Support.com, Inc.
Form 10-K
March 07, 2017

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

FORM 10-K
(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to
Commission File No. 000-30901
SUPPORT.COM, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	94-3282005
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
900 Chesapeake Drive, 2nd Floor, Redwood City, CA	94063
(Address of Registrant's Principal Executive Offices)	(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 Capital Market
Preferred Stock Purchase Rights	The NASDAQ Capital 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

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 (Do not check if a smaller reporting company)	Smaller reporting company

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

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 held by non-affiliates was $46,406,860 as of June 30, 2016. Shares of common stock held by each executive officer, director, and stockholder 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 28, 2017, there were 18,558,260 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 2017 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" refe 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 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%.

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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.

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 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 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 SMBs 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 SMBs, 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

(77% of American adults own a smartphone, according to a 2016 Pew Research Center study) and connected devices (the average US broadband home today has eight connected devices, according to a 2016 Parks Associates report compels customer support organizations to fundamentally transform how interactive support is delivered. An Accenture survey finds that 64% 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. These trends in number of 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.

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.

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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, 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, we expect to continue to invest in product, R&D, sales and marketing. Our product investment will include enhancing 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, cost effectiveness and profitability.

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 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

Our cloud-based software is the Company's flagship offering in the Support Interaction Optimization (SIO) space, a rapidly growing market. Support.com Cloud 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.

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Our Support.com Cloud offering 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 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 SeeSupport - 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.

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 applications can be fully integrated into the agent-customer interaction. The open API's 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.

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Support.com Cloud Offering. We license Support.com Cloud 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 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.

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 $5.6 million in 2016, $7.0 million in 2015, and $5.1 million in 2014.

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.

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 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.

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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.

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, 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 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, 2016, we had 1,525 employees, of whom 1,396 were work-from-home agents and 129 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.

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

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.

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," "on-going" and similar expressions 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 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 successfully license, implement and support our Support.com Cloud offering;

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 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;

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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 marketing costs associated with our software products;

Our beliefs and expectations regarding the introduction of new services and products, including additional cloud application 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, including the expected effects of our cost reduction plans;

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;

Our expectations regarding the results of pending, threatened or future government investigations and audits, including, without limitation, those investigations and audits described in Item 3 Legal Proceedings of this report;

The assumptions underlying our Critical Accounting Policies and Estimates, including our assumptions regarding revenue recognition; assumptions used to estimate self-insurance accruals; assumptions used to estimate the fair value of stock-based compensation; assumptions regarding the impairment of goodwill and intangible assets; and expected accounting for income taxes; and

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. While a number of these factors are described below, 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.

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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 has continued to materially affect our revenue and margins. We also are making significant investments in support of our Support.com Cloud offering, 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 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 application, 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 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 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 our Support.com Cloud offering;
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, including in connection with our cost reduction plan 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 products and 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 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;
Manage and respond to present, threatened or future government investigations and audits, including, without limitation, those audits and investigations described in Item 3 Legal Proceedings of this report; and
Manage our 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, or reduction 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;
- The availability and cost-effectiveness of advertising placements for our software products and our ability to respond to changes in the 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 costs under our self-funded health insurance program;
- 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;
- 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;
- 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;
- 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;
- Costs related to the defense and settlement of government investigations and audits which can also have an additional adverse impact on us because of negative publicity, diversion of management resources and other factors, including, without limitation, those audits and investigations described in Item 3 Legal Proceedings of this report
- 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 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.

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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 has reduced, and could continue to reduce, our revenue substantially.

For the three months ended December 31, 2016, Comcast and Office Depot accounted for 60% and 9%, respectively, of our total revenue. For the twelve months ended December 31, 2016, Comcast and Office Depot accounted for 60% and 15%, respectively, 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 related to 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 services 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 may cause us to miss revenue or other financial targets. The process of establishing or renewing a relationship with a partner can be complex and time consuming, and we must pass multiple levels of review in order to be selected or renewed. If we are unable to establish a sufficient number of new partners or renewals on a timely basis our sales will suffer.

Our Support.com Cloud offering 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 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 could fail to grow. Growth in Support.com Cloud 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 Support.com Cloud offering 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, particularly after our recently announced cost reduction plan, 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.

