ENNIS, INC.
Form 4
April 23, 2013

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person [*]
PRITCHETT KENNETH G
(Last) (First) (Middle)
4470 E. HIGHWAY 287, SUITE 800
(Street)
MIDLOTHIAN, TX 76065
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ENNIS, INC. [EBF]

3. Date of Earliest Transaction (Month/Day/Year)
04/19/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/19/2013	04/19/2013	A		3,203 [(1)]	A	$ 0	53,240	D	
Common Stock								2,000	I	By Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PRITCHETT KENNETH G 4470 E. HIGHWAY 287 SUITE 800 MIDLOTHIAN, TX 76065	X			

Signatures

/s/Richard L. Travis, Jr., Attorney-in-Fact	04/23/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted stock grant - vest 1/3 annually commencing on the first anniversary date of grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. Roman; FONT-SIZE: 10pt">At December 31, 2012, the Company had the following outstanding forward exchange contracts to trade U.S. dollars in exchange for Canadian dollars:

Maturity date	Notional amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Fair value
January – March, 2013	6,000,000	1.0277	193,941
April – June, 2013	5,270,000	1.0300	171,739
July - September, 2013	4,930,000	1.0047	22,820
October - December, 2013	5,480,000	1.0071	24,444
January – March, 2014	5,720,000	1.0095	24,218
April – May, 2014	1,940,000	1.0109	7,620

Total	$	29,340,000	1.0157	$	444,782

As of December 31, 2012 the Company has $29.3 million of outstanding foreign exchange forward contracts which will convert to CDN $29.8 million. Of these contracts, $15.1 million met the requirements for hedge accounting (2011 – NIL).

We have performed a sensitivity analysis model for foreign exchange exposure over the three months ended December 31, 2012. The analysis used a modeling technique that compares the U.S. dollar equivalent of all expenses incurred in Canadian dollars, at the actual exchange rate, to a hypothetical 10% adverse movement in the foreign currency exchange rates against the U.S. dollar, with all other variables held constant. Foreign currency exchange rates used were based on the market rates in effect during the three months ended December 31, 2012. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a decrease in net income for the three months ended December 31, 2012 of approximately $0.5 million. There can be no assurances that the above projected exchange rate decrease will materialize. Fluctuations of exchange rates are beyond our control. We will continue to monitor and assess the risk associated with these exposures and may take additional actions in the future to hedge or mitigate these risks.

Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents, marketable securities, foreign exchange contracts and accounts receivable. Our cash, cash equivalents and short-term investments are in high-quality securities placed with major banks and financial institutions whom we have evaluated as highly creditworthy and commercial paper. Similarly, we enter into our foreign exchange contracts with major banks and financial institutions. With respect to accounts receivable, we perform ongoing evaluations of our customers, generally granting uncollateralized credit terms to our customers, and maintaining an allowance for doubtful accounts based on historical experience and our expectation of future losses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data required by this item are attached to this Annual Report on Form 10-K beginning on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management conducted an assessment of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on the results of such assessment, management have concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective.

Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for Tucows. There were no changes in our internal control over financial reporting during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Tucows have been detected. The design of any system of controls also is based in part upon 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; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management's report on internal control over financial reporting is included on page F-2 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Allen Karp	Co-Chairman of the Board since September 2012 and Director since October 2005

Mr. Karp, 73, was with Cineplex Odeon Corporation in various positions since 1986, where he retired as Chairman and Chief Executive Officer in 2002 and as Chairman Emeritus in 2005. From 1966 to 1986, he practiced law at the law firm of Goodman and Carr LLP, where he was named partner in 1970. Mr. Karp is a Director of Brookfield Real Estate Services Inc., the Chair of its corporate governance committee and sits on the audit committee. Mr. Karp is Chairman of the Board of Directors of IBI Group Inc., and is Chairman of the Nominating, Governance and Compensation Committee. Mr. Karp is a past director of the Toronto International Film Festival Group, where he served as Chairman of the Board from 1999 to 2007 and has served as Chairman of its Corporate Governance Committee since 2007.

Mr. Karp has extensive executive leadership skills, long-standing senior management experience, a strong ethics and compliance focus and audit committee experience. These skills and qualifications, in addition to his current service on the boards of directors of other public companies, enable him to bring valuable perspectives to our Board, particularly with respect to corporate governance matters, and qualify him to be a director of Tucows.

Rawleigh H. Ralls	Co-Chairman of the Board since September 2012 and Director since May 2009

Mr. Ralls, 51, is a founding partner of Lacuna, LLC, an investment management company focused on both public and private companies, which he formed in October 2006. Prior thereto, from 1999 to 2006, he was Chairman of Netidentity.com, an Internet email and web hosting company, where he led corporate strategy and development until the firm's sale in 2006. Mr. Ralls currently serves on the Board of Directors of a number of companies, including Savoya, LLC, IntraOp Medical, Knowledge Factor, and Mocapay, Inc.

Mr. Ralls has a wealth of industry experience, most notably the experience that he gained through his leadership of Netidentity.com. In addition, Mr. Ralls contributes a unique perspective to the Board's discussions and considerations based on the two decades of investing and portfolio management experience. All of these attributes qualify Mr. Ralls to be a director of Tucows.

Stanley Stern	Chairman of the Board from August 2001 to May 2012 and Director since January 2000

Mr. Stern, 56, has been a Managing Director and Head of Investment Banking, Technology and Financial Institutions, with Oppenheimer & Co. Inc., an investment banking firm, since April 2004. From February 2002 to March 2004, Mr. Stern served as a Managing Director and Head of Investment with C.E. Unterberg, Towbin, an investment banking firm. From January 2000 to February 2002, Mr. Stern served as Managing Director of STI Ventures Advisory USA Inc. and as a member of the Board of Directors and the investment committee of STI Ventures, a venture capital company focusing on the high technology market.

Mr. Stern has extensive experience with technology based companies in the context of his investment banking experience and has an in-depth knowledge of the Company's business strategy and management team, all of which qualify him to be a director of Tucows.

Eugene Fiume Director since June 2005

Mr. Fiume, 55, has been a professor since 1995 and was a past Chair from 1998 to 2004 of the Department of Computer Science at the University of Toronto, where he also co-directs the Dynamic Graphics Project. He is the director of the Department's professional master's programme.

Mr. Fiume has held many advisory board roles in both the public and private sectors. He currently works with venture capital companies and SMEs on due diligence, strategy and human resources; he is also currently on the advisory board of the Intel Science and Technology Center for Visual Computing.

Mr. Fiume has an extensive and evolving knowledge of computer science in the context of his experience as a Professor at the University of Toronto. In addition, he has other valuable experience with technology companies generally that, in addition to the other attributes listed above, qualify him to be a director of Tucows.

Erez Gissin Director since August 2001

Mr. Gissin, 54, has served since 2010 as a managing partner in Helios Energy Investment, a Renewable Energy investment fund, and since 2005 as the Chief Executive Officer of BCID Ltd., an investment company focusing on infrastructure development projects in China. From July 2000 to March 2005, Mr. Gissin has served as the Chief Executive Officer of IP Planet Networks Ltd., an Israeli satellite communication operator providing Internet backbone connectivity and solutions to Internet Service Providers. From July 1995 to July 2000, Mr. Gissin was Vice President, Business Development of Eurocom Communications Ltd., a holding company that controls several telecommunications services, equipment and Internet companies in Israel.

Mr. Gissin has a strong background in the internet communications industry and has gained significant institutional knowledge in his long tenure as one of our directors. Mr. Gissin also has significant leadership experience as the Chief Executive Officer of BCID Ltd. and IP Planet Networks Ltd. and has extensive financial acumen derived from his years of executive experience. All of these qualities qualify Mr. Gissin to be a director of Tucows.

Joichi Ito Director since December 2008

Mr. Ito, 47, is the director of the MIT Media Lab. He is also the Chairman of Creative Commons, where he has served on the board since April 2008 and is a co-founder of Digital Garage, where he has served on the board since September 2006. Since June 2012, Mr. Ito has been a member of the Board of Directors of the New York Times Corporation.

From June 2002 until July 2008, Mr. Ito served on the board of Pia Corporation, a ticket and entertainment magazine company in Japan (Tokyo Stock Exchange 4337). Since May 2009 Mr. Ito has served on the board of CCC, a video rental franchise company in Japan (Tokyo Stock Exchange 4756). He served on the board of ICANN, a U.S. non-profit corporation, from December 2004 until December 2007. ICANN manages the domain name registration system that Tucows uses for its domain name business and ICANN receives fees from Tucows for domain name registrations.

Mr. Ito is also on the board of directors of a number of non-profit organizations, including The Knight Foundation, the MacArthur Foundation and The Mozilla Foundation. He has created numerous Internet companies, including PSINet Japan, Digital Garage (Tokyo Stock Exchange 4819) and Infoseek Japan and was an early stage investor in Twitter, Six Apart, Flickr, SocialText, Dopplr, Last.fm, Rupture and Kongregate. He has served and continues to serve on various Japanese central as well as local government committees and boards, advising the government on IT, privacy and computer security related issues.

Mr. Ito has extensive experience as a director of a number of publicly traded companies and has a wide range of experience with internet companies generally. This experience, along with Mr. Ito’s domain specific knowledge, enables him to bring key experience to the Company and qualifies him to be a director of Tucows.

Lloyd Morrisett Director since February 1994

Dr. Morrisett, 83, served as a director and as a member of the audit and compensation committees of Infonautics, Inc., our predecessor, beginning in February 1994. Dr. Morrisett also served as chairman of the Board of Directors of Infonautics beginning in March 1998 until we merged with Tucows Inc., a Delaware corporation (“Tucows Delaware”),

in August 2001 and became Tucows Inc. He is the co-founder of the Children’s Television Workshop—now Sesame Workshop—and served from 1969 to 1998 as president of The Markle Foundation, a charitable organization.

The breadth of Dr. Morrisett’s career has provided him with extensive business acumen and leadership experience. In addition, as a member of the board of directors of our predecessor, Dr. Morrisett is uniquely positioned to provide our Board and the Company with an important historical perspective with respect to the Company’s operations and strategy. These factors, combined with Dr. Morrisett’s experience as a public company board, audit committee and compensation committee member qualify him to be a director of Tucows.

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Elliot Noss Director since August 2001

Mr. Noss, 51, is our President and Chief Executive Officer and has served in such capacity since the completion of our merger with Tucows Delaware in August 2001. From May 1999 until completion of the merger in August 2001, Mr. Noss served as President and Chief Executive Officer of Tucows Delaware. Before that, from April 1997 to May 1999, Mr. Noss served as Vice President of Corporate Services of Tucows Interactive Ltd., which was acquired by Tucows Delaware in May 1999.

Mr. Noss's lengthy service as our Chief Executive Officer has provided him with extensive knowledge of, and experience with, Tucows' operations, strategy and financial position. In addition, Mr. Noss has widespread knowledge of the internet and software industry generally that, coupled with his operational expertise, qualifies him to be a director of Tucows.

Jeffrey Schwartz Director since June 2005

Mr. Schwartz, 51, has served as a director of Dorel Industries since 1987 and as Executive Vice President and Chief Financial Officer since 2003. Mr. Schwartz is a graduate of McGill University in Montreal and has a degree in the field of business administration.

Mr. Schwartz has a significant amount of public-company financial expertise, particularly in his executive experience as the chief financial officer of Dorel Industries, Inc. This executive experience, along with Mr. Schwartz's service as one of our Audit Committee members (and as Chairman of our Audit Committee since 2005), qualifies him to be a director of Tucows.

Our directors are elected annually and serve until the election or appointment and qualification of their successors or their earlier death, resignation or removal.

Executive Officers

The required information regarding our executive officers is set forth in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

Governance Principals

The governance principals of our Board of Directors include the charters of our audit committee, our Corporate Governance and Compensation Committee, our Code of Conduct, and our Code of Ethics. Each of these documents and various other documents embodying our governance principals are published on our website at tucowsinc.com. Amendments and waivers of our Code of Ethics will either be posted on our website or filed with the SEC on a Current Report on Form 8-K.

Mr. Karp and Mr. Ralls, two of our independent directors, serve as Co-Chairmen of the Board. The Board does not have a lead independent director. Our Board currently consists of nine directors, eight of whom the Board has determined are "independent" within the meaning of the independence requirements prescribed by the listing standards of NYSE Amex. In making this determination with respect to Mr. Ralls, the board considered whether his beneficial ownership of Tucows equity securities constituted a material relationship with the Company that would impair his independence, and concluded that he was independent. The Board believes that this structure, which provides an overwhelming majority of independent directors, coupled with the Board meeting in executive session without any management directors or non-independent directors present, is an appropriate structure for Tucows' Board. We believe that this structure provides appropriate and independent oversight by the Board. The Board regularly consults with our

Chief Executive Officer, who is also a director, and our corporate governance, nominating and compensation committee to review the various types of risk that affect Tucows and the strategies to mitigate such risks. The Board believes that this structure has been effective.

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Meetings

Our Board of Directors met six times during Fiscal 2012. Our Board of Directors also took action by unanimous written consent on two occasions during Fiscal 2012. With the exception of Mr. Ito, each director attended at least 80% of the total number of meetings of the Board of Directors and the committees on which he served during Fiscal 2012.

Executive Sessions of Independent Directors

A majority of the independent directors meet quarterly in executive sessions without members of our management present. Since May 2012, Mr. Karp has been responsible for chairing the executive sessions. Prior to May 2012, Mr. Stern assumed this responsibility.

Policy regarding attendance

Directors are expected, but are not required, to attend board meetings, meetings of committees on which they serve, and shareholder meetings, and to spend the time needed and meet as frequently as necessary to discharge their responsibilities properly. Elliot Noss attended our 2012 annual meeting of shareholders in person while the remainder of the Board of Directors were available by teleconference.

Committees

Our Board of Directors has two committees, an audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, and a corporate governance, nomination and compensation committee. Our committees generally meet in connection with regularly scheduled quarterly and annual meetings of the Board of Directors, with additional meetings held as often as its members deem necessary to perform its responsibilities. From time to time, depending on the circumstances, the Board may form a new committee or disband a current committee.

