the carrying value, goodwill is not considered impaired and no further testing is required. If the carrying value of the reporting unit exceeds the fair value, goodwill is potentially impaired and the second step of the impairment test must be performed. In the second step, we compare the implied fair value of the goodwill, as defined by ASC 350, to the carrying amount to determine the impairment loss, if any.

For the quarter ended June 30, 2015, based on various quantitative and qualitative factors which included, among others, the continuing decline in the Company's market capitalization, the Company determined that sufficient indicators existed warranting a review to determine if the fair value of its single reporting unit had been reduced to below its carrying value. As a result, the Company performed goodwill impairment testing using the required two-step process.



The Company determined the fair value of its single reporting unit by using a weighted combination of income-based approach and market-based approach, as this combination was deemed the most indicative of the Company's fair value in an orderly transaction between market participants. Under the income-based approach, the Company used a discounted cash flow methodology which recognizes that current value is premised on the expected receipt of future economic benefits. Indications of value are developed by discounting projected future net cash flows to their present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. The discounted cash flow methodology requires significant judgment by management in selecting an appropriate discount rate, terminal growth rate, weighted average cost of capital, and projection of future net cash flows, which are inherently uncertain. The inputs and assumptions used in this test are classified as Level 3 inputs within the fair value hierarchy. Due to these significant judgments, the fair value of the Company's single reporting unit determined in connection with the goodwill impairment test may



## TABLE OF CONTENTS

not necessarily be indicative of the actual value that would be recognized in a future transaction. Under the market-based approach, the Company considered its market capitalization and estimated control premium which was based on a review of comparative market transactions.

The result of the Company's step one test indicated that the carrying value of the Company's single reporting unit exceeded its estimated fair value. Accordingly, the Company performed the second step test and concluded that its goodwill was fully impaired and thus recorded a non-cash impairment charge of \$14.2 million during the quarter ended June 30, 2015. The goodwill impairment charge was reported as a separate line item in the consolidated statements of operations. The tax benefit associated with the goodwill impairment charge was \$1.3 million. The goodwill impairment charge and the associated tax benefit are non-cash in nature and do not affect the Company's current or future liquidity.

### *Long-Lived Assets*

We record purchased identifiable intangible assets at fair value. Useful life is estimated as the period over which the identifiable intangible assets are expected to contribute directly or indirectly to the future cash flows of the Company. As we do not believe that we can reliably determine a pattern by which the economic benefits of these identifiable intangible assets will be consumed, management adopted straight-line amortization in accordance with ASC 350. The original cost is amortized on a straight-line basis over the estimated useful life of each identifiable intangible asset.

The Company assesses its long-lived assets, which includes property and equipment and identifiable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360, *Property, Plant and Equipment - Impairment or Disposal of Long-Lived Assets*. An impairment loss would be recognized when the sum of the future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. If our estimates regarding future cash flows derived from such assets were to change, we may record an impairment charge to the value of these assets. Such impairment loss would be measured as the difference between the carrying amount of the asset and its fair value.

### *Revenue Recognition*

For all transactions, we recognize revenue only when all of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- Collection is considered probable; and
- The fees are fixed or determinable.

We consider all arrangements with payment terms longer than 90 days not to be fixed or determinable. If the fee is considered not to be fixed or determinable, revenue is recognized as payment becomes due from the customer provided all other revenue recognition criteria have been met.

### **Services Revenue**

Services revenue is comprised primarily of fees for technology support services. Our service programs are designed for both the consumer and SMB markets, and include computer and mobile device set-up, security and support, virus and malware removal and wireless network set-up, and automation system onboarding and support.

We offer technology services to consumers and SMBs, primarily through our partners (which include communications providers, retailers, technology companies and others) and to a lesser degree directly through our website at [www.support.com](http://www.support.com). We transact with customers via reseller programs, referral programs and direct transactions. In



reseller programs, the partner generally executes the financial transactions with the customer and pays a fee to us which we recognize as revenue when the service is delivered. In referral programs, we transact with the customer directly and pay a referral fee to the referring party. Referral fees are generally expensed in the period in which revenues are recognized. In such referral programs, since we are the primary obligor and bear substantially all risks associated with the transaction, we record the gross amount of revenue. In direct transactions, we sell directly to the customer at the retail price.



## TABLE OF CONTENTS

The technology services described above include four types of offerings:

- Hourly-Based Services - In connection with the provisions of certain services programs, fees are calculated based on contracted hourly rates with partners. For these programs, we recognize revenue as services are performed, based on billable hours of work delivered by our technology specialists. These services programs also include performance standards, which may result in incentives or penalties, which are recognized as earned or incurred.
- Subscriptions - Customers purchase subscriptions or service plans under which certain services are provided over a fixed subscription period. Revenues for subscriptions are recognized ratably over the respective subscription periods.
- Incident-Based Services - Customers purchase a discrete, one-time service. Revenue recognition occurs at the time of service delivery. Fees paid for services sold but not yet delivered are recorded as deferred revenue and recognized at the time of service delivery.
- Service Cards / Gift Cards - Customers purchase a service card or a gift card, which entitles the cardholder to redeem a certain service at a time of their choosing. For these sales, revenue is deferred until the card has been redeemed and the service has been provided.

In certain cases, we are paid for services that are sold but not yet delivered. We initially record such balances as deferred revenue, and recognize revenue when the service has been provided or, on the non-subscription portion of these balances, when the likelihood of the service being redeemed by the customer is remote ( services breakage ). Based on our historical redemption patterns for these relationships, we believe that the likelihood of a service being delivered more than 90 days after sale is remote. We therefore recognize non-subscription deferred revenue balances older than 90 days as services revenue. For the years ended December 31, 2015, 2014 and 2013, services breakage revenue accounted for less than 1% of our total revenue.

Partners are generally invoiced monthly. Fees from customers via referral programs and direct transactions are generally paid with a credit card at the time of sale. Revenue is recognized net of any applicable sales tax.

We generally provide a refund period on services, during which refunds may be granted to customers under certain circumstances, including inability to resolve certain support issues. For our partnerships, the refund period varies by partner, but is generally between 5 and 14 days. For referral programs and direct transactions, the refund period is generally 5 days. For all channels, we recognize revenue net of refunds and cancellations during the period. Refunds and cancellations have not been material.

Services revenue also includes fees from licensing of our Support.com cloud-based software (Nexus). In such arrangements, customers receive a right to use our Support.com Cloud (Nexus) in their own technology support organizations. We license our cloud-based software using a SaaS model under which customers cannot take possession of the technology and pay us on a per-user basis during the term of the arrangement. In addition, services revenue includes fees from implementation services of our cloud-based software. Currently, revenues from implementation services are recognized ratably over the customer life which is estimated as the term of the arrangement once the Support.com Cloud (Nexus) services are made available to customers. We generally charge for these services on a time and material basis.

### **Software and Other Revenue**

Software and other revenue is comprised primarily of fees for end-user software products provided through direct customer downloads and through the sale of these end-user software products via partners. Our software is sold to customers as a perpetual license or as a fixed period subscription. We act as the primary obligor and generally control fulfillment, pricing, product requirements, and collection risk and therefore we record the gross amount of revenue. We provide a 30-day money back guarantee for the majority of our end-user software products.



For certain end-user software products, we sell perpetual licenses. We provide a limited amount of free technical support to customers. Since the cost of providing this free technical support is insignificant and free product enhancements are minimal and infrequent, we do not defer the recognition of revenue associated with sales of these products.



## TABLE OF CONTENTS

For certain of our end-user software products (principally SUPERAntiSpyware), we sell licenses for a fixed subscription period. We provide regular, significant updates over the subscription period and therefore recognize revenue for these products ratably over the subscription period.

Other revenue consists primarily of revenue generated through partners advertising to our customer base in various forms, including toolbar advertising, email marketing, and free trial offers. We recognize other revenue in the period in which our partners notify us that the revenue has been earned.

### *Research and Development*

Research and development expenditures are charged to operations as they are incurred.

### *Software Development Costs*

Based on our product development process, technological feasibility is established on the completion of a working model. The Company determined that technological feasibility is reached shortly before the product is ready for general release and therefore development costs incurred have been insignificant. Accordingly, we have charged all such costs to research and development expense in the period in which they were incurred in the consolidated statements of operations.

### *Purchased Technology for Internal Use*

We capitalize costs related to software that we license and incorporate into our product and service offerings or develop for internal use.

In July 2009, we acquired purchased technology for \$350,000 and recorded amortization expense related to this technology of \$62,000 in 2013. This technology was fully amortized at December 31, 2013.

### *Advertising Costs*

Advertising costs are recorded as sales and marketing expense in the period in which they are incurred. Advertising expense was \$1.2 million, \$2.2 million, and \$9.2 million for the years ended December 31, 2015, 2014, and 2013, respectively.