The loss of one or more members of our senior management may cause instability at the Company

We are highly dependent on the efforts and abilities of the principal members of our senior management team, and the loss of one or more key executives could have a negative impact on our business. On October 28, 2016, Elizabeth Cholawsky resigned her position as President and Chief Executive Officer, effective immediately. The board of directors appointed Rick Bloom as interim President and Chief Executive Officer. Roop Lakkaraju resigned his position as Executive Vice President, Chief Financial Officer and Chief Operating Officer effective February 3, 2017. As a result of these changes, we may experience a disruption in our business. No assurances can be made about the impact that these management changes will have on the Company. Additional turnover at the senior management level may create instability within the Company and our employees may decide to terminate their employment, which could further impede the Company's maintenance of its day to day operations. Such instability could impede our ability to implement fully our business plan and growth strategy, which would harm our business and prospects.

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 level of demand for our products and services, the availability of a sufficient number of qualified persons in the workforce, unemployment levels, prevailing wage rates, changing demographics, health and other insurance costs, including managing costs under our self-funded health insurance program which can vary substantially each reporting period, 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.

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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.

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 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 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.

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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.

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

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

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

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

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

Unanticipated costs and liabilities and unforeseen accounting charges or fluctuations;
Delays and difficulties in delivery of services and products;
Failure to effectively integrate or separate management information systems, personnel, research and development, marketing, sales and support operations;
Loss of key employees;
Economic dilution to gross and operating profit;
Diversion of management's attention from other business concerns and disruption of our ongoing business;
Difficulty in maintaining controls and procedures;
Uncertainty on the part of our existing customers about our ability to operate after a transaction;
Loss of customers;

Loss of partnerships;
Inability to execute our growth plans;
Declines in revenue and increases in losses;
Declines in cash balances as a result of cash usage on any acquisitions;
Failure to realize the potential financial or strategic benefits of the acquisition or divestiture; and
Failure to successfully further develop the combined or remaining technology, resulting in the impairment of amounts recorded as goodwill or other intangible assets.

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

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

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

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

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

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

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

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

Risks of product malfunction after new technology is integrated;
Risks that we may be unable to obtain or continue to obtain support, maintenance and updates from the technology supplier;

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The diversion of resources from the development of our own proprietary technology; and

Our inability to generate revenue from new technology sufficient to offset associated acquisition and maintenance costs.

Our business operates in regulated industries.

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

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

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

We expect to support, among other programs, partners offering home security services and other devices and programs for use in the connected home. Because these services relate to programs intended to help protect the lives and property, real and personal, of consumers, we may have greater exposure to liability and litigation risks than businesses that provide support for other consumer and SMB products and services. Our ability to limit our liability for the acts or omissions of our employees in our contract terms with partners and consumers in relation to such programs may be substantially less than in other markets we serve, which is to say, we may have much greater inherent legal liability exposure in such programs than is customarily seen in programs for markets we have offered historically. In the event of litigation with respect to such matters, it is possible that our risk-mitigation provisions in contracts may be deemed not applicable or unenforceable exposing us to substantial liability exposure, and, regardless of the ultimate outcome, we may incur significant costs of defense that could materially and adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

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

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

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

Our business relies on the use and licensing of technology. Other parties may assert intellectual property infringement claims against us or our customers, and our products may infringe the intellectual property rights of third parties. For example, our products may infringe patents issued to third parties. In addition, as is increasingly common in the technology sector, we may be confronted with the aggressive enforcement of patents by companies whose primary business activity is to acquire patents for the purpose of offensively asserting them against other companies. From time to time, we have received allegations or claims of intellectual property infringement, and we may receive more claims in the future. We may also be required to pursue litigation to protect our intellectual property rights or defend against allegations of infringement. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. The outcome of any litigation is uncertain and could significantly impact our financial results. If there is a successful claim of infringement, we may be required to develop non-infringing technology or enter into royalty or license agreements which may not be available on acceptable terms, if at all. Our failure to develop non-infringing technologies or license proprietary rights on a timely basis would harm our business.