The audit committee currently consists of Mr. Schwartz (Chair), Mr. Karp and Dr. Morrisett, all of whom are independent directors as defined in Section 121A of the NYSE Amex listing standards.

The audit committee held five meetings during Fiscal 2012. The audit committee also took action by unanimous written consent on one occasion during Fiscal 2012. The audit committee's purposes are:

- To assist the Board of Directors in its oversight of (1) our accounting and financial reporting processes and the audits of our financial statements, and (2) our compliance with legal and regulatory requirements;
- To interact directly with and evaluate the performance of the independent auditors, including to determine whether to engage or dismiss the independent auditors and to monitor the independent auditors' qualifications and independence; and
- To prepare the report required by the rules of the SEC to be included in our annual Form 10-K.

Each of the members of our Audit Committee is an independent director and satisfies the independence standards specified in Section 803 of the NYSE MKT listing requirements and Rule 10A-3 under the Exchange Act and is able to read and understand fundamental financial statements including balance sheets, income statements and cash flow

statements. Additionally, the Board of Directors has determined that Mr. Schwartz qualifies as an “audit committee financial expert” as defined under Item 407(d)(v) of Regulation S-K. The Board of Directors has adopted a written charter for the Audit Committee, which the Audit Committee has reviewed and determined to be in compliance with the rules set forth in the NYSE Amex listing requirements and which is available at tucowsinc.com.

The corporate governance, nomination and compensation committee currently consists of Mr. Karp (Chair), Mr. Schwartz, and Mr. Ralls, all of whom are independent directors as defined in Section 121A of the NYSE Amex listing standards.

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The committee held two meetings during Fiscal 2012. The corporate governance, nomination and compensation committee also took action by unanimous written consent on one occasion during the 2012 fiscal year. The corporate governance, nomination and compensation committee's purposes are:

- To recommend and review the compensation structure for the Company's senior executives, including the Chief Executive Officer;
- To review employee compensation and benefit programs, including risk oversight;
- To develop and recommend to the Board a set of corporate governance guidelines applicable to the Company and to periodically review the guidelines;
- To oversee the Board's annual evaluation of its performance and the performance of the other Board committees;
- To advise the Board regarding membership and operations of the Board; and
- To identify individuals qualified to serve as members of the Board, to select, subject to ratification of the Board, the director nominees for the next annual meeting of shareholders and to recommend to the Board individuals to fill vacancies on the Board.

The corporate governance, nominating and compensation committee may delegate authority to one or more members of the committee or one or more members of management when appropriate, but no such delegation is allowed if the authority is required by law, regulation or listing standard to be exercised by the corporate governance, nominating and compensation committee as a whole. Each of the members of our corporate governance, nominating and compensation committee are independent directors as defined in Section 803 of the NYSE MKT listing standards. The Board of Directors has adopted a written charter for the corporate governance, nominating and compensation committee, which the corporate governance, nominating and compensation committee has reviewed and determined to be in compliance with the rules set forth in the NYSE MKT listing requirements and which is available at tucowsinc.com.

In considering candidates for nomination, our Board of Directors shall seek individuals who evidence strength of character, mature judgment and the ability to work collegially with others. Furthermore, it is the policy of our Board of Directors that it endeavor to have directors who collectively possess a broad range of skills, expertise, industry and other knowledge and business and other experience useful to the effective oversight of our business; therefore, in considering whether to nominate a person for election as a director, the independent directors and our Board of Directors will consider, among other factors, the contribution such person can make to the collective competencies of the Board based on such person's background. In determining whether to nominate a current director for re-election, the Board will take into account these same criteria as well as the director's past performance, including his or her participation in and contributions to the activities of the Board.

Shareholder nominations to the Board

Our corporate governance, nominating and compensation committee is responsible for identifying potential nominees to the Board, and will consider any candidate proposed in good faith by one of our shareholders. As set forth in the charter of the corporate governance, nominating and compensation committee, recommendations submitted by the Company's shareholders shall be timely submitted, along with the following to the attention of the Chairperson of the corporate governance, nominating and compensation committee at 96 Mowat Avenue, Toronto, Ontario M6K 3M1 Canada, the following:

- the candidate's name and the information about the individual that would be required to be included in a proxy statement under the rules of the SEC;
- information about the relationship between the candidate and the nominating shareholder;
- the consent of the candidate to serve as a director; and
- proof of the number of our common stock that the nominating shareholder owns and the length of time the shares have been owned.

In order for a shareholder nominee to be considered by the corporate governance, nominating and compensation committee, the shareholder nomination must be delivered at least 120 days before the date on which we first mailed our proxy materials for our prior year's annual meeting of shareholders. Subject to compliance with statutory or regulatory requirements, our Board of Directors does not expect that candidates recommended by shareholders will be evaluated in a different manner than other candidates.

Ethics policy for senior officers

Our Board of Directors has adopted an ethics policy for our senior officers, including our Chief Executive Officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the ethics policy for senior officers can be obtained without charge from our Internet web site at tucowsinc.com.

Communications with the Board of Directors

We provide an informal process for shareholders to send communications to our Board of Directors. If you wish to communicate with our Board of Directors, you may send correspondence to the attention of our Secretary at 96 Mowat Avenue, Toronto, Ontario M6K 3M1 Canada. The Secretary will submit your correspondence to one of the co-chairman of the Board of Directors, the chairman of the appropriate committee, or the appropriate individual director, as applicable.

Director compensation

Directors who are employees receive no additional or special compensation for serving as directors. The Board of Directors determines the total amount of the annual retainer as well as the amounts of any meeting or committee fee based upon recommendations from the corporate governance, nomination and compensation committee of the board and input from the chief executive officer.

Equity compensation

Under the terms of our 2006 Amended and Restated Equity Compensation Plan (the “2006 Plan”), we make automatic formula grants of nonqualified stock options to our non-employee directors and members of committees of our Board of Directors as described below. All stock- based compensation for our Non-employee directors is governed by the 2006 Plan or its predecessor, our 1996 Equity Compensation Plan (the “1996 Plan”). All options granted under the automatic formula grants are immediately exercisable, have an exercise price equal to the fair market value per common shares as determined by the per share price as of the close of business on the date of grant and have a five-year term. Options are granted to directors under the Amended and Restated 2006 Plan as follows:

- on the date each non-employee director becomes a director, he or she is granted options to purchase 17,500 shares of our common stock;
- on the date each director becomes a member of the audit committee, he or she is granted options to purchase 15,000 shares of our common stock;
- on the date each director becomes a member of the corporate governance, nomination and compensation committee, he or she is granted options to purchase 10,000 shares of our common stock;
- on each date on which we hold our annual meeting of shareholders, each non-employee director in office immediately before and after the annual election of directors will receive an automatic grant of options to purchase 15,000 of our common stock;

Non-Equity compensation

The co-chairman of our Board receives an annual fee of $15,000 each. All non-employee directors receive an annual fee of $15,000. Non-employee directors who serve as members of our audit committee receive an annual fee of $10,000 with the chairman of our audit committee receiving an additional $4,000. Non-employee directors who serve on our corporate governance, nomination and compensation committee, receive an annual fee of $10,000 with the chairman of our corporate governance, nomination and compensation committee receiving an additional $4,000. In addition, all non-employee directors receive the following meeting attendance fees:

Director meeting attendance fees:		
May Board Meeting Personal Attendance Fee (inclusive of Committee fees)	$	6,000
November Board Meeting Personal Attendance Fee (inclusive of Committee fees)	$	4,000
Regularly Scheduled Telephonic Board Meeting Attendance Fees (per meeting)	$	750
Regularly Scheduled Telephonic Audit Committee Meeting Attendance Fees (per meeting)	$	400
Regularly Scheduled Telephonic Corporate Governance, Nomination and Compensation Committee Meeting Attendance Fees (per meeting)	$	400

All fees paid to directors are paid in quarterly installments.

We also purchase directors and officer's liability insurance for the benefit of our directors and officers as a group in the amount of $10 million. We also reimburse our directors for their reasonable out-of-pocket expenses incurred in attending meetings of our Board of Directors or its committees. No fees are payable to directors for attendance at specially called meetings of the board.

The table below shows all compensation paid to each of our non-employee directors during 2012. Each of the directors listed below served for the entire year.

Name (a)	Fees earned or paid in cash ($) (b)	Option awards ($)(1)(2) (d)	All other compensation ($) (g)	Total ($) (h)
Stanley Stern	29,800	6,060	—	35,860
Eugene Fiume	18,750	6,060	—	24,810
Erez Gissin	18,750	6,060	—	24,810
Joichi Ito	11,250	8,333	—	19,583
Allen Karp	46,210	11,363	—	57,573
Lloyd Morrisett	36,750	6,060	—	42,810
Rawleigh Ralls	26,043	17,423	—	43,466
Jeffrey Schwartz	38,750	11,363	—	50,113
	226,303	72,722	—	299,025

(1) On September 11, 2012 under the 2006 Plan, our non-employee directors were awarded these automatic formula option grants. Under the 2006 Plan, these options vested immediately and carry an exercise price of $1.38. All these options remained outstanding at December 31, 2012 and have a five year term. The aggregate grant date fair value of the option grants was calculated in accordance with FASB ASC 718 and based on the Black-Scholes option-pricing model and used the same assumptions that

are set forth in Note 9 to our audited consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than ten percent of a registered class of our equity securities to file with the SEC reports of ownership and reports of changes in ownership of our common stock and our other equity securities. These persons are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file.

We believe that, under the SEC's rules and based solely upon our review of the copies of the Forms 3, 4 and 5 furnished to us, or written representations from certain reporting persons that any such Forms have been filed in a timely manner and that all of our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities complied with all Section 16(a) filing requirements applicable to them during 2012.

Stock ownership of management

We encourage stock ownership by our directors, officers and employees to align their interests with your interests as shareholders. Under Section 16(a) of the Securities and Exchange Act of 1934, as amended, directors, officers and certain beneficial owners of the Company's equity securities are required to file reports of their transactions in the Company's equity securities with the SEC on specified due dates. With respect to Fiscal 2012, reports of transactions by all directors, officers and such beneficial holders were timely filed, with the exceptions of Mr. Karp, who failed to timely file his Form 4 with respect to the purchase of 10,000 shares of common stock upon the exercise of options, and Messrs. Noss, Cooperman and Woroch, who failed to timely file their Forms 4 with respect to grants of options. In making this statement, the Company has relied on the written representations of its directors, officers and holders of more than ten percent of our outstanding common stock as reported in their filings with the SEC.

ITEM 11. EXECUTIVE COMPENSATION

Summary compensation table

The following Summary Compensation table provides a summary of the compensation earned by the chief executive officer, Elliot Noss, and our two other most highly compensated executive officers for services rendered in all capacities during 2012. Specific aspects of this compensation are dealt with in further detail in the tables that follow. All dollar amounts below are shown in U.S. dollars. If necessary, amounts that were paid in Canadian dollars during the 2011 fiscal year were converted into U.S. dollars based upon the exchange rate of 1.0004 Canadian dollars for each U.S. dollar, which represents the average Bank of Canada exchange rate for 2012.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus(1) ($) (d)	Stock Awards(2) ($)	Option Awards(3) ($) (f)	All Other Compensation(4) ($) (i)	Total ($) (j)
Elliot Noss	2012	350,860	200,470	—	23,070	10,495	584,895
President and Chief Executive Officer	2011	345,090	93,405	—	14,385	10,636	463,516
Michael Cooperman	2012	274,890	142,493	—	23,070	12,295	452,748
Chief Financial Officer	2011	270,315	64,417	—	14,385	12,459	361,576
David Woroch	2012	228,909	147,491	—	23,070	8,696	408,166
Vice President, Sales	2011	224,309	64,417	—	14,385	8,812	311,923

(1) Represents bonus earned during the fiscal years ended December 31, 2012, 2011 and 2010.

Of the 2012 amount, the following amounts will be paid in February 2013:

Elliot Noss	$	95,589
Michael Cooperman	$	62,975
David Woroch	$	65,787

Of the 2011 amount, the following amounts were paid in March 2012:

Elliot Noss	$	25,443
Michael Cooperman	$	17,547

David Woroch	$	17,547

(2) Represents the aggregate grant date fair value of such awards, calculated in accordance with FASB ASC 718. Please see Note 9 entitled “Stock Options” in the notes to our audited financial statements, for a discussion of the assumptions underlying these calculations.

(3) Represents the aggregate grant date fair value of such awards, calculated in accordance with FASB ASC 718. Please see Note 9 entitled “Stock Options” in the notes to our audited financial statements, for a discussion of the assumptions underlying these calculations.

(4) Amounts reported in this column are comprised of the following items:

	Year	Additional Health Spending Credits ($)	Car Allowance ($)	Health Club Membership ($)	All Other Compensation ($)
Elliot Noss	2012	1,499	8,996	—	10,495
	2011	1,519	9,117	—	10,636
Michael Cooperman	2012	1,499	8,397	2,399	12,295
	2011	1,519	8,509	2,431	12,459
David Woroch	2012	1,499	7,197	—	8,696
	2011	1,519	7,293	—	8,812

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning stock options held by the named executive officers as of December 31, 2012:

Name and Principal Position	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Elliot Noss	214,575	—	0.37	8/5/13
	223,991	—	0.37	8/5/13
	1,394,738	—	0.37	8/5/13
	76,500	—	0.36	8/4/13
	200,000	—	0.58	8/10/14
	150,000	—	0.85	3/18/14
	60,000	—	0.60	5/22/15
	64,000	64,000	0.70	5/16/17
	8,750	26,250	0.73	8/14/18
	—	30,000	1.38	5/17/19
	2,392,554	120,250		
Michael Cooperman	621,475	—	0.37	8/5/13
	150,000	—	0.58	8/10/14
	120,000	—	0.85	3/18/14
	75,000	—	0.60	5/22/15
	64,000	64,000	0.70	5/16/17
	8,750	26,250	0.73	8/14/18
	—	30,000	1.38	5/17/19
	1,039,225	120,250		
David Woroch	30,000	—	0.36	8/4/13
	60,000	—	0.58	8/10/14

	80,000	—	0.85	3/18/14
	65,000	—	0.60	5/22/15
	64,000	64,000	0.70	5/16/17
	8,750	26,250	0.73	8/14/18
	—	30,000	1.38	5/17/19
	307,750	120,250		

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The stock options grants listed in the above table were issued under our 1996 Plan as well as under our 2006 Plan.