### *Earnings (Loss) Per Share*

Basic earnings (loss) per share is computed using our net income (loss) and the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using our net income (loss) and the weighted average number of common shares outstanding, including the effect of the potential issuance of common stock such as stock issuable pursuant to the exercise of stock options and vesting of restricted stock units ( RSUs ) using the treasury stock method when dilutive. We excluded outstanding weighted average stock options of 4.2 million, 4.0 million and 1.5 million for the years ended December 31, 2015, 2014 and 2013, respectively, from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market value of the common stock. These stock options could be included in the calculation in the future if the average market value of the common stock increases and is greater than the exercise price of these stock options. Since we reported a net loss for the years ended December 31, 2015 and 2014, 86,000 and 150,000 outstanding options and RSUs were also excluded from the computation of diluted loss per share since their effect would have been anti-dilutive.



Pursuant to approval by the Company's Compensation Committee, the Company issued 475,000 stock options to certain key executives on February 09, 2016. These stock options were not included in the computation of the basic and diluted earnings (loss) per share for the year ended December 31, 2015 because they were not outstanding during this period.



**TABLE OF CONTENTS**

The following table sets forth the computation of basic and diluted net earnings (loss) per share (in thousands, except per share amounts):

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income (loss)	(27,041 )	\$ (3,483 )	\$ 10,383
Basic:			
Weighted-average shares of common stock outstanding	54,548	53,834	51,553
Shares used in computing basic net earnings (loss) per share	54,548	53,834	51,553
Basic net earnings (loss) per share	\$ (0.50 )	\$ (0.06 )	\$ 0.20
Diluted:			
Weighted-average shares of common stock outstanding	54,548	53,834	51,553
Add: Common equivalent shares outstanding	—	—	2,272
Shares used in computing diluted net earnings (loss) per share	54,548	53,834	53,825
Diluted net earnings (loss) per share	\$ (0.50 )	\$ (0.06 )	\$ 0.19
<i>Accumulated Other Comprehensive Loss</i>			

The components of accumulated other comprehensive loss, which relate entirely to accumulated foreign currency translation losses associated with our foreign subsidiaries and unrealized losses on investments, consisted of the following (in thousands):

	<b>Foreign Currency Translation Losses</b>	<b>Unrealized Losses on Investments</b>	<b>Total</b>
Balance as of December 31, 2013	(1,858 )	(16 )	(1,874 )
Current-period other comprehensive loss	(117 )	(37 )	(154 )
Balance as of December 31, 2014	\$ (1,975 )	\$ (53 )	\$ (2,028 )
Current-period other comprehensive loss	(236 )	(38 )	(274 )
Balance as of December 31, 2015	\$ (2,211 )	\$ (91 )	\$ (2,302 )

Realized gains/losses on investments reclassified from accumulated other comprehensive loss are reported as interest income and other, net in our consolidated statements of operations.

The amounts noted in the consolidated statements of comprehensive loss are shown before taking into account the related income tax impact. The income tax effect allocated to each component of other comprehensive income for each of the periods presented is not significant.

*Stock-Based Compensation*

We apply the provisions of ASC 718, *Compensation - Stock Compensation*, which requires the measurement and recognition of compensation expense for all stock-based payment awards, including grants of stock and options to purchase stock, made to employees and directors based on estimated fair values.

*Determining Fair Value of Share-Based Payments*



Valuation and Attribution Method: Stock-based compensation expense for service-based stock options and employee stock purchase plan ( ESPP ) is estimated at the date of grant based on the fair value of awards using the *Black-Scholes-Merton* option pricing model. Stock-based compensation expense for market-based stock options is estimated at the date of grant based on the fair value of awards using the *Monte-Carlo* simulation model. Stock-based compensation expense for RSUs is estimated at the date of grant based on the number of shares granted and the quoted price of the Company's common stock on the grant date. Stock options vest on a graded schedule; however, we recognize the expense over the requisite service period based on the straight-line



**TABLE OF CONTENTS**

method for service-based stock options and the accelerated method for market-based stock options, which is generally four years for stock options, three years or four years for RSUs and six months for ESPP, net of estimated forfeitures. These limitations require that on any date the compensation cost recognized is at least equal to the portion of the grant-date fair value of the award that is vested at that date. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The total expense recognized over the vesting period will only be for those awards that ultimately vest.

**Risk-free Interest Rate:** We base our risk-free interest rate on the yield currently available on U.S. Treasury zero coupon issues for the expected term of the stock options.

**Expected Term:** Our expected term represents the period that our stock options are expected to be outstanding and is determined based on historical experience of similar stock options considering the contractual terms of the stock options, vesting schedules and expectations of future employee behavior.

**Expected Volatility:** Our expected volatility represents the amount by which the stock price is expected to fluctuate throughout the period that the stock option is outstanding. The expected volatility is based on the historical volatility of the Company's stock.

**Expected Dividend:** We use a dividend yield of zero, as we have never paid cash dividends and do not expect to pay dividends in the future.

The fair value of our stock-based awards was estimated using the following weighted average assumptions for the years ended December 31, 2015, 2014, and 2013:

	<b>Stock Option Plan</b>			<b>Employee Stock Purchase Plan</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Risk-free interest rate	1.2 %	1.6 %	0.9 %	0.2 %	0.1 %	0.1 %
Expected term (in years)	3.8	5.1	3.7	0.5	0.5	0.5
Volatility	53.9 %	57.3 %	57.5 %	41.2 %	49.1 %	48.4 %
Expected dividend	0 %	0 %	0 %	0 %	0 %	0 %

Weighted average grant-date fair value	\$ 0.68	\$ 1.17	\$ 2.02	\$ 0.34	\$ 0.64	\$ 1.24
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We recorded the following stock-based compensation expense for the fiscal years ended December 31, 2015, 2014, and 2013 (in thousands):

	<b>For the Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Stock-based compensation expense related to grants of:</b>			
Stock options	\$ 989	\$ 1,110	\$ 1,642
ESPP	65	110	106
RSU	1,860	1,654	1,733
	\$ 2,914	2,874	\$ 3,481

**Stock-based compensation expense recognized in:**



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Cost of service	\$ 234	\$ 267	\$ 332
Cost of software and others	10	14	12
Research and development	589	479	766
Sales and marketing	381	413	412
General and administrative	1,700	1,701	1,959
	\$ 2,914	\$ 2,874	\$ 3,481

Cash proceeds from the issuance of common stock net of repurchase of common stock were \$26,000, \$1.1 million, and \$6.9 million for the years ended December 31, 2015, 2014, and 2013, respectively. No income tax benefit was realized from stock option exercises during the year ended December 31, 2015. An income tax benefit (charge) of (\$8,000) and \$34,000 was realized from stock option exercises during the years ended December 31, 2014 and 2013, respectively. In accordance with ASC 718, we present excess tax benefits from the exercise of stock options, if any, as net cash generated in financing activities.



**TABLE OF CONTENTS***Income Taxes*

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be reversed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets, if it is more likely than not, that such assets will not be realized.

*Warranties and Indemnifications*

We generally provide a refund period on sales, during which refunds may be granted to consumers under certain circumstances, including our inability to resolve certain support issues. For our partnerships, the refund period varies by partner, but is generally between 5-14 days. For referral programs and direct transactions, the refund period is generally 5 days. For the majority of our end-user software products, we provide a 30-day money back guarantee. For all channels, we recognize revenue net of refunds and cancellations during the period. Refunds and cancellations have not been material to date.

We generally agree to indemnify our customers against legal claims that our end-user software products infringe certain third-party intellectual property rights. As of December 31, 2015, we were not required to make any payment resulting from infringement claims asserted against our customers and have not recorded any related accruals.

*Fair Value Measurements*

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with ASC 820, the following table represents our fair value hierarchy for our financial assets (cash equivalents and investments) measured at fair value on a recurring basis as of December 31, 2015 and 2014 (in thousands):

<b>As of December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 19,112	\$ —	\$ —	\$ 19,112
Certificates of deposits	—	2,979	—	2,979



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Commercial paper	—	996	—	996
Corporate notes and bonds	—	31,172	—	31,172
U.S. government agency securities	—	2,989	—	2,989
Total	\$ 19,112	\$ 38,136	\$ —	\$ 57,248

57



**TABLE OF CONTENTS**

<b>As of December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 9,859	\$ —	\$ —	\$ 9,859
Certificates of deposits	—	3,595	—	3,595
Commercial paper	—	2,996	—	2,996
Corporate notes and bonds	—	45,771	—	45,771
U.S. government agency securities	—	2,000	—	2,000
<b>Total</b>	<b>\$ 9,859</b>	<b>\$ 54,362</b>	<b>\$ —</b>	<b>\$ 64,221</b>

For short-term investments, measured at fair value using Level 2 inputs, we review trading activity and pricing for these investments as of the measurement date. When sufficient quoted pricing for identical securities is not available, we use market pricing and other observable market inputs for similar securities obtained from various third party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data. We transferred our investments in certificates of deposits from Level 1 to Level 2 during the three months ended March 31, 2014 as a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of our quarterly reporting period determines when transfers of financial instruments between levels are recognized.

