

Support.com, Inc.
Form 10-K
March 07, 2016
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2015
OR

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

For the Transition Period from _____ to _____

Commission File No. 000-30901

SUPPORT.COM, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

94-3282005

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

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

(Address of Registrant's Principal Executive Offices)

94063

(Zip Code)

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

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

Title of each class

Name of each exchange on which registered

Common Stock, \$.0001 par value

The NASDAQ Global Select Market

Preferred Stock Purchase Rights

The NASDAQ Global Select Market

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

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

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

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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FORWARD LOOKING STATEMENTS AND PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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

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

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

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

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

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PART I

ITEM 1. BUSINESS.

Overview

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

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

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

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

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

Industry Background

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

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

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

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

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

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

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

Our Growth Strategy

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

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

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

Our Technology Support Service Programs

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

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

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

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

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

Our Support.com Cloud offering (Nexus)

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

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

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

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

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

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

about customer support experiences.

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

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

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

Our End-User Software Products

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

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

Sales and Marketing

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

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

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

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

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

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

our software with limited functionality before making a purchase decision.

Research and Development

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

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

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

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

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

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

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

Intellectual Property

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

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

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

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

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Competition

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

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

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

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

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

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

Environmental Regulation

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

Employees

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

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

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

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

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

ITEM 1A. RISK FACTORS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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