Under the 1996 Plan, these options vest over a period of four years and have a 10 year term. These options are not exercisable for one year after the grant. Thereafter they become exercisable at the rate of 25% after the first year, with the remaining 75% vesting evenly at each month end over the next 36 months, becoming fully exercisable after the fourth year.

Under the 2006 Plan, these options vest over a period of four years and have a 7 year term. These options are not exercisable for one year after the grant. Thereafter they become exercisable at the rate of 25% per annum, becoming fully exercisable after the fourth year.

Potential Payments on Termination or Change In Control

We have certain agreements that require us to provide compensation to our named executive officers in the event of a termination of employment or a change in control of Tucows. These agreements are summarized following the table below and do not include any payment for termination for cause. The tables below show estimated compensation payable to each named executive officer upon various triggering events. Actual amounts can only be determined upon the triggering event.

Elliot Noss(1)	2012	Termination without Cause	Change in Control
Compensation			
Base Salary/Severance(2)		$ 681,074	$ 2,481,074
Bonus Plan(3)		339,864	339,864
Acceleration of Unvested Equity Awards(4)		67,798	67,798
Benefits(5)			
Car Allowance		8,996	8,996
Healthcare Flexible Spending Account		1,499	1,499
Health club		—	—
		$ 1,099,231	$ 2,899,231

Michael Cooperman(1)	2012	Termination without Cause	Change in Control
Compensation			
Base Salary/Severance(2)		$ 422,351	$ 1,322,351
Bonus Plan(3)		177,262	177,262
Acceleration of Unvested Equity Awards(4)		60,685	67,798
Benefits(5)			
Car Allowance		8,397	8,397
Healthcare Flexible Spending Account		1,499	1,499
Health club		2,399	2,399
		$ 672,593	$ 1,579,706

David Woroch(1)	2012	Termination without Cause	Change in Control
Compensation			
Base Salary/Severance(2)		$ 332,024	$ 332,024
Bonus Plan(3)		175,430	175,430
Acceleration of Unvested Equity Awards(4)		13,325	13,325

Benefits(5)				
Car Allowance		7,197		7,197
Healthcare Flexible Spending Account		1,499		1,499
Health club		—		—
	$	529,475	$	529,475

(1) For the purpose of the table we assumed an annual base salary at the executive's level as of December 31, 2012

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(2) Severance for Mr. Noss is compensation for one year plus one month additional compensation for each completed year of service capped at 24 months. For Messrs. Cooperman and Woroch, severance compensation is for six months plus one month additional compensation for each completed year of service.

(3) For the purpose of the table we assumed that the annual incentive bonus target as of December 31, 2012 had been achieved and that no overachievement bonus or special bonuses would be payable.

(4) For purposes of the above table, we have assumed that if we terminate Mr. Noss without cause all his unvested options vest automatically and that for Messrs. Cooperman or Woroch, that their options continue to vest through any severance period. On a change in control we have assumed that all unvested options for Messrs. Noss or Cooperman vest automatically and that for Mr. Woroch, that his options continue to vest through and until the end of any severance period. Amounts disclosed in this table equal the closing market value of our common stock as of December 30, 2012, minus the exercise price, multiplied by the number of unvested shares of our common stock that would vest. The closing market value of our common stock on December 31, 2012 was $1.44.

(5) Pay for unused vacation, extended health, matching registered retirement savings plan benefit, life insurance and accidental death and dismemberment insurance are standard programs offered to all employees and are therefore not reported.

Employment Agreements—Termination

Employment contracts are currently in place for each of the named executive officers, whose contracts detail the severance payments that will be provided on termination of employment and the consequent obligations of non-competition and non-solicitation.

The following details the cash severance payment that will be paid to each of the named executive officers in the event of termination without cause or termination for good reason.

Upon termination without cause, Mr. Woroch is entitled to a severance payment in the amount of six months' compensation plus one months' compensation for each additional completed year of service. Severance payments can be made in equal monthly installments. Mr. Woroch is bound by a standard non-competition covenant for a period of twelve months following their termination.

Messrs Noss and Cooperman's employment agreements are subject to early termination by us due to:

- the death or disability of the executive;
- for "cause;" or
- without "cause."

If we terminate Mr. Noss without "cause," he is entitled to receive 12 months of compensation plus one month of compensation for each year of service, to a maximum of 24 months of compensation.

If we terminate Mr. Cooperman's employment without "cause," he is entitled to receive six months of compensation plus one month of compensation for each year of service.

For purposes of the employment agreements, "cause" is defined to mean the executive's conviction (or plea of guilty or nolo contendere) for committing an act of fraud, embezzlement, theft or other act constituting a felony or willful failure or an executive's refusal to perform the duties and responsibilities of his position, which failure or refusal is not cured within 30 days of receiving a written notice thereof from our Board of Directors.

Employment Agreements—Change in Control

Under their employment agreements, both Mr. Noss and Mr. Cooperman are also entitled to the change in control benefits described in the following paragraph if:

- the executive resigns with or without "good reason" within the 30-day period immediately following the date that is six months after the effective date of the "change in control;" or

- within 18 months after a "change in control" and executive's employment is terminated either:

- without "cause;" or

- by resignation for "good reason."

If an executive's employment is terminated following a change in control under the circumstances described in the preceding paragraph, the executive is entitled to receive a lump sum payment based upon the fair market value of the Company on the effective date of the "change in control" as determined by our Board of Directors in the exercise of good faith and reasonable judgment taking into account, among other things, the nature of the "change in control" and the amount and type of consideration, if any, paid in connection with the "change in control." Depending on the fair market value of the company, the lump sum payments range from $375,000 to $2 million in the case of Mr. Noss, and from $187,500 to $1 million in the case of Mr. Cooperman. In addition to the lump sum payments, all stock options held by the executive officers will be immediately and fully vested and exercisable as of the date of termination.

A "change in control" is generally defined as:

- the acquisition of 50% or more of our common stock;

- a change in the majority of our Board of Directors unless approved by the incumbent directors (other than as a result of a contested election); and

- certain reorganizations, mergers, consolidations, liquidations or dissolutions, unless certain requirements are met regarding continuing ownership of our outstanding common stock.

"Good reason" is defined to include the occurrence of one or more of the following:

- the executive's position, management responsibilities or working conditions are diminished from those in effect immediately prior to the change in control, or he is assigned duties inconsistent with his position;

- the executive is required to be based at a location in excess of 30 miles from his principal job location or office immediately prior to the change in control;

- the executive's base compensation is reduced, or the executive's compensation and benefits taken as a whole are materially reduced, from those in effect immediately prior to the change in control; or

- we fail to obtain a satisfactory agreement from any successor to assume and agree to perform our obligations to the executive under his employment agreement.

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

The following table sets forth the beneficial ownership of our common stock, as of March 5, 2013, by each of our chief executive officer, our two other most highly compensated executive officers, as well as by all of our directors and executive officers as a group. The information on beneficial ownership in the table and related footnotes is based upon data furnished to us by, or on behalf of, the persons referred to in the table. Unless otherwise indicated in the footnotes to the table, each person named has sole voting power and sole investment power with respect to the shares included in the table.

	Beneficial Ownership of Common Stock			
Name	Common Stock Beneficially Owned Excluding Options	Stock Options Exercisable within 60 Days of March 5, 2013	Total Common Stock Beneficially Owned	Percent of Class(1)
Elliot Noss	820,254(2)	2,392,554	3,212,808	7.5%
Michael Cooperman	148,850(3)	1,039,225	1,188,075	2.9%
David Woroch	260,000	307,750	567,750	1.4%
Stanley Stern	213,850	182,500	396,350	*
Eugene Fiume	5,000	110,000	115,000	*
Erez Gissin	15,000	140,000	155,000	*
Joichi Ito	—	105,000	105,000	*
Allen Karp	40,000(4)	207,500	247,500	*
Lloyd Morrisett	120,000(5)	227,500	347,500	*
Rawleigh Ralls	4,250,000(6)	115,000	4,365,000	10.8%
Jeffrey Schwartz	15,000	197,500	212,500	*
All directors and executive officers as a group (13 persons)	5,888,154	5,500,029	11,388,183	24.9%

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* Less than 1%.

(1) Based on 40,213,850 shares outstanding as of March 5, 2013, adjusted for shares of common stock beneficially owned but not yet issued.

(2) Includes an aggregate of 786,883 shares of common stock that are indirectly owned by Mr. Noss. Of these shares, Mr. Noss and his wife share investment and voting power over 90,072 shares held in three RRSP accounts belonging to Mr. Noss' wife, 589,942 shares are held in Mr. Noss' RRSP accounts and 106,869 shares are held by two separate family trusts for which Mr. Noss is the trustee.

(3) Includes 148,750 shares of common stock that are held in Mr. Cooperman's RRSP account.

(4) These shares of common stock are directly owned by Mr. Karp's wife.

(5) These shares of common stock are owned jointly by Dr. Morrisett and his wife.

(6) Includes an aggregate of 4,250,000 shares of common stock that are indirectly owned by Mr. Ralls. Of these shares, 225,000 shares are held in Mr. Ralls' IRA account, 25,000 shares are held in Mrs Ralls' IRA account and 4,000,000 are held by Lacuna Hedge Fund LLLP ("Lacuna Hedge") and are indirectly owned by Lacuna, LLC ("Lacuna LLC") and Lacuna Hedge GP LLLP ("Lacuna Hedge GP"). Lacuna LLC is the sole general partner of Lacuna Hedge GP, which is the sole general partner of Lacuna Hedge. Neither Lacuna LLC nor Lacuna Hedge GP directly owns any securities of the Company. Each of Lacuna LLC and Lacuna Hedge GP disclaims beneficial ownership of the shares held by Lacuna Hedge, except to the extent of its pecuniary interest therein. Mr. Ralls is a member of Lacuna LLC. Mr. Ralls disclaims beneficial ownership of the shares held by Lacuna Hedge, except to the extent of his pecuniary interest therein.

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Principal shareholders.

The following table sets forth information with respect to each shareholder known to us to be the beneficial owner of more than 5% of our outstanding common stock as of March 5, 2012.

	Beneficial Ownership of Common Stock	
Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class(1)
Lacuna, LLC 1100 Spruce Street, Suite 202 Boulder, CO 80302	4,000,000(2)	9.9%
Elliot Noss 96 Mowat Avenue Toronto, ON M6K 3M1	3,212,808(3)	7.5%

(1) Based on 40,213,850 shares outstanding as of March 5, 2013.

(2) As disclosed on Form 4, filed with the SEC on August 20, 2012 by Mr. Ralls. These shares are held by Lacuna Hedge Fund LLLP ("Lacuna Hedge") and are indirectly owned by Lacuna, LLC ("Lacuna LLC") and Lacuna Hedge GP LLLP ("Lacuna Hedge GP"). Lacuna LLC serves as the sole general partner of Lacuna Hedge GP, which serves as the sole general partner of Lacuna Hedge. Neither Lacuna LLC nor Lacuna Hedge GP directly owns any securities of the Issuer. Each of Lacuna LLC and Lacuna Hedge GP disclaims beneficial ownership of the securities held by Lacuna Hedge, except to the extent of its pecuniary interest therein. Mr. Ralls is a member of Lacuna LLC. Mr. Ralls disclaims beneficial ownership of the securities held by Lacuna Hedge, except to the extent of his pecuniary interest therein.

(3) As disclosed on Form 4A, filed with the SEC on February 26, 2013 by Mr. Noss. These shares includes an aggregate of 786,883 shares of common stock that are indirectly owned by Mr. Noss. Of these shares, Mr. Noss and his wife share investment and voting power over 90,072 shares held in three RRSP accounts belonging to Mr. Noss' wife, 589,942 shares are held in Mr. Noss' RRSP accounts and 106,869 shares are held by two separate family trusts for which Mr. Noss is the trustee.

Equity Compensation Plan Information at Fiscal Year Ended December 31, 2012

Plan category	Number of securities to be issued upon exercise of outstanding options,	Weighted average exercise price of outstanding options, warrants and	Number of securities remaining available for future issuance under the plan (excluding

	warrants and rights (#)		rights ($)	securities reflected in the first column) (#)
Equity compensation plans approved by security holders:				
2006 Equity Compensation Plan	5,038,987	$	0.79	1,624,628
1996 Equity Compensation Plan	3,553,699	$	0.42	—
Equity compensation plans not approved by security holders	—		—	—
Total	8,592,686	$	0.64	1,624,628

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPEDENCE

Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee of the Board of Directors is responsible for reviewing and, if appropriate, approving all related party transactions between us and any officer or director that would potentially require disclosure pursuant to the Audit Committee charter. As of the date of this Annual Report on Form 10-K, we expect that any transactions in which related persons have a direct or indirect interest will be presented to the Audit Committee for review and approval. While neither the Audit Committee nor the board have adopted a written policy regarding related party transactions, the Audit Committee makes inquiries to our management and our auditors when reviewing such transactions. Neither we nor the audit committee are aware of any transaction that was required to be reported with the SEC where such policies and procedures either did not require review or were not followed.

Director Independence

Our Board of Directors has determined that each of Messrs. Stern, Fiume, Gissin, Ito, Karp, Ralls, Schwarz and Dr. Morrisett are independent directors as defined in Section 121A of the NYSE Amex listing standards. In this Annual Report on Form 10-K, each of these eight directors are referred to individually as an “independent director” and collectively as the “independent directors.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

A summary of the fees of KPMG LLP for the years ended December 31, 2012 and 2011 are set forth below:

	2012 Fees	2011 Fees
Audit Fees(1)	$ 265,500	$ 228,700
Audit-Related Fees	—	25,300
Tax Fees(2)	127,000	109,000
All Other Fees	—	—
Total Fees	$ 392,500	$ 363,000

(1) Consists of fees and expenses for the audit of consolidated financial statements, the reviews of our Quarterly Reports on Form 10-Q and services associated with registration statements.