***Segment Information***

In accordance with ASC 280, *Segment Reporting*, the Company reports its operations as a single operating segment and has a single reporting unit. Our Chief Operating Decision Maker ( CODM ), our Chief Executive Officer, manages our operations on a consolidated basis for purposes of allocating resources. When evaluating performance and allocating resources, the CODM reviews financial information presented on a consolidated basis.

Revenue from customers located outside the United States was less than 1% of total for the years ended December 31, 2015, 2014, and 2013.

For the year ended December 31, 2015, Comcast and Office Depot accounted for approximately 68% and 15%, respectively, of our total revenue. For the year ended December 31, 2014, Comcast and Office Depot accounted for 64% and 16%, respectively, of our total revenue. For the year ended December 31, 2013, Comcast accounted for 53% of our total revenue. Had the Office Depot and OfficeMax merger been effective throughout the year ended December 31, 2013, the combined entity would have accounted for 18% of our total revenue. There were no other customers that accounted for 10% or more of our total revenue in any of the periods presented.

Long-lived assets are attributed to the geographic location in which they are located. We include in long-lived assets all tangible assets. Long-lived assets by geographic areas are as follows (in thousands):

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
United States	\$ 1,956	\$ 376
India	33	41
<b>Total</b>	<b>\$ 1,989</b>	<b>\$ 417</b>

***Financial Statement Reclassification***

Certain amounts in the consolidated financial statements for the year ended December 31, 2013, as well as in the condensed consolidated financial statements for the first and second quarters of 2014, have been reclassified to conform to the current period's presentation. Prior to July 1, 2014, fees from our Support.com Cloud offering (Nexus)



were included in software and other revenue. During the quarter ended September 30, 2014, the Company classified these fees as services revenue. In addition, the Company concluded that cost associated with the Support.com Cloud (Nexus) solution was immaterial and therefore did not reclassify this cost from cost of software and other to cost of services. These reclassifications had no impact on previously reported total revenue, net income (loss), and cash flows.



## TABLE OF CONTENTS

### *Recent Accounting Pronouncements*

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and earlier application is permitted. The adoption of ASU 2014-15 is not expected to have a material effect on our consolidated financial statements or disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for revenue recognition. ASU 2014-09 is applicable to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. ASU 2014-09 will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to receive in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current U.S. GAAP. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes software. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. ASU 2015-05 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2015 using either of two methods: (i) prospective to all arrangements entered into or materially modified after the effective date and represent a change in accounting principle; or (ii) retrospectively. We are currently evaluating the impact of the adoption of ASU 2015-05 on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes (Topic 740)*, which simplifies the presentation of deferred income taxes. Under ASU 2015-17, deferred tax assets and liabilities are required to be classified as noncurrent, eliminating the prior requirement to separate deferred tax assets and liabilities into current and noncurrent. The new guidance is effective for the Company beginning on January 1, 2017, with early adoption permitted. The standard may be adopted prospectively or retrospectively to all periods presented. The Company is currently assessing the timing of adoption of the new guidance, but does not expect it will have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. Under ASU 2016-02, the Company will be required to recognize the assets and liabilities for the rights and obligations created by leased assets. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.



**Note 2. Warrants**

On October 25, 2010, we entered into a Support Services Agreement (the "Customer Agreement") with Comcast Cable Communications Management, LLC ("Comcast") under which Support.com provides technology support services to customers of Comcast in exchange for fees. In connection with the Customer Agreement, Support.com and Comcast entered into a Warrant Agreement, under which Support.com agreed to issue to Comcast warrants to purchase up to 975,000 shares of Support.com common stock in the future in the event that Comcast meets specified sales milestones under the Customer Agreement. Each warrant, if issued, will have an exercise price per share of \$4.9498 and a term of three years from issuance. On September 27, 2011, the



**TABLE OF CONTENTS**

Company and Comcast amended the Warrant Agreement to extend the expiration date for the performance milestones while maintaining the previously agreed revenue thresholds. The warrants were valued as they were earned, and the resulting value was recorded as a charge against revenue in the period in which the performance milestone was met and the warrant was earned. During the third and fourth quarters of 2013, the performance milestones for the first and second tranche of warrants were met, respectively. Therefore, we issued to Comcast warrants to purchase a total of 490,000 shares of our common stock (warrants to purchase 166,000 shares were issued on September 30, 2013 and warrants to purchase 324,000 shares were issued on December 31, 2013) and recorded warrant-related charges of \$777,000 against revenue for the year ended December 31, 2013. The value of the first and second tranche of warrants was estimated using the following weighted-average assumptions: risk-free interest rate of 0.74%, expected term of 3 years, volatility of 59.12% and expected dividend of 0%. The right to receive the final tranche expired on March 31, 2014 due to the termination of the Customer Agreement on such date.

**Note 3. Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation, and consist of the following as of December 31, 2015 and 2014 (in thousands):

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Computer equipment and software	\$ 4,976	\$ 4,796
Furniture and office equipment	187	180
Leasehold improvements	359	360
Construction in progress	1,710	—
	7,232	5,336
Accumulated depreciation	(5,243 )	(4,919 )
	\$ 1,989	\$ 417

Depreciation expense was \$324,000, \$275,000, and \$351,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

**Note 4. Intangible Assets**

Amortization expense related to intangible assets was \$1.1 million, \$1.1 million, and \$1.3 million for the years ended December 31, 2015, 2014 and 2013.

In December 2006, we acquired the use of a toll-free telephone number for cash consideration of \$250,000. This asset has an indefinite useful life. The intangible asset is tested for impairment annually or more often if events or changes in circumstances indicate that the carrying value may not be recoverable.

The following table summarizes the components of intangible assets (in thousands):

	<b>Non- compete</b>	<b>Partner Relationships</b>	<b>Customer Base</b>	<b>Technology Rights</b>	<b>Tradenames</b>	<b>Indefinite Life Intangibles</b>	<b>Total</b>
<b><u>As of December 31,</u></b>							
<b><u>2015</u></b>							
Gross carrying value	\$ 593	\$ 145	\$ 641	\$ 5,330	\$ 760	\$ 250	\$ 7,719



Accumulated amortization	(555 )	(145 )	(545 )	(4,474 )	(706 )	—	(6,425 )
Net carrying value	\$ 38	\$ —	\$ 96	\$ 856	\$ 54	\$ 250	1,294

**As of December 31,**  
**2014**

Gross carrying value	\$ 593	\$ 145	\$ 641	\$ 5,330	\$ 760	\$ 250	\$ 7,719
Accumulated amortization	(527 )	(145 )	(453 )	(3,582 )	(649 )	—	(5,356 )
Net carrying value	\$ 66	\$ —	\$ 188	\$ 1,748	\$ 111	\$ 250	\$ 2,363



**TABLE OF CONTENTS**

The estimated future amortization expense of intangible assets, with the exception of the indefinite-life intangible assets as of December 31, 2015 is as follows (in thousands):

<b>Fiscal Year</b>		<b>Amount</b>
2016	\$	1,028
2017		16
Total	\$	1,044

Weighted average remaining useful life	0.98 years
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**Note 5. Commitments and Contingencies***Lease commitments*

*Headquarters office lease.* On June 7, 2012, we entered into a sublease and master landlord consent agreement for our headquarters office facility located in Redwood City, California. This lease covers approximately 21,620 square feet and will expire on February 18, 2017. The lease provides for escalating payments over the term and rent expense is recognized on a straight-line basis.

*Other facility leases.* We lease our facilities under non-cancelable operating lease agreements, which expire at various dates through August 2021.

Total facility rent expense pursuant to all operating lease agreements was \$548,000, \$550,000, and \$602,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

As of December 31, 2015, minimum payments due under all non-cancelable lease agreements were as follows (in thousands):

<b>Years ending December 31,</b>		<b>Operating Leases</b>
2016	\$	588
2017		177
2018		102
2019		110
Thereafter		183
Total minimum lease and principal payments	\$	1,160

*Legal contingencies*

On April 3, 2014, LT Tech LLC filed a complaint against the Company in U.S. District Court for the Eastern District of Texas alleging infringement of United States Patent No. 6,177,932. LT Tech LLC is believed to be a non-practicing entity ( NPE ) and has filed several patent infringement lawsuits against other companies in U.S. District Court for the Eastern District of Texas and elsewhere. On June 30, 2014, the Company and LT Tech LLC executed a Settlement and License Agreement according to which the Company paid LT Tech LLC a total amount of \$150,000 which was recorded as a charge against earnings in cost of services in the second quarter of 2014. On July 8, 2014, the Company obtained a dismissal for the complaint filed by LT Tech LLC. The Company denies any wrongdoing or liability and entered into the settlement to minimize the costs of defense.