(2) Consists of fees and expenses for tax consulting services.

Audit Committee pre-approval of audit and permissible non-audit services of independent auditors.

The Audit Committee has adopted a pre-approval policy that provides guidelines for the audit, audit-related, tax and other non-audit services that may be provided to us by our independent auditors. Under this policy, the audit committee pre-approves all audit and certain permissible accounting and non-audit services performed by the independent auditors. These permissible services are set forth on an attachment to the policy that is updated at least annually and may include audit services, audit-related services, tax services and other services. For audit services, the independent auditor provides the audit committee with an audit plan including proposed fees in advance of the annual audit. The Audit Committee approves the plan and fees for the audit.

With respect to non-audit and accounting services of our independent auditors that are not pre-approved under the policy, the employee making the request must submit the request to our chief financial officer. The request must include a description of the services, the estimated fee, a statement that the services are not prohibited services under the policy and the reason why the employee is requesting our independent auditors to perform the services. If the aggregate fees for such services are estimated to be less than or equal to $25,000, our chief financial officer will submit the request to the chairman of the audit committee for consideration and approval, and the engagement may commence upon the approval of the chairman. The chairman is required to inform the full audit committee of the services at its next meeting. If the aggregate fees for such services are estimated to be greater than $25,000, our chief financial officer will submit the request to the full audit committee for consideration and approval, generally at its next meeting or special meeting called for the purpose of approving such services. The engagement may only commence upon the approval of full audit committee.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements. The financial statements listed in the accompanying index to consolidated financial statements are filed as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules. Schedules are not submitted because they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits. The Exhibits listed below are filed or incorporated by reference as part of this Annual Report on Form 10-K. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in the footnotes below.

Exhibit No.	Description
3.1	Fourth Amended and Restated Articles of Incorporation of Tucows Inc. (Incorporated by reference to Exhibit 3.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on November 29, 2007).
3.2	Second Amended and Restated Bylaws of Tucows Inc. (Incorporated by reference to Exhibit 3.2 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 29, 2007).
3.3	Amendment No. 1 to Second Amended and Restated Bylaws of Tucows Inc. (Incorporated by Reference to Exhibit 3.3 filed with Tucows' Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.1*	2006 Equity Compensation Plan, as amended and restated effective as of July 29, 2010 (Incorporated by reference to Exhibit 99(d)(1) filed with Tucows' Schedule TO, as filed with the SEC on September 17, 2010).
10.2*	Employment Agreement dated January 22, 2003 between Tucows.com Co. and Elliot Noss (Incorporated by reference to Exhibit 10.5 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 28, 2004).
10.3*	Employment Agreement dated March 11, 2003 between Tucows.com Co. and Michael Cooperman (Incorporated by reference to Exhibit 10.5 filed with Tucows' annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 28, 2004).
10.4	Lease between 707932 Ontario Limited and Tucows International Corporation, dated December 10, 1999 (Incorporated by reference to exhibit number 10.9 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on April 1, 2002).
10.5	Lease extension between 707932 Ontario Limited and Tucows Inc. and Tucows.com Co., dated September 4, 2004 (Incorporated by reference to Exhibit 10.5 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 24, 2005).
10.6*	

Description of Tucows Fiscal 2004 At Risk Compensation Plan (Incorporated by reference to Exhibit 10.9 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 24, 2005).

10.7 Registrar Accreditation Agreement, effective as of June 25, 2005, as amended June 22, 2009, by and between the Internet Corporation for Assigned Names and Numbers and Tucows.com Co. (Incorporated by reference to Exhibit 10.7 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 22, 2011).

10.8 Registry-Registrar Agreement, dated as of October 4, 2001, by and between VeriSign, Inc. and Tucows Inc. (Incorporated by reference to Exhibit 10.13 filed with Amendment No. 1 to Tucows' registration statement on Form S-1 (Registration No. 333-125843), as filed with the SEC on July 7, 2005).

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10.11 Loan Agreement, dated as of June 25, 2007, by and among Tucows.com Co., Tucows (Delaware) Inc., Tucows Inc., Mailbank Nova Scotia Co., Tucows Domain Holdings Co., Innerwise, Inc. and Bank of Montreal (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).

Exhibit No.	Description
10.12	Guaranty, dated July 25, 2007, by Tucows Inc. in favor of Bank of Montreal (Incorporated by reference to Exhibit 10.2 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).
10.13	Security Agreement, dated July 25, 2007, by Tucows Inc. in favor of Bank of Montreal (Incorporated by reference to Exhibit 10.3 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).
10.14	Financing Commitment, dated July 19, 2007, by and between Tucows.com Co. and Bank of Montreal (Incorporated by reference to Exhibit 10.3 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).
10.15	Operating Loan Agreement, dated September 10, 2010, between Tucows.com Co. and the Bank of Montreal. (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on September 13, 2010).
10.16	Offer Letter, dated August 30, 2010, between Tucows Inc. and the Bank of Montreal. (Incorporated by reference to Exhibit 10.2 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on September 13, 2010).
10.17	Offer Letter, dated July 27, 2011, between Tucows.com Co and the Bank of Montreal (incorporated herein by reference to Exhibit 10.1 to Tucows Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 3, 2011).
10.18	Letter of Acknowledgment, dated December 13, 2011, between Tucows.com Co and the Bank of Montreal. (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 13, 2011).
10.19	Offer Letter, dated November 19, 2012, between Tucwos.com Co. and the Bank of Montreal (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on November 21, 2012).
10.20	Amended and Restated Supplemental Agreement, dated December 14, 2012, between Tucows.com Co., Tucows (Delaware), Inc. and the Bank of Montreal (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 20, 2012).
10.21	Guaranty, dated December 14, 2012, by Ting Inc. in favor of the Bank of Montreal (Incorporated by reference to Exhibit 10.2 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 20, 2012).
10.22	Security Agreement, dated December 14, 2012, by Ting Inc. in favor of the Bank of Montreal (Incorporated by reference to Exhibit 10.3 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 20, 2012).
21.1#	Subsidiaries of Tucows Inc.
23.1#	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1#	Chief Executive Officer's Rule 13a-14(a)/15d-14(a) Certification.
31.2#	Chief Financial Officer's Rule 13a-14(a)/15d-14(a) Certification.

32.1# Chief Executive Officer’s Section 1350 Certification.

32.2# Chief Financial Officer’s Section 1350 Certification.

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* Management or compensatory contract required to be filed pursuant to Item 15(c) of the requirements for Form 10-K reports.

Filed herewith.

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Consolidated Financial Statements of Tucows Inc.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- Provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, such as resource constraints, human error, lack of knowledge or awareness and the possibility of intentional circumvention of these controls, internal control over financial reporting may not prevent or detect misstatements. Furthermore, the design of any control system is based, in part, upon assumptions about the likelihood of future events, for which assumptions may ultimately prove to be incorrect. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of its internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2012.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

/s/ Elliot Noss	/s/ Michael Cooperman
Elliot Noss	Michael Cooperman
President and Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)
March 15, 2013	March 15, 2013

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Report of the Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Tucows Inc.:

We have audited the accompanying consolidated balance sheets of Tucows Inc., as of December 31, 2012 and December 31, 2011, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 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 Tucows Inc. as of December 31, 2012 and December 31, 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U. S. generally accepted accounting principles.

/s/ KPMG LLP
Chartered Accountants, Licensed Public
Accountants
Toronto, Canada

March 12, 2013

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Tucows Inc.

Consolidated Balance Sheets

(Dollar amounts in U.S. dollars)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 6,415,679	$ 6,408,209
Accounts receivable, net of allowance for doubtful accounts of $73,970 as of December 31, 2012 and $57,415 as of December 31, 2011	4,413,265	3,880,184
Inventory	587,104	205,597
Prepaid expenses and deposits	5,081,408	3,756,308
Derivative instrument asset, current portion (note 4)	412,944	-
Prepaid domain name registry and ancillary services fees, current portion	45,170,167	43,209,033
Income taxes recoverable	1,730,631	867,093
Total current assets	63,811,198	58,326,424
Derivative instrument asset, long-term portion (note 4)	31,838	87,023
Prepaid domain name registry and ancillary services fees, long-term portion	12,318,723	12,600,154
Property and equipment (note 5)	1,352,144	1,437,564
Deferred financing charges	-	2,300
Deferred tax asset, long-term portion (note 10)	5,970,462	6,880,377
Intangible assets (note 6)	16,415,651	17,482,590
Goodwill (note 3)	18,873,127	18,873,127
Total assets	$ 118,773,143	$ 115,689,559
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,928,459	$ 1,051,115
Accrued liabilities	2,522,229	2,081,968
Customer deposits	4,955,671	4,202,899
Derivative instrument liability, current portion (note 4)	-	781,027
Loan payable, current portion (note 7)	3,700,000	850,000
Deferred revenue, current portion	54,997,887	52,683,546
Accreditation fees payable, current portion	512,847	555,869
Deferred tax liability, current portion (note 10)	914,429	880,008
Income taxes payable (note10)	1,255,108	158,258
Total current liabilities	70,786,630	63,244,690
Derivative instrument liability, long-term portion (note 4)	-	5,479
Deferred revenue, long-term portion	16,002,464	16,492,155

Accreditation fees payable, long-term portion		145,592		156,061
Deferred rent, long-term portion		54,150		26,487
Deferred tax liability, long-term portion (note 10)		5,234,100		5,345,700
Stockholders' equity (note 8)				
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding		-		-
Common stock - no par value, 250,000,000 shares authorized; 44,322,159 shares issued and outstanding as of December 31, 2012 and 53,497,584 shares issued and outstanding as of December 31, 2011		10,084,417		11,358,959
Additional paid-in capital		33,931,529		40,994,013
Deficit		(17,509,843)		(21,933,985)
Accumulated other comprehensive income		44,104		-
Total stockholders' equity		26,550,207		30,418,987
Total liabilities and stockholders' equity	$	118,773,143	$	115,689,559

Commitments and contingencies (note 13)

Subsequent events (note 15)

See accompanying notes to consolidated financial statements

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Tucows Inc.

Consolidated Statements of Comprehensive Income

(Dollar amounts in U.S. dollars)

	Year ended December 31, 2012	2011	2010
Net revenues (note 16)	$114,726,901	$97,064,967	$84,578,505
Cost of revenues (note 16):			
Cost of revenues	82,837,395	68,088,387	58,494,849
Network expenses (*)	4,925,058	4,837,650	4,648,899
Depreciation of property and equipment	611,640	750,455	1,032,368
Amortization of intangible assets	143,640	85,590	299,208
Total cost of revenues	88,517,733	73,762,082	64,475,324
Gross profit	26,209,168	23,302,885	20,103,181
Expenses:			
Sales and marketing (*)	8,701,446	7,442,681	7,217,754
Technical operations and development (*)	4,302,820	4,868,228	4,577,898
General and administrative (*)	6,610,819	6,096,596	5,123,074
Depreciation of property and equipment	190,420	187,005	170,844
Loss on disposition of property and equipment	118,944	42,165	-
Amortization of intangible assets	876,120	1,004,950	1,442,160
Loss (gain) on currency forward contracts (note 2(l))	(682,851)	535,223	(872,539)
Total expenses	20,117,718	20,176,848	17,659,191
Income from operations	6,091,450	3,126,037	2,443,990
Other income (expense):			
Interest expense, net	(192,863)	(50,404)	(116,197)
Other income, net (note 11)	529,711	374,977	-
Total other income (expense)	336,848	324,573	(116,197)
Income before provision for income taxes	6,428,298	3,450,610	2,327,793
Provision for (recovery of) income taxes (note 10)	2,004,156	(2,719,621)	210,845
Net income	4,424,142	6,170,231	2,116,948
Other comprehensive income, net of tax of $22,975	$44,104	-	-
Comprehensive income for the year	$4,468,246	$6,170,231	$2,116,948

Basic earnings per common share (note 12)	$0.10	$0.12	$0.04
Shares used in computing basic earnings per common share (note 12)	45,832,862	53,454,675	57,982,248
Diluted earnings per common share (note 12)	$0.09	$0.11	$0.04
Shares used in computing diluted earnings per common share (note 12)	49,134,944	55,749,433	59,955,788

(*) Stock-based compensation has been included in operating expenses as follows:

Netwrok expenses	$24,480	$22,972	$22,406
Sales and marketing	$92,168	$91,244	$96,300
Technical operations and development	$59,141	$51,984	$71,012
General and administrative	$184,910	$144,756	$210,284

See accompanying notes to consolidated financial statements

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Tucows Inc.

Consolidated Statements of Stockholders’ Equity

(Dollar amounts in U.S. dollars)

	Common stock Number	Amount	Additional paid in capital	Deficit	Accumulated Other Comprehensive Income	Total stockholders' equity
Balances, December 31, 2009	67,080,353	$ 14,030,384	$ 47,287,351	$ (30,221,164)	$ -	$ 31,096,571
Exercise of stock options	33,678	27,350	(12,541)	-	-	14,809
Repurchase and retirement of shares (note 8)	(13,664,340)	(2,732,868)	(6,974,225)	-	-	(9,707,093)
Cancellation of restricted stock	(1,100)	-	-	-	-	-
Stock-based compensation (note 9)	-	-	400,002	-	-	400,002
Net income	-	-	-	2,116,948	-	2,116,948
Balances, December 31, 2010	53,448,591	11,324,866	40,700,587	(28,104,216)	-	23,921,237
Exercise of stock options	73,708	38,846	(7,500)	-	-	31,346
Repurchase and retirement of shares (note 8)	(23,765)	(4,753)	(13,689)	-	-	(18,442)
Cancellation of restricted stock	(950)	-	-	-	-	-
Other proceeds	-	-	3,659	-	-	3,659
Stock-based compensation (note 9)	-	-	310,956	-	-	310,956
Net income	-	-	-	6,170,231	-	6,170,231
Balances, December 31, 2011	53,497,584	11,358,959	40,994,013	(21,933,985)	-	30,418,987
Exercise of stock options	766,340	713,746	(295,638)	-	-	418,108
Repurchase and retirement of shares (note 8)	(9,941,440)	(1,988,288)	(7,127,545)	-	-	(9,115,833)

Cancellation of restricted stock	(325)	-	-	-	-	-
Stock-based compensation (note 9)	-	-	360,699	-	-	360,699
Net income	-	-	-	4,424,142	-	4,424,142
Other comprehensive income	-	-	-	-	44,104	44,104
Balances, December 31, 2012	44,322,159	$ 10,084,417	$ 33,931,529	$ (17,509,843)	$ 44,104	$ 26,550,207

See accompanying notes to consolidated financial statements

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Tucows Inc.

Consolidated Statements of Cash Flows

(Dollar amounts in U.S. dollars)

	Year ended December 31, 2012	2011	2010
Cash provided by:			
Operating activities:			
Net income for the year	$4,424,142	$6,170,231	$2,116,948
Items not involving cash:			
Depreciation of property and equipment	802,060	937,460	1,203,212
Loss on disposition of property and equipment	118,944	42,165	-
Amortization of deferred financing charges	2,300	13,300	25,400
Amortization of intangible assets	1,019,760	1,090,540	1,741,368
Deferred income taxes (recovery)	832,736	(3,046,669)	-
Deferred rent	27,663	26,487	-
Acquisition of domain names	(3,664)	-	-
Disposal of domain names	50,843	34,071	31,584
Gain on disposition of intangible assets	(508,800)	-	-
(Gain) loss on change in the fair value of forward contracts	(1,100,161)	1,533,443	1,370,710
Stock-based compensation	360,699	310,956	400,002
Change in non-cash operating working capital:			
Accounts receivable	(533,081)	(270,594)	(199,950)
Inventory	(381,507)	(205,597)	-
Prepaid expenses and deposits	(1,325,100)	(923,909)	135,046
Prepaid domain name registry and ancillary services fees	(1,679,703)	(4,855,039)	(6,114,599)
Income taxes recoverable	233,312	(261,215)	54,000
Accounts payable	931,467	(611,532)	(35,210)
Accrued liabilities	547,590	515,931	(571,930)
Customer deposits	752,772	209,984	335,995
Deferred revenue	1,824,650	5,179,716	6,260,225
Accreditation fees payable	(53,491)	(4,460)	16,114
Net cash provided by operating activities	6,343,431	5,885,269	6,768,915
Financing activities:			
Proceeds received on exercise of stock options	418,108	31,346	14,809
Repurchase of common stock	(9,115,833)	(18,442)	(9,707,093)
Proceeds received on short swing sale	-	3,659	-
Proceeds received on loan payable	4,000,000	2,530,000	-
Repayment of loan payable	(1,150,000)	(2,985,883)	(1,914,242)
Net cash used in financing activities	(5,847,725)	(439,320)	(11,606,526)
Investing activities:			
Additions to property and equipment	(997,036)	(851,008)	(589,054)
	-	(2,392,461)	-

Acquisition of EPAG Domainservices GMBH, net of cash acquired			
Proceeds on disposal of intangible assets	508,800	-	-
Net cash (used in) provided by investing activities	(488,236)	(3,243,469)	(589,054)
Increase (decrease) in cash and cash equivalents	7,470	2,202,480	(5,426,665)
Cash and cash equivalents, beginning of year	6,408,209	4,205,729	9,632,394
Cash and cash equivalents, end of year	$6,415,679	$6,408,209	$4,205,729

Supplemental cash flow information:

Interest paid	$195,509	$53,166	$116,242
Income taxes paid	$1,025,000	$550,000	$200,685
Supplementary disclosure of non-cash investing and financing activities:			
Property and equipment acquired during the period not yet paid for	$96,515	$257,967	$273,333

See accompanying notes to consolidated financial statements

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Tucows Inc.

Notes to Consolidated Financial Statements

(Dollar Amounts in U.S. dollars)

1. Organization of the Company:

Tucows Inc. (the "Company") is a global distributor of Internet services, including domain name registration, security and identity products through digital certificates, email and mobile telephony services through its global Internet-based distribution network of Internet Service Providers, web hosting companies and other providers of Internet services to end-users.

2. Significant accounting policies:

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are stated in U.S. dollars, except where otherwise noted. Certain of the prior year comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

(a) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation.

Investments over which the Company is unable to exercise significant influence, are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

(b) Use of estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, management evaluates its estimates, including those related to amounts recognized for or carrying values of revenues, bad debts, investments, goodwill and intangible assets which require estimates of future cash flows and discount rates, income taxes, contingencies and litigation, and estimates of credit spreads for determination of the fair value of derivative instruments. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances at the time they are made. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of the Company's control.

(c) Cash and cash equivalents

All highly liquid investments, with an original term to maturity of three months or less are classified as cash and cash equivalents.

(d) Inventory

Inventory primarily consists of mobile devices and other accessories, and is stated at the lower of cost or net realizable value. Cost is determined based on actual cost of the mobile device or accessory shipped.

The net realizable value of inventory is analyzed on a regular basis. This analysis includes assessing obsolescence, sales forecasts, product life cycle, marketplace and other considerations. If assessments regarding the above factors adversely change, we may be required to write down the value of inventory.

(e) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on a straight-line basis so as to depreciate the cost of depreciable assets over their estimated useful lives at the following rates:

Asset	Rate
Computer equipment	30%
Computer software	100%
Furniture and equipment	20%
Leasehold improvements	Over term of lease

The Company reviews the carrying values of its property and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the group of assets and its eventual disposition is less than its carrying amount, it is considered to be impaired. The amount of the impairment loss recognized is measured as the amount by which the carrying value of the asset exceeds the fair value of the asset, with fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the assets.

(f) Goodwill and Intangible assets

Goodwill represents the excess of purchase price over the fair values assigned to the net assets acquired in business combinations. Finite life intangible assets, related to the acquisition of EPAG Domainservices GMBH (“EPAG”) in August 2011, are being amortized on a straight-line basis over periods of two to seven years, and consist of technology, brand and customer relationships. Finite life intangible assets, related to the acquisition of Innerwise, Inc. in July 2007, are being amortized on a straight-line basis over periods of five to seven years, and consist of brand and customer relationships. Indefinite life intangible assets, acquired in the acquisition of Mailbank.com Inc. in June 2006, consist of surname domain names and direct navigation domain names.

The Company does not amortize goodwill and indefinite life intangibles, but tests for impairment annually or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The Company reviews goodwill at least annually for possible impairment in the fourth quarter of each year.

Goodwill is tested for impairment as part of a two-step process. The first step uses a market approach that is based on the publicly traded common shares of the Company to estimate fair value. If the carrying value is less than the fair value, no impairment exists and the second step need not be performed. If the carrying value is greater than the fair value then the second step will be performed. In the second step, the impairment is computed by comparing the implied fair value of the Company’s goodwill with the carrying amount of that goodwill.

For the second step the Company uses a discounted cash flow or income approach in which future expected cash flows are converted to present value using factors that consider the timing and risk of the future cash flows. The estimate of cash flows used is prepared on an unleveraged debt-free basis. The discount rate reflects a market-derived weighted average cost of capital. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the Company’s expected long-term operating and cash flow performance. The projections are based upon the Company’s best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures.

Other significant estimates and assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital. If assumptions and estimates used to allocate the purchase price or used to assess impairment prove to be inaccurate, future asset impairment charges could be required. At

December 31, 2012, the Company had goodwill of $18.9 million. The Company completed its latest annual impairment test and fair value analysis for goodwill, and there were no impairments present and no impairment charge was recorded during the years ended December 31, 2012, 2011 and 2010.

The Company has other finite life intangible assets consisting of patented and non-patented technologies. These intangible assets are amortized over their expected economic lives. The lives are determined based upon the expected use of the asset, the stability of the industry, expected changes in and replacement value of distribution networks and other factors deemed appropriate.

The Company continually evaluates whether events or circumstances have occurred that indicate the remaining estimated useful lives of its definite- lived intangible assets may warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. There was no impairment recorded on definite-life intangible assets and other long-lived assets during 2012 and 2011.

(g) Revenue recognition

The Company's revenues are derived from domain name registration fees on both a wholesale and retail basis, the sale of domain names, the provisioning of other Internet services and advertising and other revenue. Amounts received in advance of meeting the revenue recognition criteria described below are recorded as deferred revenue.

The Company earns registration fees in connection with each new, renewed and transferred-in registration and from providing provisioning of other Internet services to resellers and registrars on a monthly basis. Service has been provided in connection with registration fees once the Company has confirmed that the requested domain name has been appropriately recorded in the registry under contractual performance standards.

Domain names are generally purchased for terms of one to ten years. Registration fees charged for domain name registration and provisioning services are recognized on a straight-line basis over the life of the contracted term. Other Internet services that are provisioned for annual periods or longer, are recognized on a straight-line basis over the life of the contracted term. Other Internet services that are provisioned on a monthly basis are recognized as services are provided.

For arrangements with multiple deliverables, the Company allocates revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. The fair value of the selling price for a deliverable is determined using a hierarchy of (1) Company specific objective and reliable evidence, then (2) third-party evidence, then (3) best estimate of selling price. The Company allocates any arrangement fee to each of the elements based on their relative selling prices.

Revenue generated from the sale of domain names, earned from transferring the rights to domain names under the Company's control, are recognized once the rights have been transferred and payment has been received in full.

The Company also generates advertising and other revenue through its online libraries of shareware, freeware and online services presented on its website. Advertising and other revenues are recognized ratably over the period in which it is presented. To the extent that minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the guaranteed impressions are achieved.

In those cases where payment is not received at the time of sale, additional conditions for recognition of revenue are that the collection of the related accounts receivable is reasonably assured and the Company has no further performance obligations. The Company records costs that reflect expected refunds, rebates and credit card charge-backs as a reduction of revenues at the time of the sale based on historical experiences and current expectations.

The Company establishes provisions for possible uncollectible accounts receivable and other contingent liabilities which may arise in the normal course of business. Historically, credit losses have been within the Company's expectations and the provisions the Company has established have been appropriate. However, the Company has, on occasion, experienced issues which have led to accounts receivable not being fully collected. Should these issues

occur more frequently, additional provisions may be required.

(h) Deferred revenue

Deferred revenue primarily relates to the unearned portion of revenues received in advance related to the unexpired term of registration fees from domain name registrations and other Internet services, on both a wholesale and retail basis, net of external commissions. Revenue received in advance of the provision of services from our software libraries advertising is deferred and recognized in the month that the services are provided.

(i) Accreditation fees payable

In accordance with ICANN rules, the Company has elected to pay ICANN fees incurred on the registration of Generic Top-Level Domains on an annual basis. Accordingly, accreditation fees that relate to registrations completed prior to ICANN rendering a bill are accrued and reflected as accreditation fees payable.

(j) Prepaid domain name registry fees

Prepaid domain name registry and other Internet services fees represent amounts paid to registries, and country code domain name operators for updating and maintaining the registries, as well as to suppliers of other Internet services. Domain name registry and other Internet services fees are recognized on a straight-line basis over the life of the contracted registration term.

(k) Translation of foreign currency transactions

The Company’s functional currency is the United States dollar. Monetary assets and liabilities of the Company and of its wholly owned subsidiaries that are denominated in foreign currencies are translated into United States dollars at the exchange rates prevailing at the balance sheet dates. Non-monetary assets and liabilities are translated at the historical exchange rates. Transactions included in operations are translated at the average rate for the year. A foreign exchange gain amounting to $8,000 has been recorded in general and administrative expenses during the year ended December 31, 2012 (“Fiscal 2012”). A foreign exchange loss amounting to $0.1 million has been recorded in general and administrative expenses during the year ended December 31, 2011 (“Fiscal 2011”). A foreign exchange gain amounting to $0.1 million has been recorded in general and administrative expenses during the years ended December 31, 2010 (“Fiscal 2010”).

(l) Derivative Financial Instruments

During Fiscal 2102, we used derivative financial instruments to manage foreign currency exchange risk. We account for these instruments in accordance with ASC Topic 815, “Derivatives and Hedging” (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Topic 815 also requires that changes in our derivative financial instruments’ fair values be recognized in earnings; unless specific hedge accounting and documentation criteria are met (i.e. the instruments are accounted for as hedges). We recorded the effective portions of the gain or loss on derivative financial instruments that were designated as cash flow hedges in accumulated and other comprehensive income in our accompanying Consolidated Balance Sheets. Any ineffective or excluded portion of a designated cash flow hedge, if applicable, is recognized in net income.

For certain contracts, the Company has not complied with the documentation standards required for its forward foreign exchange contracts to be accounted for as hedges and has, therefore, accounted for such forward foreign exchange contracts at their fair values with the changes in fair value recorded in net income. The fair value of the forward exchange contracts are determined using an estimated credit adjusted mark-to-market valuation which takes into consideration the Company and the counterparty credit risk.

(m) Product development costs

Product development costs are expensed as incurred. The Company accounts for the costs of computer software developed or obtained for internal use as follows: costs that are incurred in the preliminary stage of software development are expensed as incurred. Costs incurred during the application and development stage are capitalized and generally include external direct costs of materials and services consumed in the development and payroll and

payroll- related costs for employees who are directly associated with the development project. Costs incurred in the post implementation and operation stage are expensed as incurred. During the years ended December 31, 2012, 2011 and 2010, the Company did not capitalize any amounts of such costs relating to the development of internal use software. The capitalized costs of computer software developed for internal use are amortized on a straight-line basis over one year from the date the software is put into use.

(n) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized net income in the year that includes the enactment date. A valuation allowance is recorded if it is not “more likely than not” that some portion of or all of a deferred tax asset will be realized.

The Company recognizes the impact of an uncertain income tax position at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority and includes consideration of interest and penalties. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The liability for unrecognized tax benefits is classified as non-current unless the liability is expected to be settled in cash within 12 months of the reporting date.

The Company is entitled to earn investment tax credits (“ITCs”), which are credits related to specific qualifying expenditures as prescribed by Canadian Income Tax legislation. These ITCs relate primarily to research and development expenses. The ITCs are recognized as a reduction in income tax expense once the Company has reasonable assurance that the amounts will be realized.