On February 7, 2012, a lawsuit seeking class-action certification was filed against the Company in the United States District Court for the Northern District of California, No. 12-CV-00609, alleging that the design of one the Company's software products and the method of promotion to consumers constitute fraudulent inducement, breach of contract, breach of express and implied warranties, and unjust enrichment. On the same day the same plaintiffs' law firm filed another action in the United States District Court for the Southern District of New York, No. 12-CV-0963, involving similar allegations against a subsidiary of the Company and one of the Company's partners who distributes our software products, and that partner has requested indemnification under contract terms with the Company. The law firm representing the plaintiffs in both cases has filed unrelated class actions in the past against a number of major software providers with similar allegations about those providers



TABLE OF CONTENTS

products. On May 30, 2013, the Company received final court approval relating to the terms of a settlement of these actions. Under the terms of the settlement, the Company offered a one-time cash payment, covered by the Company's insurance provider, to qualified class-action members; the deadline to submit a claim form concluded on February 28, 2013. In addition, the Company offered a limited free subscription to one of its software products; the deadline for redemptions concluded on August 31, 2013. Therefore, the Company reversed a previous accrual of \$57,000 associated with these actions and recorded a benefit in the same amount within interest income and other, net in the consolidated statements of operations for the year ended December 31, 2013. The Company denies any wrongdoing or liability and entered into the settlement to minimize the costs of defense.

We are also subject to other routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business, potentially including assertions that we may be infringing patents or other intellectual property rights of others. We currently do not believe that the ultimate amount of liability, if any, for any pending claims of any type (alone or combined) will materially affect our financial position, results of operations or cash flows. The ultimate outcome of any litigation is uncertain, however, any unfavorable outcomes could have a material negative impact on our financial condition and operating results. Regardless of outcome, litigation can have an adverse impact on us because of defense costs, negative publicity, diversion of management resources and other factors.

*Guarantees*

We have identified guarantees in accordance with ASC 450, *Contingencies*. This guidance stipulates that an entity must recognize an initial liability for the fair value, or market value, of the obligation it assumes under the guarantee at the time it issues such a guarantee, and must disclose that information in its interim and annual financial statements. We have entered into various service level agreements with our partners, in which we may guarantee the maintenance of certain service level thresholds. Under some circumstances, if we do not meet these thresholds, we may be liable for certain financial costs. We evaluate costs for such guarantees under the provisions of ASC 450. We consider such factors as the degree of probability that we would be required to satisfy the liability associated with the guarantee and the ability to make a reasonable estimate of the resulting cost. We incurred zero and immaterial costs as a result of such obligations during the years ended December 31, 2015 and 2014, respectively. We have not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2015 and 2014.

**Note 6. Restructuring Obligations and Other Charges**

In the fourth quarter of 2013, the Company implemented a reduction in our work-from-home agent and corporate workforce to reduce our ongoing cost structure. The Company reduced its agent workforce by 210 employees, and its corporate workforce by 15 employees. The affected employees were terminated as of December 30, 2013, with certain corporate employees remaining with the Company for a limited time thereafter. As a result, we recorded a restructuring charge of \$317,000 in cost of services, \$11,000 in research and development expense, \$45,000 in sales and marketing expense and \$58,000 in general and administrative expense in the fourth quarter of 2013. The restructuring charge was comprised of employee termination costs. As of December 31, 2013, the balance on this restructuring obligation was \$431,000, which we paid in cash during the first quarter of 2014.

**Note 7. Other Accrued Liabilities**

Other accrued liabilities consist of the following (in thousands):

As of December 31,	
2015	2014



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Accrued expenses	\$ 2,490	\$ 2,502
Self-insurance accruals	953	—
Customer deposits	570	352
Other accrued liabilities	122	175
Total other accrued liabilities	\$ 4,135	\$ 3,029



**TABLE OF CONTENTS****Note 8. Stockholders' Equity***Equity Compensation Plan*

We adopted the amended and restated 2010 Equity and Performance Incentive Plan (the "2010 Plan"), effective as of February 8, 2010. Under the 2010 Plan, the number of shares of Common Stock that may be issued will not exceed in the aggregate 5,000,000 shares of Common Stock plus the number of shares of Common Stock relating to prior awards under the 2000 Omnibus Equity Incentive Plan that expire, are forfeited or are cancelled after the adoption of the 2010 Plan, subject to adjustment as provided in the 2010 Plan. Pursuant to an approval from the Company's shareholders, the number of shares of Common Stock that may be issued under the 2010 Plan was increased by 2,250,000 shares of Common Stock in May 2013. No grants will be made under the 2010 Plan after the tenth anniversary of its effective date. Under our 2010 Plan, as of December 31, 2015, there were approximately 2.7 million shares available for grant.

We adopted the 2014 Inducement Award Plan (the "Inducement Plan"), effective as of May 13, 2014. Under the Inducement Plan, the number of shares of Common Stock that may be issued will not exceed in the aggregate 2,000,000 shares of Common Stock. Under our Inducement Plan, as of December 31, 2015, there were approximately 475,000 shares available for grant.

*Stock Options*

The following tables represent stock option activity for the years ended December 31, 2015, 2014, and 2013:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options at December 31, 2012	9,529,597	\$ 3.05	3.63	\$ 12,595
Granted	557,750	\$ 4.74		
Exercised	(4,266,423 )	\$ 2.52		
Forfeited	(438,533 )	\$ 4.27		
Outstanding options at December 31, 2013	5,382,391	\$ 3.55	3.66	\$ 4,039
Granted	1,492,750	\$ 2.23		
Exercised	(376,804 )	\$ 2.32		
Forfeited	(2,982,300 )	\$ 3.50		
Outstanding options at December 31, 2014	3,516,037	\$ 3.16	6.28	\$ 3
Granted	892,155	\$ 1.63		
Exercised	0	—		
Forfeited	(738,723 )	\$ 3.40		
Outstanding options at December 31, 2015	3,669,469	\$ 2.74	6.66	\$ 0
Options vested and expected to vest	3,534,092	\$ 2.76	6.58	\$ 0



Exercisable at December 31, 2015	2,019,461	\$	3.16	5.02	\$	0
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The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had they all exercised their options on December 31, 2015, 2014, and 2013. This amount will change based on the fair market value of our stock. The total aggregate intrinsic value of options exercised under our stock option plans was \$0, \$71,000, and \$8.9 million for the years ended December 31, 2015, 2014, and 2013, respectively. The total fair value of options vested during 2015, 2014, and 2013 was \$1.0 million, \$845,000, and \$1.7 million, respectively.

During the second quarter of 2014, the Company's Compensation Committee approved the grant of (i) 750,000 market-based stock options to the Company's new President and Chief Executive Officer, and



TABLE OF CONTENTS

(ii) 112,500 market-based stock options to certain key executives. The market-based stock options shall only be exercisable, to the extent vested, upon the Company's achievement of specified stock price thresholds. In accordance with ASC 718, the Company estimated the grant-date fair values of its market-based stock options as \$1.27 - \$1.33 per share with derived service periods of 1.87 - 4.52 years using a Monte-Carlo simulation model.

On February 11, 2014, Joshua Pickus, the Company's former President and Chief Executive Officer submitted his written resignation effective April 1, 2014. Also effective April 1, 2014, Mr. Pickus resigned as a member of the Company's Board of Directors. In connection with Mr. Pickus' resignation the Compensation Committee of the Board of Directors, considering all relevant factors and the best interest of the Company's stockholders, approved the extension of the post-termination exercise period for the vested portions of each of Mr. Pickus' outstanding stock option grants from 90 days following his termination to December 31, 2014, in order to permit the orderly exercise and disposition of shares under his vested grants prior to their expiration. No other terms of the stock options were modified. As part of the modification of the stock options, the Company recorded an incremental stock-based compensation expense of approximately \$193,000 in the three months ended March 31, 2014.

At December 31, 2015, there was \$1.2 million of unrecognized compensation cost related to stock options which is expected to be recognized over a weighted average period of 2.02 years.

*Employee Stock Purchase Plan*

In the second quarter of 2011, to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward eligible employees and by motivating such persons to contribute to the growth and profitability of the Company, the Company's Board of Directors and stockholders approved a new Employee Stock Purchase Plan and reserved 1,000,000 shares of our common stock for issuance effective as of May 15, 2011. The ESPP continues in effect for ten (10) years from its effective date unless terminated earlier by the Company. The ESPP consists of six-month offering periods during which employees may enroll in the plan. The purchase price on each purchase date shall not be less than eighty-five percent (85%) of the lesser of (a) the fair market value of a share of stock on the offering date of the offering period, or (b) the fair market value of a share of stock on the purchase date.

A total of 141,752 shares, 117,533 shares, and 79,221 shares were issued under the ESPP during the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, approximately 541,561 shares remain available for grant under the ESPP.