(o) Stock-based compensation

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As stock-based compensation expense recognized in net income for 2012 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

(p) Earnings per common shares

Basic earnings per common share has been calculated on the basis of income for the year divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share gives effect to all dilutive potential common shares outstanding at the end of the year assuming that they had been issued, converted or exercised at the later of the beginning of the year or their date of issuance. In computing diluted earnings per share, the treasury stock method is used to determine the number of shares assumed to be purchased from the conversion of common share equivalents or the proceeds of the exercise of options.

(q) Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, accounts receivable and forward foreign exchange contracts. Cash equivalents and restricted cash consist of deposits with major commercial banks, the maturities of which are three months or less from the date of purchase. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. The counterparty to any forward foreign exchange contracts is a major commercial bank which management believes does not represent a significant credit risk. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. No customer accounted for more than 10% of revenue in 2011, 2010 or 2009. No customers accounted for 10% of accounts receivable at December 31, 2012, one customer accounted for 16% of accounts receivable at December 31, 2011, and three customers accounted for 35% of accounts receivable at December 31, 2010. All of these accounts receivable have subsequently been collected.

(r) Fair values of financial assets and financial liabilities

The fair value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accreditation fees payable, customer deposits and accrued liabilities (level 2 measurements) approximate their carrying values due to the relatively short periods to maturity of the instruments.

The fair value of the forward exchange contracts are determined using an estimated credit-adjusted mark-to-market valuation (a level 2 measurement) which takes into consideration the Company and the counterparty credit risk.

(s) Segment reporting

The Company operates in one business segment.

The Company's revenues are attributed to the country in which the contract originates, primarily Canada. Revenues from domain names issued from the Toronto, Canada location are attributed to Canada because it is impracticable to determine the country of the customer.

The Company's assets are located in Canada, the United States, Germany and the Netherlands.

(t) Reclassifications

Beginning in the first quarter of 2012, Tucows reclassified its revenue streams into three distinct service offerings: Wholesale, Retail and Portfolio. The realignment is intended to better reflect the manner in which these revenue streams are generated and assessed by management. The comparatives for Fiscals 2011 and 2010 have been updated to reflect this reclassification.

Recent Accounting Pronouncements Adopted

Comprehensive Income

The Company adopted Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220)—Presentation of Comprehensive Income ("ASU 2011-05"), effective January 1, 2012, ASU 2011-5 was applied retrospectively and requires the Company to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity.

Fair Value Measurement and Disclosures

The Company adopted Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)—Fair Value Measurement ("ASU 2011-04"), effective January 1, 2012 and applied retrospectively, which provides a consistent definition of fair value and ensures that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements (as defined in note 14 below). The adoption of ASU 2011-08 did not impact the fair value measurements of our assets and/or liabilities.

Testing Goodwill for Impairment

The Company adopted Accounting Standards Update No. 2011-08, Intangibles—Goodwill and Other (Topic 350)—Testing Goodwill for Impairment ("ASU 2011-08"), effective January 1, 2012, which allows entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The adoption of ASU 2011-08 did not materially impact the carrying value of our recorded goodwill. The Company will perform its next annual goodwill impairment testing on December 31, 2013.

Recent Accounting Pronouncements Not Yet Adopted

In July 2012, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2012-02, Intangibles — Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”) to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 allows an entity to first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If an entity concludes that this is the case, it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. ASU 2012-02 is effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. We do not expect the adoption of ASU 2012-02 to materially impact the carrying value of our recorded indefinite-lived intangible assets.

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3. Business acquisitions:

a. Acquisition of EPAG Domainservices GMBH:

On August 1, 2011, Tucows (Germany) Inc. ("Tucows Germany"), one of the Company's wholly owned subsidiaries, acquired 100% of the outstanding capital stock of EPAG, from QSC AG. EPAG, based in Bonn, Germany, is an ICANN-accredited registrar with over 400,000 domains under management and is notable for offering over 200 Top Level Domains (TLDs). Consideration for the acquisition of EPAG was approximately US$2.4 million (€1.7 million to purchase the shares and the settlement of a working capital adjustment of €0.25 million) through an all-cash transaction which was financed by utilizing the Company's non-revolving, reducing demand loan facility in the amount of US$2.5 million. In August 2011, the Company repaid $1.0 million of this loan. The acquisition consideration is net of cash acquired of US$0.1 million and a loan receivable from EPAG assumed in the amount of US$0.1 million. In connection with the acquisition, the Company incurred approximately US$0.1 million of acquisition costs during the three months ended September 30, 2011 and recorded the expenses in the general and administrative expenses line in the consolidated statement of comprehensive income. These costs include legal and other professional services.

The Company has accounted for the acquisition of EPAG using the acquisition method as required in ASC 805, Business Combinations. As such, fair values have been assigned to the assets acquired and liabilities assumed and the excess of the total purchase price over the fair value of the net assets acquired is recorded as goodwill. The Company has completed the final valuation of the fair value assessment of the assets and liabilities acquired. The goodwill represents business benefits the Company anticipates realizing from optimizing resources and access to additional domain name TLD's. The goodwill is not expected to be deductible for tax purposes.

Purchase price allocation

The following table summarizes the Company's purchase price allocation based on the fair value of the assets acquired and liabilities assumed on August 1, 2011:

Accounts receivable	$ 587,595	
Cash acquired	118,477	
Prepaid expenses and deposits	468,523	
Prepaid domain name registry fees	1,116,798	
Property and equipment	29,198	
Intangible assets	1,723,800	
Goodwill	882,320	
Total assets acquired		4,926,711
Accounts payable	92,950	
Accrued liabilities	140,658	
Customer deposits	32,603	
Deferred revenue	1,425,182	
Income taxes payable	172,380	
Deferred tax liability	552,000	
Total liabilities acquired		2,415,773
Purchase price		$ 2,510,938

The intangible assets acquired include technology in the amount of $0.3 million, the EPAG brand in the amount of $0.2 million and customer relationships in the amount of $1.2 million. The residual value from the purchase price has

been allocated to goodwill. The technology is being amortized over two years, while the customer relationships and brand are being amortized over seven years.

The amount of EPAG's revenues and net loss included in Tucows' Consolidated Statements of Comprehensive Income for the years ended December 31, 2011, and the unaudited pro forma revenues and net income of the combined entity had the acquisition been consummated as of January 1, 2010, are set forth below:

	Revenues	Net loss *
Actual from August 1, 2011 to December 31, 2011	$ 1,588,228	$ 29,184

	Year ended December 31, 2011	2010
Supplemental Unaudited Pro Forma Information		
Total revenue	$ 99,299,279	$ 87,341,726
Net income **	$ 5,903,687	$ 2,300,429

* Included within net loss for the period reported above are $57,440 of estimated amortization charges relating to the allocated values of intangible assets.

** Included in pro forma net income are estimated amortization charges relating to the allocated values of intangible assets for all periods reported above.

The unaudited pro forma financial information in the table above is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the periods presented or the result that may be realized in the future.

b. Goodwill:

Goodwill represents the excess of purchase price over the fair value of tangible or identifiable intangible assets acquired and liabilities assumed in our acquisitions. Intangible assets consist of acquired technology, brand, customer relationships, non-competition agreements, surname domain names and direct navigation domain names. Intangible assets, comprising technology, brand, customer relationships and non-competition arrangements related to the acquisition of Boardtown Corporation in April 2004, the acquisition of the Hosted Messaging Business of Critical Path, Inc. in January 2006, the acquisition of Mailbank.com Inc. in June 2006, the acquisition of Innerwise, Inc. in July 2007 and the acquisition of EPAG Domainservices GmbH in August 2011, are being amortized on a straight-line basis over periods of two to seven years.

The Company has other finite life intangible assets consisting of patented and non-patented technologies. These intangible assets are amortized over their expected economic lives. The lives are determined based upon the expected use of the asset, the estimated average life of the replacement parts of the reporting unit's products, the stability of the industry, expected changes in and replacement value of distribution networks and other factors deemed appropriate.

Goodwill consists of the following:

	Boardtown Corporation	Hosted Messaging Assets of Critical Path	Innerwise Inc.	Mailbank.com Inc.	EPAG Domainservices GmbH	Total
Balances, December 31, 2010	$ 2,044,847	$ 4,072,297	$ 5,801,040	$ 6,072,623	$ —	$ 17,990,807

Balances, December 31, 2011	$	2,044,847	$	4,072,297	$	5,801,040	$	6,072,623	$	882,320	$	18,873,127
Balances, December 31, 2012	$	2,044,847	$	4,072,297	$	5,801,040	$	6,072,623	$	882,320	$	18,873,127

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The Company accounts for goodwill in accordance with FASB's authoritative guidance, which requires that goodwill and certain intangible assets are not amortized, but are subject to an annual impairment test. The Company completes its goodwill and certain intangible assets impairment test on an annual basis, during the fourth quarter of its fiscal year, or more frequently, if changes in facts and circumstances indicate that impairment in the value of goodwill and certain intangible assets recorded on its balance sheet may exist. The Company determined the estimated fair value for its reporting unit using the market approach that is based on the publicly traded common shares of the Company to estimate fair value. The carrying value was greater than the fair value, therefore no impairment exists and the second step was not performed.

With regards to property, equipment and definite life intangible assets, the Company continually evaluates whether events or circumstances have occurred that indicate the remaining estimated useful lives of its definite-life intangible assets may warrant revision or that the remaining balance of such assets may not be recoverable. The Company measures recoverability of assets to be held and used by comparing the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. Recoverability measurement and estimation of undiscounted cash flows is done at the lowest possible levels for which there are identifiable cash flows. If such assets fail the recoverability test, the impairment to be recognized is measured as the amount by which the carrying amount of assets exceeds the fair value of the assets. Assets to be disposed of are recorded at the lower of the carrying amount or fair value less costs to sell. Management must exercise judgment in determining whether an event has occurred that may impair the value of the long-lived assets. Factors that could indicate that impairment may exist include significant underperformance relative to a plan or long-term projections, significant changes in business strategy, significant negative industry or economic trends or a significant decline in our stock price or in the value of our reporting units for a sustained period of time. There was no impairment recorded on definite-life intangible assets and property and equipment during 2012 and 2011. As of December 31, 2012, the Company had $16.4 million in intangible assets.

4. Derivative instruments and hedging activities:

Foreign currency forward contracts

In October 2012, the Company entered in to a hedging program with a Canadian chartered bank to limit the potential foreign exchange fluctuations incurred on its future cash flows related to a portion of payroll, rent and payments to a Canadian domain name registry supplier that are denominated in Canadian dollars and are expected to be paid by its Canadian operating subsidiary. As part of its risk management strategy, the Company uses derivative instruments to hedge a portion of the foreign exchange risk associated with these costs. The Company does not use these forward contracts for trading or speculative purposes. These forward contracts typically mature between one and eighteen months.

The Company has designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 "Derivatives and Hedging" (ASC Topic 815). As the critical terms of the hedging instrument, and of the entire hedged forecasted transaction, are the same, in accordance with ASC Topic 815, the Company has been able to conclude that changes in fair value or cash flows attributable to the risk of being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these contracts have been included within other comprehensive income. The fair value of the contracts, as of December 31, 2012, is recorded as derivative instrument assets and liabilities.

As of December 31, 2012, the notional amount of forward contracts that the Company held to sell U.S. dollars in exchange for Canadian dollars was $29.3 million, of which $15.1 million met the requirements of ASC Topic 815 and were designated as hedges (December 31, 2011 - $30.4 million of which none were designated as hedges).

Fair value of derivative instruments and effect of derivative instruments on financial performance

The effect of these derivative instruments on our consolidated financial statements as of, and for the year ended December 31, 2012, were as follows (amounts presented do not include any income tax effects).

Fair value of derivative instruments in the consolidated balance sheets (see note 14)

Derivatives	Balance Sheet Location	Year ended December 31, 2012 Fair Value Asset (Liability)	Year ended December 31, 2011 Fair Value Asset (Liability)
Foreign currency forward contracts designated as cash flow hedges	Derivative instruments	$377,703	$—
Foreign currency forward contracts not designated as cash flow hedges	Derivative instruments	$67,079	$(699,483)
Total foreign currency forward contracts	Derivative instruments	$444,782	$(699,483)

Effects of derivative instruments on income and other comprehensive income (OCI)

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	$44,104	—	—	—	—

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5. Property and equipment:

Property and equipment consist of the following:

	December 31, 2012	December 31, 2011
Computer equipment	$ 6,529,764	$ 7,348,211
Computer software	1,157,609	2,659,331
Furniture and equipment	542,213	403,953
	8,229,586	10,411,495
Less:		
Accumulated depreciation	6,877,442	8,973,931
	$ 1,352,144	$ 1,437,564

Depreciation of property and equipment:

	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Depreciation of property and equipment	$ 802,060	$ 937,460	$ 1,203,212

6. Intangible assets:

Intangible assets consist of acquired technology, brand, customer relationships, non-competition agreements, surname domain names and direct navigation domain names. These balances are being amortized, on a straight-line basis over the term of the intangible assets, as reflected in the table below.