*Restricted Stock Units*

The following table represents RSU activity for the years ended December 31, 2015 and 2014:

	<b>Number of Shares</b>	<b>Weighted Average Grant-Date Fair Value per Share</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
Outstanding RSUs at December 31, 2013	1,658,846	\$ 5.09	1.57	\$ 6,287
Awarded	964,091	\$ 2.36		
Released	(488,150 )	\$ 4.72		
Forfeited	(670,953 )	\$ 4.80		



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Outstanding RSUs at December 31, 2014	1,463,834	\$	3.51	1.56	\$	3,067
Awarded	1,121,063	\$	1.54			
Released	(554,484 )	\$	3.57			
Forfeited	(332,516 )	\$	3.23			
Outstanding RSUs at December 31, 2015	1,697,897	\$	2.25	1.41	\$	1,715

On May 16, 2014, pursuant to the employment offer letter as approved by the Company's Compensation Committee, and in addition to the market-based stock options, the Company issued 218,752 RSUs to the Company's new President and Chief Executive Officer. These RSUs vest over four years from the grant date in equal annual vesting tranches with 25% becoming vested on each of the first four anniversaries of the grant date subject to continuous service.



## TABLE OF CONTENTS

On June 4, 2014, the Board of Directors of the Company approved, based on recommendations of the Compensation Committee, a grant of 108,225 RSUs to non-employee directors. These RSUs vest upon the first anniversary of the grant date.

On August 5, 2013, pursuant to approval by the Company's Compensation Committee, the Company issued 725,000 RSUs to its corporate employees. These RSUs vest annually in three equal tranches over three years.

On May 23, 2013, the Board of Directors of the Company approved, based on recommendations of the Compensation Committee, a grant of 48,851 RSUs to non-employee directors. These RSUs vest upon the first anniversary of the grant date.

During the first quarter of 2013, the Company's Compensation Committee approved the grant of RSUs to certain key executives. The RSUs granted to these executives included (i) 249,750 time-based RSUs that vest over a required service period of three years, and (ii) 399,750 performance-based RSUs contingent upon a required service period of three years and as well as the Company's achievement of specified annual performance targets for fiscal year 2013. We measured the grant-date fair value of the performance-based RSUs based upon the closing price of the Company's common stock on the Nasdaq as of the grant date. We expensed the fair value of the performance-based RSUs that were probable of being earned based on our forecasted annual performance for fiscal year 2013.

At December 31, 2015, there was \$2.7 million of unrecognized compensation cost related to RSUs which is expected to be recognized over a weighted average period of 2.34 years.

### *Stock Repurchase Program*

On April 27, 2005, our Board of Directors authorized the repurchase of up to 2,000,000 outstanding shares of our common stock. As of December 31, 2015, the maximum number of shares remaining that can be repurchased under this program was 1,807,402. The Company does not intend to repurchase shares without a pre-approval from its Board of Directors.

### *Treasury Stock*

The Board of Directors has given the Company the general authorization to repurchase shares of its common stock to satisfy withholding tax obligations related to vested RSUs granted to certain key executives and non-employee directors. The Company repurchased 98,836 shares at aggregate costs of approximately \$131,000 for the year ended December 31, 2015 to satisfy withholding taxes related to stock-based compensation.

### *Repurchase of Shares*

On February 19, 2013, the Company entered into an agreement with Joshua Pickus, the Company's former President and Chief Executive Officer, pursuant to which Mr. Pickus sold directly to the Company on that day 1,000,000 shares of its common stock acquired by him in a same-day exercise of fully vested options which were due to expire at the end of their seven-year term on April 6, 2013. Under the agreement, the purchase price per share was established as an amount equal to the lesser of (a) the closing price of the Company's common stock in regular trading hours on the day of the sale as reported by Nasdaq less 5%, or (b) the thirty-day simple moving average price of the Company's common stock on the day of the sale. This formula produced a purchase price per share of \$4.114, less the aggregate strike price due on exercise of the options underlying the repurchased shares of \$2.32 per share, which then resulted in a net cash outlay by the Company to acquire the shares of approximately \$1.8 million (or \$1.794 per share). The agreement was approved by the independent members of the Company's Board of Directors. The share repurchase amounted to \$4.1 million and is classified under treasury stock within stockholders' equity of the consolidated balance



sheets.

*Stockholder Rights Agreement*

On October 13, 2015, the Board of Directors adopted a short-term stockholder rights agreement and, pursuant thereto, authorized and declared a dividend distribution of one right for each outstanding share of our common stock, par value \$0.0001 per share, of the Company to stockholders of record at the close of business on October 30, 2015. Each right, when exercisable, entitles the registered holder to purchase from the Company one one-thousandth of a share of the Company's newly designated Series A Junior Participating Preferred



TABLE OF CONTENTS

Stock, par value \$0.0001 per share, having economic and voting terms similar to the Company's common stock, in that, when issued, each such one one-thousandth of a share receives the voting rights of one share of common stock, at an exercise price of \$2.25 per one right, subject to adjustment. When issued, the Series A Junior Participating Preferred Stock has certain liquidation preferences upon liquidation, dissolution or winding up of the Company compared to the Company's common stock. Subject to certain exceptions specified in the rights agreement, the rights will separate from our common stock and become exercisable following (i) the 10th business day (or such later date as may be determined by the Board of Directors) after the public announcement that a person or a group of related persons has acquired beneficial ownership of 15% or more of our common stock, or (ii) the 10th business day (or such later date as may be determined by the Board) after a person or a group of related persons announce or commence a tender or exchange offer that would result in ownership of 15% or more of our common stock by a person or a group of related persons. In that situation, each holder of a right (other than the acquiring person or group, whose rights will become void and will not be exercisable) will have the right to purchase, upon payment of the exercise price, a number of shares of the Company's common stock having a market value of twice such price. In addition, if the Company is acquired in a merger or other business combination by an acquiring person or one of its affiliates after such acquiring person acquires 15% or more of the Company's common stock, each holder of the right will thereafter have the right to purchase, upon payment of the exercise price, a number of shares of common stock of the acquiring person having a market value of twice such price. The acquiring person or group will not be entitled to exercise these rights. Until the rights become exercisable, they will not be evidenced by separate certificates and will trade automatically with shares of the Company's common stock. The rights issued pursuant to the rights agreement expire at or prior to the earlier of (i) October 10, 2016 or (ii) the redemption or exchange of the rights as described in the rights agreement.

**Note 9. Income Taxes**

The components of our gain (loss) before income taxes are as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
United States	\$ (25,754 )	\$ (3,412 )	\$ 10,513
Foreign	(2,280 )	556	608
Total	\$ (28,034 )	\$ (2,856 )	\$ 11,121
Gain from discontinued operations, before income taxes	—	—	—
Gain (loss) from continuing operations, before income taxes	\$ (28,034 )	\$ (2,856 )	\$ 11,121

The provision for income taxes from continuing operations consisted of the following (in thousands):

	<b>Year Ended December 31,</b>		
<b>Current:</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Federal	\$ —	\$ —	\$ —
State	23	34	132
Foreign	179	380	221
Total Current	\$ 202	\$ 414	\$ 353
Deferred			
Federal	\$ (1,119 )	\$ 265	\$ 265
State	(84 )	19	24
Foreign	36	42	130



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Total Deferred	\$	(1,167	)	326	419
Total provision for income taxes	\$	(965	)	\$ 740	\$ 772

The provision for income taxes is comprised of estimates of current taxes due in domestic and foreign jurisdictions.



**TABLE OF CONTENTS**

The reconciliation of the Federal statutory income tax rate to our effective income tax rate is as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Provision at Federal statutory rate	\$ (9,812 )	\$ (1,000 )	\$ 3,900
State taxes	(60 )	53	156
Permanent differences/other	1,370	633	520
Stock-based compensation	762	2,311	1,113
Federal valuation allowance (used) provided	6,775	(1,257 )	(4,917 )
Provision for income taxes	\$ (965 )	\$ 740	\$ 772

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities are as follows (in thousands):

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Deferred Tax Assets		
Fixed assets	\$ 163	\$ 165
Deferred revenue	28	19
Accruals and reserves	428	649
Stock options	1,706	1,663
Net operating loss carryforwards	44,863	42,854
Federal and state credits	3,323	3,327
Foreign credits	152	185
Intangible assets	4,259	1,208
Research and development expense	2,539	—
Gross deferred tax assets	57,461	50,070
Valuation allowance	(57,245 )	(49,679 )
Total deferred tax assets	216	391
Deferred Tax Liabilities:		
Intangible assets	0	(1,302 )
Total deferred tax liability	0	(1,302 )
Net deferred tax asset/liabilities	216	\$ (911 )

ASC 740, *Income Taxes*, provides for the recognition of deferred tax assets if realization of such assets is more likely than not to occur. Based on management's review of both the positive and negative evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting its results, the Company has concluded that it is not more likely than not that the Company will be able to realize all of the Company's U.S. deferred tax assets. Therefore, the Company has provided a full valuation allowance against its U.S. deferred tax assets.

Based on management's review of both positive and negative evidence, which includes the historical operating performance of our Canadian subsidiary, the Company has concluded that it is more likely than not that the Company



will be able to realize a portion of the Company's Canadian deferred tax assets. Therefore, the Company has a partial valuation allowance on Canadian deferred tax assets. There is no valuation allowance against the Company's Indian deferred tax assets. The Company reassesses the need for its valuation allowance on a quarterly basis.

Based on management's review discussed above, the realization of deferred tax assets is dependent on improvements over present levels of consolidated pre-tax income. Until the Company is consistently profitable in the U.S., it will not realize its deferred tax assets. Deferred income taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries. The amount of such earnings at December 31, 2015



TABLE OF CONTENTS

was \$1.6 million. These earnings have been permanently reinvested and the Company does not plan to initiate any action that would precipitate the payment of income tax thereon. It is not practicable to estimate the amount of additional tax that might be payable on undistributed foreign earnings.

The net valuation allowance increased by approximately \$7.6 million and decreased by approximately \$2.0 million during the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, \$4.8 million of the valuation allowance against federal and state net operating loss carryforwards relates to the tax benefit of stock option exercises that, when realized, will be recorded as a credit to additional paid in capital rather than as a reduction of the provision for income taxes. As of December 31, 2015, the Company had Federal and state net operating loss carryforwards of approximately \$126.2 million and \$69.4 million, respectively. The Federal net operating loss and credit carryforwards will expire at various dates beginning in 2020 through 2035, if not utilized. The state net operating loss carryforwards will expire at various dates beginning in 2016 through 2035, if not utilized.

The Company also had Federal and state research and development credit carryforwards of approximately \$2.8 million and \$2.4 million, respectively. The federal credits expire in varying amounts between 2020 and 2031. The state research and development credit carryforwards do not have an expiration date.

Utilization of net operating loss carryforwards and credits may be subject to substantial annual limitation or could be lost due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

ASC 740-10 clarifies the accounting for uncertainties in income taxes by prescribing guidance for the recognition, de-recognition and measurement in financial statements of income tax positions taken in previously filed tax returns or tax positions expected to be taken in tax returns, including a decision whether to file or not to file in a particular jurisdiction. ASC 740-10 requires the disclosure of any liability created for unrecognized tax benefits. The application of ASC 740-10 may also affect the tax bases of assets and liabilities and therefore may change or create deferred tax liabilities or assets.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Balance at beginning of year	\$ 2,460	\$ 2,502
Increase related to prior year tax positions	—	2
Decrease related to prior year tax positions	(78 )	(89 )
Increase related to current year tax positions	12	181
Settlements with tax authorities	—	—
Decrease related to lapse of statute of limitations	(26 )	(136 )
Balance at end of year	\$ 2,368	\$ 2,460

The Company's total amounts of unrecognized tax benefits that, if recognized, that would affect its tax rate are \$0.4 million and \$0.5 million as of December 31, 2015 and 2014, respectively.

The Company's policy is to include interest and penalties related to unrecognized tax benefits within its provision for (benefit from) income taxes. The Company had \$32,000 accrued for payment of interest and penalties related to unrecognized tax benefits as of December 31, 2015. The Company had \$176,000 and \$111,000 accrued for payment of interest and penalties related to unrecognized tax benefit as of December 31, 2014 and 2013, respectively.



As of December 31, 2015, the amount of recognized tax benefit where it is reasonably possible that a significant change may occur in the next 12 months is approximately \$242,000. The change would result from expiration of a statute of limitations in a foreign jurisdiction.



## TABLE OF CONTENTS

The Company files federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. Due to its net operating loss carryforwards, the Company's income tax returns generally remain subject to examination by federal and most state authorities. In our foreign jurisdictions, the 2008 through 2014 tax years remain subject to examination by their respective tax authorities.

We are required to make periodic filings in the jurisdictions where we are deemed to have a presence for tax purposes. We have undergone audits in the past and have paid assessments arising from these audits. Our India entity was issued notices of income tax assessment pertaining to the 2004-2009 fiscal years. The notices claimed that the transfer price used in our inter-company agreements resulted in understated income in our Indian entity. During the fourth quarter of 2014, the Company re-evaluated the probability of its tax position and recorded an ASC 740-10 reserve of \$269,000 related to India transfer pricing. The Company's tax position related to India has not changed in 2015 aside from an additional \$3,000 increase to the reserve representing accrued interest.

We may be subject to other income tax assessments in the future. We evaluate estimated expenses that could arise from those assessments in accordance with ASC 740-10. We consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate on the amount of expenses. We record the estimated liability amount of those assessments that meet the definition of an uncertain tax position under ASC 740-10.



**TABLE OF CONTENTS****Note 10. Quarterly Financial Information (Unaudited)**

Selected quarterly financial information for 2015 and 2014 is as follows:

	Fiscal Year 2015 Quarter Ended			
	Mar. 31, 2015	Jun. 30, 2015	Sept. 30, 2015	Dec. 31, 2015
	(in thousands, except per share data)			
Statements of Operations Data:				
Revenue:				
Services	21,875	19,295	16,563	14,418
Software and other	1,282	1,305	1,302	1,293
Total revenue	23,157	20,600	17,865	15,711
Cost of revenue:				
Cost of services	18,394	15,804	14,357	12,884
Cost of software and other	150	131	128	127
Total cost of revenue	18,544	15,935	14,485	13,011
Gross profit	4,613	4,665	3,380	2,700
Operating expenses:				
Research and development	1,524	1,930	1,790	1,713
Sales and marketing	2,208	2,089	2,195	2,053
General and administrative	3,060	3,076	3,047	3,828
Amortization of intangible assets and other	268	267	267	267
Goodwill impairment	—	14,240	—	—
Total operating expenses	7,060	21,602	7,299	7,861
Loss from operations	(2,447 )	(16,937 )	(3,919 )	(5,161 )
Interest income and other, net	100	106	113	111
Income (loss) from continuing operations, before income taxes	(2,347 )	(16,831 )	(3,806 )	(5,050 )
Income tax provision	126	(1,227 )	60	76
Loss from continuing operations, after income taxes	(2,473 )	(15,604 )	(3,866 )	(5,126 )
Income (loss) from discontinued operations, after income taxes	42	(5 )	(5 )	(4 )
Net loss	(2,431 )	(15,609 )	(3,871 )	(5,130 )
Basic earnings (loss) per share:				
Loss from continuing operations, after income taxes	(0.05 )	(0.29 )	(0.07 )	(0.09 )
Income (loss) from discontinued operations, after income taxes	.01	(0.00 )	(0.00 )	(0.00 )
Basic net loss per share	(0.04 )	(0.29 )	(0.07 )	(0.09 )



Diluted earnings (loss) per share:

Loss from continuing operations, after income taxes	(0.05 )	(0.29 )	(0.07 )	(0.09 )
Income (loss) from discontinued operations, after income taxes	.01	(0.00 )	(0.00 )	(0.00 )
Diluted net loss per share	(0.04 )	(0.29 )	(0.07 )	(0.09 )

70



TABLE OF CONTENTS

	Fiscal Year 2014 Quarter Ended			
	Mar. 31, 2014	Jun. 30, 2014	Sept. 30, 2014	Dec. 31, 2014
	(in thousands, except per share data)			
<b>Statements of Operations Data:</b>				
Revenue:				
Services	\$ 17,052	\$ 18,743	\$ 20,844	\$ 20,633
Software and other	1,561	1,435	1,387	1,336
Total revenue	18,613	20,178	22,231	21,969
Cost of revenue:				
Cost of services	12,962	14,531	16,020	17,093
Cost of software and other	239	228	189	184
Total cost of revenue	13,201	14,759	16,209	17,277
Gross profit	5,412	5,419	6,022	4,692
Operating expenses:				
Research and development	1,354	1,057	1,203	1,464
Sales and marketing	1,551	1,688	1,782	2,185
General and administrative	2,663	2,980	2,808	2,869
Amortization of intangible assets and other	273	273	273	272
Total operating expenses	5,841	5,998	6,066	6,790
Loss from operations	(429 )	(579 )	(44 )	(2,098 )
Interest income and other, net	78	62	77	77
Income (loss) from continuing operations, before income taxes	(351 )	(517 )	33	(2,021 )
Income tax provision	125	132	128	355
Loss from continuing operations, after income taxes	(476 )	(649 )	(95 )	(2,376 )
Income (loss) from discontinued operations, after income taxes	(6 )	(6 )	(6 )	131
Net loss	\$ (482 )	\$ (655 )	\$ (101 )	\$ (2,245 )
Basic earnings (loss) per share:				
Loss from continuing operations, after income taxes	\$ (0.01 )	\$ (0.01 )	\$ (0.00 )	\$ (0.04 )
Income (loss) from discontinued operations, after income taxes	(0.00 )	(0.00 )	(0.00 )	0.00
Basic net loss per share	\$ (0.01 )	\$ (0.01 )	\$ (0.00 )	\$ (0.04 )
Diluted earnings (loss) per share:				
Loss from continuing operations, after income taxes	\$ (0.01 )	\$ (0.01 )	\$ (0.00 )	\$ (0.04 )
Income (loss) from discontinued operations, after income taxes	(0.00 )	(0.00 )	(0.00 )	0.00



Diluted net loss per share	\$	(0.01	)	\$	(0.01	)	\$	(0.00	)	\$	(0.04	)
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**TABLE OF CONTENTS**

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Disclosure controls and procedures.**

We maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on an evaluation of the effectiveness of disclosure controls and procedures, our CEO and CFO have concluded that as of the end of the period covered by this Form 10-K our disclosure controls and procedures as defined under Exchange Act Rules 13a-15(e) and 15d-15(e) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



TABLE OF CONTENTS

**Report of Management 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 Exchange Act Rules 13a-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). As part of this evaluation, management established an internal control project team, engaged outside consultants and adopted a project work plan to document and assess the adequacy of our internal control over financial reporting, address any control deficiencies that were identified, and to validate through testing that the controls are functioning as documented. Based on the results of this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2015 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit Committee of Support.com's Board of Directors.