Acquired intangible assets consist of the following:

	Technology	Brand	Customer relationships	Surname domain names	Direct navigation domain names	
Amortization period	2 - 7 years	7 years	4 - 7 years	indefinite life	indefinite life	Total
Balances, December 31, 2010	$ 25,720	$ 519,780	$ 2,133,260	$ 12,125,918	$ 2,078,723	$ 16,883,401
Additions to/(disposals from) domain portfolio, net	—	—	—	(5,841)	(28,230)	(34,071)
Acquisition of EPAG Domainservices GmbH	287,300	215,475	1,221,025	—	—	1,723,800
Amortization expense	(85,590)	(163,325)	(841,625)	—	—	(1,090,540)
Balances, December 31, 2011	227,430	571,930	2,512,660	12,120,077	2,050,493	17,482,590
Additions to/(disposals from)	—	—	—	(10,060)	(37,119)	(47,179)

domain portfolio, net											
Amortization expense		(143,640)		(173,640)		(702,480)		—		—	(1,019,760)
Balances, December 31, 2012	$	83,790	$	398,290	$	1,810,180	$	12,110,017	$	2,013,374	$ 16,415,651

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The following table shows the estimated amortization expense for each of the next 5 years, assuming no further additions to acquired intangible assets are made:

	Year ending December 31,
2013	$ 959,910
2014	596,620
2015	205,320
2016	205,320
2017	205,320
Total	$ 2,172,490

Indefinite life intangible assets represent domain names acquired from third parties and surname and direct navigation domain names related to the acquisition of Mailbank.com Inc. in June 2006. These assets are not being amortized and are being tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The Company uses a discounted cash flow or income approach to estimate the fair value of its indefinite life intangible assets. In the discounted cash flow approach, expected cash flows are converted to present value using factors that consider the timing and risk of the future cash flows. The estimate of cash flows used is prepared on an unleveraged debt-free basis. The discount rate reflects a market-derived weighted average cost of capital. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the Company's expected long-term operating and cash flow performance. The projections are based upon the Company's best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital. If assumptions and estimates used to allocate the purchase price or used to assess impairment prove to be inaccurate, future asset impairment charges could be required. At December 31, 2012, the Company had indefinite life assets of $14.1 million. The Company completed its latest annual impairment test and fair value analysis for indefinite life intangible assets, and there were no impairments present and no impairment charge was recorded during the years ended December 31, 2012, 2011 and 2010.

7. Loan payable:

The Company has credit agreements (collectively the "Amended Credit Facility") with the Bank of Montreal (the "Bank" or "BMO") that were amended on November 19, 2012, and which provide it with access to two revolving demand loan facilities (the "2012 Demand Loan Facilities"), a treasury risk management facility and an operating demand loan.

Two Revolving Demand Loan Facilities.

The 2012 Demand Loan Facilities are governed by the terms of the Offer Letter, dated as of November 19, 2012, by and between the Company and the Bank and filed with the SEC on November 21, 2012.

Under the terms of the Amended Credit Facility, our prior demand loan facilities have been amended to provide an aggregate of $14 million in funds available through the 2012 Demand Loan Facilities, which consist of a demand loan revolving facility (the "2012 DLR Loan") and a demand loan revolving reducing facility (the "2012 DLRR Loan"). The 2012 DLR Loan accrues interest at the Bank's U.S. Base Rate plus 1.25%. The Company may elect to pay interest on the 2012 DLRR Loan either at the Bank's U.S. Base Rate plus 1.25% or LIBOR plus 2.50%. Aggregate advances under the 2012 Demand Loan Facilities may not exceed $14 million and no more than $2 million of such advances may be used to finance repurchases of Company common stock. The 2012 Demand Loan Facilities are subject to an

undrawn aggregate standby fee of 0.20% following the first draw, which such fee is payable quarterly in arrears.

Repayment of advances under the 2012 DLR Loan consist of interest only payments made monthly in arrears and prepayment is permitted without penalty. The outstanding balance under the 2012 DLR Loan as of December 31st of each year is to be fully repaid within 30 days of December 31st through an equivalent advance made under the 2012 DLRR Loan. Advances under the 2012 DLRR Loan will be made annually and solely for such purpose. Each advance under the 2012 DLRR Loan is to be repaid in equal monthly principal payments plus interest, over a period of four years from the date of such advance.

On July 28, 2011, the Company drew down $2.5 million on our prior demand loan revolving facility (the "2011 DLR Loan") to fund the acquisition of EPAG as more fully described under Note 3, Business acquisitions. On December 31, 2011, in accordance with the terms of our prior revolving demand loan facilities, the remaining balance under the 2011 DLR Loan was fully repaid by an equivalent advance made under our prior demand loan revolving reducing facility (the "2011 DLRR Loan"). At June 30, 2012, the 2011 DLRR Loan was fully repaid.

During the period ended March 31, 2012, the Company successfully concluded a modified "Dutch auction tender offer", which was funded from available cash and an advance under the 2011 DLR Loan in the amount of $4.0 million. Under the terms of the offer, the Company repurchased an aggregate of 7,570,236 shares of its common stock at a purchase price of $0.77 per share, for a total of $5,829,082, excluding transaction costs of approximately $64,000. At December 31, 2012, the outstanding balance under the 2012 DLR Loan was $3.7 million.

Treasury Risk Management Facility

The Amended Credit Facility also provides for a $3.5 million settlement risk line to assist the Company with hedging Canadian dollar exposure through foreign exchange forward contracts and/or currency options. Under the terms of the Amended Credit Facility, the Company may enter into such agreements at market rates with terms not to exceed 18 months. As of December 31, 2012, the Company held contracts in the amount of $29.3 million to trade U.S. dollars in exchange for Canadian dollars.

Operating Demand Loan

The Amended Credit Facility also provides the Company with a $1.0 million operating demand loan facility to assist in meeting its operational needs (the "Operating Demand Loan"). The Operating Demand Loan accrues interest at the Bank's U.S. Base Rate plus 1.25%. Interest is payable monthly in arrears with any borrowing under the Operating Demand Loan fluctuating widely with periodic clean-up, at a minimum on an annual basis. The Company has also agreed to pay to the Bank a monthly monitoring fee of US$500 with respect to this loan. The Operating Demand Loan is payable on demand at any time, at the sole discretion of the Bank, with or without cause, and the Bank may terminate the Operating Demand Loan at any time. As of December 31, 2012, the Company had no amounts outstanding under its Operating Demand Loan.

General Terms

The Company's Amended Credit Facility contains customary representations and warranties, affirmative and negative covenants, and events of default. The Company's obligations under the Amended Credit Facility are guaranteed and secured by a security interest in substantially all of its assets. The Amended Credit Facility also requires that the Company comply with certain customary non-financial covenants and restrictions. In addition, the Company has agreed to comply with the following financial covenants at all times, which are to be calculated on a rolling four quarter basis: (i) Maximum Total Funded Debt to EBITDA of 2.00:1; and (ii) Minimum Fixed Charge Coverage of 1.20:1. Further, its Maximum Annual Capital Expenditures cannot exceed $3.6 million per year, which limit will be reviewed on an annual basis. As of, and for the year ended, December 31, 2012, the Company was in compliance with these covenants.

Scheduled principal loan repayments are as follows:

2013	1,000,000
2014	1,000,000
2015	1,000,000
2016	700,000

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8. Common shares:

The Company's authorized common share capital is 250 million shares of common stock without nominal or par value. On December 31, 2012, there were 44,322,159 shares of common stock outstanding.

Repurchase of common shares:

(a) Modified Dutch Tender Offers:

On January 23, 2012, the Company announced that it successfully concluded a modified "Dutch auction tender offer" that was previously announced on December 15, 2011. Under the terms of the offer, the Company repurchased an aggregate of 7,570,236 shares of its common stock at a purchase price of $0.77 per share, for a total of $5,829,082, excluding transaction costs of approximately $64,000. The purchase price and all transaction costs were funded from available cash and an additional advance under its Amended Credit Facility from the Bank in the amount of $4.0 million. All shares purchased in the tender offer received the same price and all shares repurchased were immediately cancelled. As a result of the completion of the tender offer, as of January 23, 2012, the Company had 46,047,053 shares issued and outstanding.

(b) Normal Course Issuer Bids:

On November 11, 2011 the Company commenced an NCIB which authorized the repurchase up to 3,840,000 shares of its common stock. During Fiscal 2011 the Company repurchased 23,765 of its common shares under the NCIB at an average purchase price of $0.78 per share, for a total of $18,442. The purchase price and all transaction costs were funded from available cash. All shares repurchased under the NCIB were immediately retired. This NCIB was suspended upon the commencement of the modified Dutch auction tender offer on December 15, 2011.

On March 16, 2012, the Company announced that it was reinstating its previously announced stock buyback program, which initially commenced on November 11, 2011 and which was temporarily suspended when the Company undertook its Dutch auction tender offer. Under this buyback program, the Company may repurchase up to 3,840,000 shares of the Company's common stock over the 12-month period that commenced on November 15, 2011. The Company repurchased 2,371,204 shares under this program during the year ended December 31, 2012.

9. Stock option plans:

The Company's 1996 Stock Option Plan (the "1996 Plan") was established for the benefit of the employees, officers, directors and certain consultants of the Company. The maximum number of common shares which may be set aside for issuance under the 1996 Plan was 11,150,000 shares, provided that the Board of Directors of the Company has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company when required by law or regulatory authority. Generally, options issued under the 1996 Plan vest over a four-year period. The 1996 Plan expired on February 25, 2006; no options were issued from this plan after that date.

On November 22, 2006, the shareholders of the Company approved the Company's 2006 Equity Compensation Plan (the "2006 Plan"), which was amended and restated effective July 29, 2010 and which serves as a successor to the 1996 Plan. The 2006 Plan has been established for the benefit of the employees, officers, directors and certain consultants of the Company. The maximum number of common shares which have been set aside for issuance under the 2006 Plan is 5.0 million shares. On October 8, 2010, the 2006 Plan was amended to increase the number of shares which have been set aside for issuance by an additional 1.9 million shares to 6.9 million shares. Generally, options issued under the 2006 Plan vest over a four-year period and have a term not exceeding seven years, except for automatic formula grants of non-qualified stock options, which are immediately exercisable and have a five year term.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Because option-pricing models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. The assumptions presented in the table below represent the weighted average of the applicable assumption used to value stock options at their grant date. The Company calculates expected volatility based on historical volatility of the Company's common shares. The expected term, which represents the period of time that options granted are expected to be outstanding, is estimated based on historical exercise experience. The Company evaluated historical exercise behavior when determining the expected term assumptions. The risk-free rate assumed in valuing the options is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The Company determines the expected dividend yield percentage by dividing the expected annual dividend by the market price of Tucows Inc. common shares at the date of grant.

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The fair value of stock options granted during the years ended December 31, 2012, 2011 and 2010 was estimated using the following assumptions:

	Year ended December 31,		
	2012	2011	2010
Volatility	52.1%	73.7%	71.9%
Risk-free interest rate	0.5%	0.8%	1.9%
Expected life (in years)	4.0	4.0	4.4
Dividend yield	—%	—%	—%
The weighted average grant date fair value for options issued, with the exercise price equal to market value on the date of grant	$ 0.56	$ 0.38	$ 0.39

Details of stock option transactions are as follows:

	Year ended December 31, 2012		Year ended December 31, 2011		Year ended December 31, 2010	
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share
Outstanding, beginning of year	8,746,041	$ 0.57	8,272,249	$ 0.56	7,213,977	$ 0.56
Granted	779,000	1.36	706,000	0.74	1,804,000	0.69
Exercised	(766,340)	0.55	(73,708)	0.43	(33,678)	0.44
Forfeited	(163,001)	0.80	(98,500)	0.69	(204,959)	0.66
Expired	(3,014)	0.44	(60,000)	0.80	(507,091)	1.02
Outstanding, end of year	8,592,686	$ 0.64	8,746,041	$ 0.57	8,272,249	$ 0.56
Options exercisable, end of year	7,090,892	$ 0.57	7,042,415	$ 0.54	6,205,248	$ 0.51

The stock options expire at various dates through 2019.

As of December 31, 2012, the exercise prices, weighted average remaining contractual life of outstanding options and intrinsic values were as follows:

	Options outstanding				Options exercisable		
Exercise price	Number outstanding	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value	Number exercisable	Weighted average exercise price per share	Aggregate intrinsic value
$ 0.31 - $0.48	3,130,574	$ 0.38	0.6	$ 3,333,310	3,130,574	$ 0.38	$ 3,333,310
$ 0.56 - $0.75	3,790,112	$ 0.66	3.3	2,970,677	2,823,318	$ 0.64	2,264,948
$ 0.80 - $1.38	1,672,000	$ 1.08	3.4	594,960	1,137,000	$ 0.96	548,010
	8,592,686	$ 0.64		$ 6,898,947	7,090,892	$ 0.57	$ 6,146,268

Total unrecognized compensation cost relating to unvested stock options at December 31, 2012, prior to the consideration of expected forfeitures, is approximately $0.6 million and is expected to be recognized over a weighted average period of 2.3 years.

The total intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 was $296,000, $25,000 and $10,000, respectively. Cash received from the exercise of stock options during the years ended December 31, 2012, 2011 and 2010 was $418,108, $31,346 and $14,809 respectively.

The Company recorded stock-based compensation amounting to $0.4 million, $0.3 million and $0.4 million for the years ended December 31, 2012, 2011 and 2010 respectively.

10. Income taxes:

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 34% to income before provision for income taxes as a result of the following:

	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Income for the year before provision for income taxes	$ 6,428,298	$ 3,450,610	$ 2,327,793
Computed expected tax expense	$ 2,185,621	$ 1,173,207	$ 791,450
Increase (reduction) in income tax expense resulting from:			
State income taxes	16,071	8,627	5,819
Permanent differences, including foreign exchange	21,728	13,700	(22,812)
Investment tax credits recovered	(106,941)	(41,833)	(50,311)
Other, including alternative minimum tax and adjustments to opening deferred tax assets	(112,323)	(218,252)	82,928
Change in beginning of the year balance of the valuation allowance allocated to income tax expense	—	(3,655,070)	(596,229)
Provision for (recovery of) income taxes	$ 2,004,156	$ (2,719,621)	$ 210,845

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2012 and 2011 are presented below:

	December 31, 2012	December 31, 2011
Deferred tax assets:		
Deferred revenue	$ 5,429,220	$ 5,648,563
Amortization	541,242	1,231,814
Total gross deferred tax assets	5,970,462	6,880,377
Less valuation allowance	—	—
Net deferred tax assets	$ 5,970,462	$ 6,880,377
Deferred income tax asset, current portion	—	—
Deferred income tax asset, long-term portion	5,970,462	6,880,377
	$ 5,970,462	$ 6,880,377
Deferred tax liabilities:		
Reserves and other	$ (914,429)	$ (880,008)
Limited life intangible assets	(394,100)	(505,700)
Indefinite life intangible assets	(4,840,000)	(4,840,000)
Total deferred tax liabilities	(6,148,529)	(6,225,708)
Less deferred tax liability, current portion	(914,429)	(880,008)
Deferred tax liability, long-term portion	$ (5,234,100)	$ (5,345,700)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the

Company operates, and tax planning strategies in making this assessment. During the fourth quarter of 2011 management released its remaining valuation allowance of $3.6 million.