The effectiveness of our internal control over financial report as of December 31, 2015 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ ELIZABETH CHOLAWSKY

Elizabeth Cholawsky  
*President and Chief Executive Officer*

/s/ ROOP K. LAKKARAJU

Roop K. Lakkaraju  
*Executive Vice President, Chief Financial  
Officer and  
Chief Operating Officer*



**TABLE OF CONTENTS**

**Report of Independent Registered Public Accounting Firm  
on Internal Control over Financial Reporting**

Board of Directors and Stockholders  
Support.com, Inc.  
Redwood City, California

We have audited Support.com, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Support.com, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Support.com, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Support.com, Inc. as of December 31, 2015 and 2014 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2015 and 2014 and our report dated March 7, 2016 expressed, for example, an unqualified opinion thereon.

/s/ BDO USA, LLP



San Jose, California  
March 7, 2016

74



## TABLE OF CONTENTS

### **ITEM 9B. OTHER INFORMATION.**

None.

## **PART III**

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

The information required by Item 10 of Form 10-K with respect to Item 401 of Regulation S-K regarding our directors is incorporated herein by reference from the information contained in the section entitled *Directors and Nominees* in our definitive Proxy Statement for the 2015 Annual Meeting of Stockholders (the *Proxy Statement*), a copy of which will be filed with the Securities and Exchange Commission.

The information required by Item 10 of Form 10-K with respect to Item 401 of Regulation S-K regarding our executive officers is incorporated herein by reference from the information contained in the section entitled *Executive Compensation and Related Information* in our definitive Proxy Statement.

The information required by Item 10 of Form 10-K with respect to Item 405 of Regulation S-K regarding section 16(a) beneficial ownership compliance is incorporated by reference from the information contained in the section entitled *Section 16(a) Beneficial Ownership Compliance* in our Proxy Statement.

We have adopted a Code of Ethics and Business Conduct for Employees, Officers and Directors which is applicable to all of our directors, executive officers and employees, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial and accounting officer, respectively). The Code of Ethics and Business Conduct for Employees, Officers and Directors is available on our website at <http://www.support.com/about/investor-relations/corporategovernance>. A copy of the Code of Ethics and Business Conduct for Employees, Officers and Directors will be provided without charge to any person who requests it by writing to Support.com, Inc., Investor Relations, 900 Chesapeake Drive, 2nd Floor, Redwood City, CA 94063, or telephoning 1-415-445-3235. We will disclose on our website amendments to or waivers from our Code of Ethics and Business Conduct applicable to our directors or executive officers, including our Chairman, our Chief Executive Officer and our Chief Financial Officer, in accordance with all applicable laws and regulations.

The information required by Item 10 of Form 10-K with respect to Items 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K is incorporated by reference from the information contained in the sections entitled *Director Nominations*, *Corporate Governance* and *Committees of the Board of Directors* in our Proxy Statement.

### **ITEM 11. EXECUTIVE COMPENSATION.**

The information required by Item 11 of Form 10-K is incorporated herein by reference from the information contained in the sections entitled *Executive Compensation and Related Information*, *Director Compensation*, *Compensation Committee Report* and *Compensation Committee Interlocks and Insider Participation* in our Proxy Statement.

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

The information required by Item 12 of Form 10-K with respect to Item 201 of Regulation S-K regarding securities authorized for issuance under equity compensation plans and Item 403 of Regulation S-K regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the information contained in the section entitled *Security Ownership of Certain Beneficial Owners and Management* in the Proxy Statement.

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



The information required by Item 13 of Form 10-K is incorporated herein by reference from the information contained in the sections entitled Certain Relationships and Related Transactions, Compensation Committee Interlocks and Insider Participation and Director Independence in our Proxy Statement.

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

The information required by Item 14 of Form 10-K is incorporated herein by reference from the information contained in the sections entitled Principal Accountant Fees and Services and Audit Committee Pre-Approval Policies and Procedures in our Proxy Statement.



## TABLE OF CONTENTS

### **PART IV**

#### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

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

- (1) Financial Statements—See Index to the Consolidated Financial Statements and Supplementary Data in Item 8 of this report.
- (2) Financial Statement Schedules.

Schedule II—Valuation and qualifying accounts was omitted as the required disclosures are included in Note 1 to the Consolidated Financial Statements.

All other schedules are omitted since the information required is not applicable or is shown in the Consolidated Financial Statements or notes thereto.

(3) Exhibits—See in Item 15(b) of this report.

(b) Exhibits.

<b>Exhibit</b>	<b>Description of Document</b>
3.1	Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of Support.com's annual report on Form 10-K for the year ended December 31, 2001).
3.2	Certificate of Amendment to Support.com's Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Support.com's current report on Form 8-K filed with the SEC on June 23, 2009).
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock of Support.com (incorporated by reference to Exhibit 3.1 of Support.com's current report on Form 8-K filed with the SEC on October 14, 2015).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of Support.com's current report on Form 8-K filed with the SEC on February 5, 2016).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Support.com's quarterly report on Form 10-Q for the quarter ended June 30, 2002).
4.2	Rights Agreement with Computershare Trust Company, N.A., dated October 13, 2015 (incorporated by reference to Exhibit 4.1 of Support.com's current report on Form 8-K filed with the SEC on October 14, 2015).
10.1*	Support.com's amended and restated 2010 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 4.1 of Support.com's current report on Form 8-K filed with the SEC on May 21, 2010).
10.2*	Support.com's 2010 Employee Stock Purchase Plan (incorporated by reference to Annex A of Support.com's definitive proxy statement for Support.com's 2011 annual meeting of stockholders).
10.3*	Support.com's 2014 Inducement Award Plan (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on May 19, 2014).
10.4*	Form of Directors' and Officers' Indemnification Agreement (incorporated by reference to Exhibit 10.4 of Support.com's registration statement on Form S-1 filed with the SEC on February 18, 2000).
10.5*	Amended and Restated Employment Offer Letter between Support.com and Josh Pickus, as amended on July 30, 2009 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on July 31, 2009).
10.6*	Employment Offer Letter between Support.com and Roop Lakkaraju, dated October 22, 2013 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on October 30, 2013).



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- 10.7\* Employment Offer Letter between Support.com and Elizabeth Cholawsky, dated May 8, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on May 19, 2014).
- 10.8\* Form of Stock Option Grant Notification for Officers and Employees (incorporated by reference to Exhibit 10.1(a) of Support.com's quarterly report on Form 10-Q filed on November 5, 2009).



**TABLE OF CONTENTS**

<b>Exhibit</b>	<b>Description of Document</b>
10.9	Sublease Agreement with TYCO Healthcare Group LP dated June 7, 2012(incorporated by reference to Exhibit 10.1 of Support.com's quarterly report on form 10-Q filed with the SEC on August 8, 2012).
10.10	Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of October 1, 2013 (incorporated by reference to Exhibit 10.19 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)
10.11	Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of October 1, 2013 (incorporated by reference to Exhibit 10.20 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)
10.12	Change Management Form Number 1 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 22, 2013 (incorporated by reference to Exhibit 10.24 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)
10.13	Amendment Number 1 to Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 31, 2013 (incorporated by reference to Exhibit 10.21 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014)
10.14	Statement of Work Number 2 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 31, 2013 (incorporated by reference to Exhibit 10.22 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)
10.15	Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of March 21, 2014 (incorporated by reference to Exhibit 10.3 of Support.com's quarterly report on Form 10-Q filed with the SEC on May 8, 2014) (1)
10.16	Change Management Form Number 2 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of February 27, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's quarterly report on Form 10-Q filed with the SEC on May 8, 2014) (1)
10.17	Change Management Form Number 3 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of March 4, 2014 (incorporated by reference to Exhibit 10.2 of Support.com's quarterly report on Form 10-Q filed with the SEC on May 8, 2014) (1)
10.18	First Change Management Form to Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of June 4, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on June 11, 2014)
10.19	Reseller Agreement between Comcast and Support.com, effective as of June 6, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on June 18, 2014) (1)
10.20	Change Management Form Number 4 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of September 17, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on October 6, 2014) (1)
10.21	Change Management Form Number 5 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of September 18, 2014 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the