At December 31, 2012 Tucows' unrecognized tax benefits amounted to $0.4 million, which if recognized would favorably affect the income tax rate in future periods. The unrecognized tax benefit relates primarily to prior year Pennsylvania state franchise taxes and other insignificant US state taxes, unrecognized tax benefits for potential 2012 research and development tax credits as well as prior year German income tax. We will record the tax benefit of the 2012 research and development claim once we have reasonable assurance that it is more likely than not that all or a portion of the benefit arising from the claim will be realized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in tax expense. The Company did not have any significant interest and penalties accrued as of January 1, 2011 and December 31, 2012.

Tucows believes that it is reasonably possible that $0.4 million of the unrecognized tax benefit will decrease in the next twelve months as it is anticipated that the foreign tax authorities will finalize their review of prior years' taxes owing in Pennsylvania and Germany respectively and that the 2012 ITC claim will be filed and assessed within that period.

The following is a reconciliation of Tucows' change in uncertain tax position under ASC 740, "Income Taxes":

		Total Gross Unrecognized Tax Benefits
Balance as at December 31, 2011	$	167,000
Increase in uncertain tax benefits for the current year		100,000
Increase in uncertain tax benefits for the prior year		165,000
Decrease in uncertain tax benefits of prior years		(50,000)
Balance as at December 31, 2012	$	382,000

11. Other income, net:

In 2002, various patents which were acquired by us in the merger with Infonautics in 2001 were assigned to an unrelated third party. In connection with the assignment of these patents, we retained the right to a share of any cash flow received by the unrelated third party relating to the commercialization of these patents. As a result of this assignment, during the year ended December 31, 2011 we received an amount of $0.4 million. No amount was received during the years ended December 31, 2012 and 2010.

In March 2012, we received an amount of $0.5 million on the sale of certain intangible assets with no book value.

12. Earnings per common share:

The following table reconciles the numerators and denominators of the basic and diluted earnings per common share computation:

		Year ended December 31, 2012		Year ended December 31, 2011		Year ended December 31, 2010
Numerator for basic and diluted earnings per common share:						
Net income for the year	$	4,424,142	$	6,170,231	$	2,116,948
Denominator for basic and diluted earnings per common share:						
Basic weighted average number of common shares outstanding		45,832,862		53,454,675		57,982,248
Effect of stock options		3,302,082		2,294,758		1,973,540
Diluted weighted average number of shares outstanding		49,134,944		55,749,433		59,955,788
Basic earnings per common share	$	0.10	$	0.12	$	0.04
Diluted earnings per common share	$	0.09	$	0.11	$	0.04

Options to purchase 755,187 common shares were outstanding during 2012 (2011: 3,148,750; 2010: 2,937,000) but were not included in the computation of diluted income per common share because the options' exercise price was greater than the average market price of the common shares. The options which expire in years 2013 to 2018 were still

outstanding at the end of 2012.

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13. Commitments and contingencies:

(a) The Company has several non-cancelable lease and purchase obligations primarily for general office facilities and equipment that expire over the next ten years. Future minimum payments under these agreements are as follows:

2013	$ 2,017,000
2014	1,543,000
2015	1,481,000
2016	995,000
2017	953,000
Thereafter	1,584,000

Rental expense under operating lease agreements was $0.9 million, $0.9 million and $0.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(b) In the normal course of its operations, the Company becomes involved in various legal claims and lawsuits. The Company intends to vigorously defend these claims. While the final outcome with respect to any actions outstanding or pending as of December 31, 2012 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's financial position.

14. Fair value measurement:

For financial assets and liabilities recorded in our financial statements at fair value we utilize a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides a summary of the fair values of the Company's derivative instruments measured at fair value on a recurring basis as at December 31, 2012:

	December 31, 2012			
	Fair Value Measurement Using			Assets at
	Level 1	Level 2	Level 3	Fair Value
Derivative instrument asset	$ —	$ 444,782	$ —	$ 444,782
Total Assets	$ —	$ 444,782	$ —	$ 444,782

The following table provides a summary of the fair values of the Company's derivative instruments measured at fair value on a recurring basis as at December 31, 2011:

	December 31, 2011			
	Fair Value Measurement Using			Assets at
	Level 1	Level 2	Level 3	Fair Value
Derivative instrument asset	$ —	$ 87,023	$ —	$ 87,023
Total Assets	$ —	$ 87,023	$ —	$ 87,023

Derivative instrument liability	$	—	$	786,506	$	—	$	786,506
Total Liabilities	$	—	$	786,506	$	—	$	786,506

15. Subsequent events:

On January 7, 2013, the Company announced that it successfully concluded a modified "Dutch auction tender offer" that was previously announced on November 21, 2012. Under the terms of the offer, the Company repurchased an aggregate of 4,114,437 shares of its common stock at a purchase price of $1.50 per share, for a total of $6,171,656, excluding transaction costs of approximately $110,000. The purchase price and all transaction costs were funded from available cash and an additional advance under its Amended Credit Facility from the Bank in the amount of $5.2 million. All shares purchased in the tender offer received the same price and all shares repurchased were immediately retired. As a result of the completion of the tender offer, as of January 31, 2013, the Company had 40,226,875 shares issued and outstanding.

16. Supplemental information:

(a) The following is a summary of the Company's revenue earned from each significant revenue stream:

	Year ended December 31,		
	2012	2011	2010
Wholesale:			
Domain Services	$ 87,434,450	$ 76,201,058	$ 64,977,121
Value Added Services	10,586,460	9,268,460	8,978,922
Total Wholesale	98,020,910	85,469,518	73,956,043
Retail	10,740,844	5,263,118	4,559,833
Portfolio	5,965,147	6,332,331	6,062,629
	$ 114,726,901	$ 97,064,967	$ 84,578,505

During the years ended December 31, 2012, 2011 and 2010, no customer accounted for more than 10% of total revenue. As at December 31, 2012, no customers accounted for more than 10% of accounts receivable, as at December 31, 2011, one customer accounted for 16% of accounts receivable, while as at December 31, 2010, three customers accounted for 35% of accounts receivable.

(b) The following is a summary of the Company's cost of revenues from each significant revenue stream:

	Year ended December 31,		
	2012	2011	2010
Wholesale:			
Domain Services	$ 73,168,196	$ 63,491,433	$ 54,087,893
Value Added Services	2,032,328	1,969,374	1,996,317
Total Wholesale	75,200,524	65,460,807	56,084,210
Retail	6,804,863	1,881,063	1,527,727
Portfolio	832,008	746,517	882,912
Network, other costs	4,925,058	4,837,650	4,648,899
Network, depreciation and amortization costs	755,280	836,045	1,331,576
	$ 88,517,733	$ 73,762,082	$ 64,475,324

(c) The following is a summary of the Company's property and equipment by geographic region:

	Year ended December 31,	
	2012	2011

Canada	$	1,026,570	$	1,027,122
United States		306,679		390,231
Germany		18,895		20,211
	$	1,352,144	$	1,437,564

(d) The following is a summary of the Company's amortizable intangible assets by geographic region:

	Year ended December 31,			
		2012		2011
Canada	$	1,062,100	$	1,732,900
Germany		1,230,160		1,579,120
	$	2,292,260	$	3,312,020

(e) The following is a summary of the Company's deferred tax asset, net of valuation allowance, by geographic region:

	Year ended December 31,			
		2012		2011
Canada	$	5,970,462	$	6,880,377
	$	5,970,462	$	6,880,377

(f) Valuation and qualifying accounts:

		Balance at beginning year		Charged to (recovered) costs and expenses		Write-offs during year		Balance at end of year
Allowance for doubtful accounts, including provision for credit notes								
2012	$	62,415	$	16,555	$	—	$	78,970
2011	$	65,000	$	(2,585)	$	—	$	62,415
2010	$	115,000	$	(50,000)	$	—	$	65,000
Valuation allowance for deferred tax asset:								
2012	$	—	$	—	$	—	$	—
2011	$	3,655,070	$	(3,655,070)	$	—	$	—
2010	$	4,251,000	$	(595,930)	$	—	$	3,655,070

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Fourth Amended and Restated Articles of Incorporation of Tucows Inc. (Incorporated by reference to Exhibit 3.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on November 29, 2007).
3.2	Second Amended and Restated Bylaws of Tucows Inc. (Incorporated by reference to Exhibit 3.2 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 29, 2007).
3.3	Amendment No. 1 to Second Amended and Restated Bylaws of Tucows Inc. (Incorporated by Reference to Exhibit 3.3 filed with Tucows' Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.1*	2006 Equity Compensation Plan, as amended and restated effective as of July 29, 2010 (Incorporated by reference to Exhibit 99(d)(1) filed with Tucows' Schedule TO, as filed with the SEC on September 17, 2010).
10.2*	Employment Agreement dated January 22, 2003 between Tucows.com Co. and Elliot Noss (Incorporated by reference to Exhibit 10.5 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 28, 2004).
10.3*	Employment Agreement dated March 11, 2003 between Tucows.com Co. and Michael Cooperman (Incorporated by reference to Exhibit 10.5 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 28, 2004).
10.4	Lease between 707932 Ontario Limited and Tucows International Corporation, dated December 10, 1999 (Incorporated by reference to exhibit number 10.9 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on April 1, 2002).
10.5	Lease extension between 707932 Ontario Limited and Tucows Inc. and Tucows.com Co., dated September 4, 2004 (Incorporated by reference to Exhibit 10.5 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 24, 2005).
10.6*	Description of Tucows Fiscal 2004 At Risk Compensation Plan (Incorporated by reference to Exhibit 10.9 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 24, 2005).
10.7	Registrar Accreditation Agreement, effective as of June 25, 2005, as amended June 22, 2009, by and between the Internet Corporation for Assigned Names and Numbers and Tucows.com Co. (Incorporated by reference to Exhibit 10.7 filed with Tucows' Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 22, 2011).

10.8 Registry-Registrar Agreement, dated as of October 4, 2001, by and between VeriSign, Inc. and Tucows Inc. (Incorporated by reference to Exhibit 10.13 filed with Amendment No. 1 to Tucows' registration statement on Form S-1 (Registration No. 333-125843), as filed with the SEC on July 7, 2005).

10.11 Loan Agreement, dated as of June 25, 2007, by and among Tucows.com Co., Tucows (Delaware) Inc., Tucows Inc., Mailbank Nova Scotia Co., Tucows Domain Holdings Co., Innerwise, Inc. and Bank of Montreal (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).

Exhibit No.	Description
10.12	Guaranty, dated July 25, 2007, by Tucows Inc. in favor of Bank of Montreal (Incorporated by reference to Exhibit 10.2 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).
10.13	Security Agreement, dated July 25, 2007, by Tucows Inc. in favor of Bank of Montreal (Incorporated by reference to Exhibit 10.3 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).
10.14	Financing Commitment, dated July 19, 2007, by and between Tucows.com Co. and Bank of Montreal (Incorporated by reference to Exhibit 10.3 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on July 31, 2007).
10.15	Operating Loan Agreement, dated September 10, 2010, between Tucows.com Co. and the Bank of Montreal. (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on September 13, 2010).
10.16	Offer Letter, dated August 30, 2010, between Tucows Inc. and the Bank of Montreal. (Incorporated by reference to Exhibit 10.2 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on September 13, 2010).
10.17	Offer Letter, dated July 27, 2011, between Tucows.com Co and the Bank of Montreal (incorporated herein by reference to Exhibit 10.1 to Tucows Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 3, 2011).
10.18	Letter of Acknowledgment, dated December 13, 2011, between Tucows.com Co and the Bank of Montreal. (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 13, 2011).
10.19	Offer Letter, dated November 19, 2012, between Tucwos.com Co. and the Bank of Montreal (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on November 21, 2012).
10.20	Amended and Restated Supplemental Agreement, dated December 14, 2012, between Tucows.com Co., Tucows (Delaware), Inc. and the Bank of Montreal (Incorporated by reference to Exhibit 10.1 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 20, 2012).
10.21	Guaranty, dated December 14, 2012, by Ting Inc. in favor of the Bank of Montreal (Incorporated by reference to Exhibit 10.2 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 20, 2012).
10.22	Security Agreement, dated December 14, 2012, by Ting Inc. in favor of the Bank of Montreal (Incorporated by reference to Exhibit 10.3 filed with Tucows' Current Report on Form 8-K, as filed with the SEC on December 20, 2012).
21.1#	Subsidiaries of Tucows Inc.
23.1#	Consent of KPMG LLP, Independent Registered Public Accounting Firm.

31.1#	Chief Executive Officer’s Rule 13a-14(a)/15d-14(a) Certification.
31.2#	Chief Financial Officer’s Rule 13a-14(a)/15d-14(a) Certification.
32.1#	Chief Executive Officer’s Section 1350 Certification.
32.2#	Chief Financial Officer’s Section 1350 Certification.
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

* Management or compensatory contract required to be filed pursuant to Item 15(c) of the requirements for Form 10-K reports.

** XBRL Information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Filed herewith.

SIGNATURES

Pursuant to the requirements of 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.

Tucows Inc.		
By:	/s/ Elliot Noss	
	Name:	Elliot Noss
	Title:	Chief Executive Officer and President

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

Signature	Title	Date
/s/ Elliot Noss Elliot Noss	President, Chief Executive Officer (Principal Executive Officer) and Director	March 15, 2013
/s/ Michael Cooperman Michael Cooperman	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2013
/s/ Stanley Stern Stanley Stern	Director	March 15, 2013
/s/ Eugene Fiume Eugene Fiume	Director	March 15, 2013
/s/ Erez Gissin Erez Gissin	Director	March 15, 2013
/s/ Joichi Ito Joichi Ito	Director	March 15, 2013
/s/ Allen Karp Allen Karp	Director	March 15, 2013
/s/ Lloyd N. Morrisett Lloyd N. Morrisett	Director	March 15, 2013

/s/ Rawleigh Ralls Rawleigh Ralls	Director	March 15, 2013
/s/ Jeffrey Schwartz Jeffrey Schwartz	Director	March 15, 2013