SEC on October 6, 2014) (1)

- 10.22 Statement of Work Number 4 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of February 6, 2015 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on February 18, 2015) (1)



**TABLE OF CONTENTS**

<b>Exhibit</b>	<b>Description of Document</b>
10.23	Compensatory Arrangement between Support.com and Jim Stephens for his term as Executive Chairman and Interim CEO commencing March 25, 2014
10.24	Change Management Form Number 6 under Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of April 6, 2015 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on April 9, 2015) (1)
10.25	Amendment Number 1 to Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of June 2, 2015 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on July 2, 2015)
10.26	Change Management Form Number 6 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of November 18, 2015 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on November 24, 2015) (1)
10.27	Change Management Form Number 7 under Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of November 18, 2015 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on November 24, 2015) (1)
10.28	Form of Directors' and Officers' Indemnification Agreement (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on December 10, 2015).
10.29	Change Management Form Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 15, 2015 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on December 16, 2015) (1)
21.1	Subsidiaries of Support.com, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (see the signature page of this Form 10-K)
31.1	Chief Executive Officer Section 302 Certification.
31.2	Chief Financial Officer Section 302 Certification.
32.1	Statement of the Chief Executive Officer under 18 U.S.C. § 1350(2)
32.2	Statement of the Chief Financial Officer under 18 U.S.C. § 1350(2)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Denotes an executive or director compensation plan or arrangement.

(1) Confidential treatment has been requested for portions of this exhibit.

- (2) The material contained in Exhibit 32.1 and 32.2 shall not be deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference.
- (c) Financial Statement Schedules.



No schedules have been filed because the information required to be set forth therein is not applicable or is shown in the financial statements or related notes included as part of this report.



**TABLE OF CONTENTS****SIGNATURES**

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 7th day of March, 2016.

SUPPORT.COM, INC.

By: */s/ ELIZABETH CHOLAWSKY*  
Elizabeth Cholawsky  
*President and Chief Executive Officer*

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Elizabeth Cholawsky and Roop Lakkaraju, and each of them individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this 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 said attorney-in-fact, or his or her substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<i>/s/ ELIZABETH CHOLAWSKY</i> Elizabeth Cholawsky	President and Chief Executive Officer and Director (Principal Executive Officer)	March 7, 2016
<i>/s/ ROOP K. LAKKARAJU</i> Roop K. Lakkaraju	Executive Vice President, Chief Financial Officer and Chief Operating Officer (Principal Financial and Accounting Officer)	March 7, 2016
<i>/s/ JIM STEPHENS</i> Jim Stephens	Chairman of the Board of Directors	March 7, 2016
<i>/s/ SHAWN FARSHCHI</i> Shawn Farshchi	Director	March 7, 2016
<i>/s/ J. MARTIN O'MALLEY</i> J. Martin O'Malley	Director	March 7, 2016
<i>/s/ TONI J. PORTMANN</i> Toni J. Portmann	Director	March 7, 2016







**TABLE OF CONTENTS**

**EXHIBIT INDEX**

<b>Exhibit</b>	<b>Description of Document</b>
3.1	Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of Support.com's annual report on Form 10-K for the year ended December 31, 2001).
3.2	Certificate of Amendment to Support.com's Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Support.com's current report on Form 8-K filed with the SEC on June 23, 2009).
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock of Support.com (incorporated by reference to Exhibit 3.1 of Support.com's current report on Form 8-K filed with the SEC on October 14, 2015).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of Support.com's current report on Form 8-K filed with the SEC on February 5, 2016).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Support.com's quarterly report on Form 10-Q for the quarter ended June 30, 2002).
4.2	Rights Agreement with Computershare Trust Company, N.A., dated October 13, 2015 (incorporated by reference to Exhibit 4.1 of Support.com's current report on Form 8-K filed with the SEC on October 14, 2015)
10.1*	Support.com's amended and restated 2010 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 4.1 of Support.com's current report on Form 8-K filed with the SEC on May 21, 2010).
10.2*	Support.com's 2010 Employee Stock Purchase Plan (incorporated by reference to Annex A of Support.com's definitive proxy statement for Support.com's 2011 annual meeting of stockholders).
10.3*	Support.com's 2014 Inducement Award Plan (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on May 19, 2014).
10.4*	Form of Directors' and Officers' Indemnification Agreement (incorporated by reference to Exhibit 10.4 of Support.com's registration statement on Form S-1 filed with the SEC on February 18, 2000).
10.5*	Amended and Restated Employment Offer Letter between Support.com and Josh Pickus, as amended on July 30, 2009 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on July 31, 2009).
10.6*	Employment Offer Letter between Support.com and Roop Lakkaraju, dated October 22, 2013 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on October 30, 2013).
10.7*	Employment Offer Letter between Support.com and Elizabeth Cholawsky, dated May 8, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on May 19, 2014).
10.8*	Form of Stock Option Grant Notification for Officers and Employees (incorporated by reference to Exhibit 10.1(a) of Support.com's quarterly report on Form 10-Q filed on November 5, 2009).
10.9	Sublease Agreement with TYCO Healthcare Group LP dated June 7, 2012(incorporated by reference to Exhibit 10.1 of Support.com's quarterly report on form 10-Q filed with the SEC on August 8, 2012).
10.10	Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of October 1, 2013 (incorporated by reference to Exhibit 10.19 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)
10.11	Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of October 1, 2013 (incorporated by reference to Exhibit 10.20



of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)

- 10.12 Change Management Form Number 1 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 22, 2013 (incorporated by reference to Exhibit 10.24 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014 (1))



**TABLE OF CONTENTS**

<b>Exhibit</b>	<b>Description of Document</b>
10.13	Amendment Number 1 to Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 31, 2013 (incorporated by reference to Exhibit 10.21 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014)
10.14	Statement of Work Number 2 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 31, 2013 (incorporated by reference to Exhibit 10.22 of Support.com's annual report on Form 10-K filed with the SEC on March 7, 2014) (1)
10.15	Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of March 21, 2014 (incorporated by reference to Exhibit 10.3 of Support.com's quarterly report on Form 10-Q filed with the SEC on May 8, 2014) (1)
10.16	Change Management Form Number 2 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of February 27, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's quarterly report on Form 10-Q filed with the SEC on May 8, 2014) (1)
10.17	Change Management Form Number 3 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of March 4, 2014 (incorporated by reference to Exhibit 10.2 of Support.com's quarterly report on Form 10-Q filed with the SEC on May 8, 2014) (1)
10.18	First Change Management Form to Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of June 4, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on June 11, 2014)
10.19	Reseller Agreement between Comcast and Support.com, effective as of June 6, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on June 18, 2014) (1)
10.20	Change Management Form Number 4 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of September 17, 2014 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on October 6, 2014) (1)
10.21	Change Management Form Number 5 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of September 18, 2014 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on October 6, 2014) (1)
10.22	Statement of Work Number 4 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of February 6, 2015 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on February 18, 2015) (1)
10.23	Compensatory Arrangement between Support.com and Jim Stephens for his term as Executive Chairman and Interim CEO commencing March 25, 2014
10.24	Change Management Form Number 6 under Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of April 6, 2015 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on April 9, 2015) (1)
10.25	Amendment Number 1 to Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of June 2, 2015 (incorporated by reference



to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on July 2, 2015)



**TABLE OF CONTENTS**

<b>Exhibit</b>	<b>Description of Document</b>
10.26	Change Management Form Number 6 under Statement of Work Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of November 18, 2015 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on November 24, 2015) (1)
10.27	Change Management Form Number 7 under Statement of Work Number 3 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of November 18, 2015 (incorporated by reference to Exhibit 10.2 of Support.com's current report on Form 8-K filed with the SEC on November 24, 2015) (1)
10.28	Form of Directors' and Officers' Indemnification Agreement (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on December 10, 2015).
10.29	Change Management Form Number 1 to Master Services Agreement Call Handling Services between Comcast and Support.com, effective as of December 15, 2015 (incorporated by reference to Exhibit 10.1 of Support.com's current report on Form 8-K filed with the SEC on December 16, 2015) (1)
21.1	Subsidiaries of Support.com, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (see the signature page of this Form 10-K)
31.1	Chief Executive Officer Section 302 Certification.
31.2	Chief Financial Officer Section 302 Certification.
32.1	Statement of the Chief Executive Officer under 18 U.S.C. § 1350(2)
32.2	Statement of the Chief Financial Officer under 18 U.S.C. § 1350(2)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Denotes an executive or director compensation plan or arrangement.

(1) Confidential treatment has been requested for portions of this exhibit.

- The material contained in Exhibit 32.1 and 32.2 shall not be deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference.
- (c) Financial Statement Schedules.

No schedules have been filed because the information required to be set forth therein is not applicable or is shown in the financial statements or related notes included as part of this report.