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

Our business involves direct sale and licensing of services and software to consumers and SMBs, and we typically include customary indemnification provisions in favor of our partners in our agreements for the distribution of our services and software. As a result, we can be subject to consumer litigation and legal proceedings related to our services and software, including putative class action claims and similar legal actions, including, but not limited to, consumer litigation and legal proceedings that may arise related to the FTC and DOL investigations described in Note 3 Legal Proceedings in this report. We can also be subject to employee litigation and legal proceedings related to our employment practices attempted on a class or representative basis. Such litigation can be expensive and time-consuming regardless of the merits of any action, and could divert management's attention from our business. The cost of defense can be large as can any settlement or judgment in an action. The outcome of any litigation is uncertain and could significantly impact our financial results. Regardless of outcome, litigation can have an adverse impact on us because of defense costs, negative publicity, diversion of management resources and other factors.

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

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

- Localization of our services, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- Lack of familiarity with and unexpected changes in foreign regulatory requirements;
- Longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- Difficulties in managing and staffing international operations;

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- Fluctuations in currency exchange rates;
- Potentially adverse tax consequences, including the complexities of foreign value added or other tax systems and restrictions on the repatriation of earnings;
- Dependence on certain third parties, including channel partners with whom we do not have extensive experience;
- The burdens and complexity of complying with a wide variety of foreign laws and legal standards;
- Increased financial accounting and reporting burdens and complexities;
- Political, social and economic instability abroad, terrorist attacks and security concerns in general; and
- Reduced or varied protection for intellectual property rights in some countries.

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

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

Goodwill and identifiable intangible assets were recorded in part due to our acquisition of substantially all of the assets and liabilities of YourTechOnline.com in May 2008, our acquisition of substantially all of the assets of Xeriton Corporation in December 2009, our acquisition of certain assets and assumed liabilities of SUPERAntiSpyware in June 2011 and our acquisition of certain assets and assumed liabilities of RightHand IT Corporation in January 2012. We also have certain intangible assets with indefinite lives. We assess the impairment of goodwill and indefinite lived intangible assets annually or more often (as occurred during 2015; see Note 1 in the accompanying consolidated financial statements for additional information on our goodwill impairment) if events or changes in circumstances indicate that the carrying value may not be recoverable. We assess the impairment of acquired product rights and other finite lived intangible assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If an impairment of our long-lived assets occurs we will incur non-cash impairment charges.

The recent changes to our Board could cause uncertainty about the strategic direction of our business.

At our 2016 Annual Meeting of Stockholders (the “2016 Annual Meeting”) five of our six directors were replaced. This Board transition may cause disruptions to our business or distract our management from normal operating activities. Changes to the composition of our Board may lead to market perceptions of a change in the direction of the business, instability or lack of continuity, which could:

- be exploited by our competitors, cause concern to our current or potential clients,
- result in the loss of current customers or potential business opportunities, or
- make it more difficult to attract and retain qualified personnel and business partners.

Any of the foregoing could cause poor financial results, poor operating performance, or significant fluctuations in our stock price.

Delaware law and our certificate of incorporation and bylaws contain anti-takeover provisions, and our Board adopted a Section 382 Tax Benefits Preservation Plan, any of which could delay or discourage takeover attempts that some stockholders may consider favorable.

Delaware law and our certificate of incorporation and amended and restated bylaws contain certain provisions, any of which could render more difficult, or discourage a merger, tender offer, or assumption of control of the Company that is not approved by our Board of Directors that some stockholders may consider favorable. In addition, on April 20, 2016, our Board acted to preserve the potential benefits of our NOLs from being limited pursuant to Section 382 of the Code by adopting a Section 382 Tax Benefits Preservation Plan (the “Section 382 Tax Benefits Preservation Plan”). The principal reason our Board adopted the Section 382 Tax Benefits Preservation Plan is that we believe that the NOLs are a potentially valuable asset and the Board believes it is in the Company’s best interests to attempt to protect this asset by preventing the imposition of limitations on their use. While the Section 382 Tax Benefits Preservation Plan is not principally intended to prevent a takeover, it does have a potential anti-takeover effect because an “acquiring person” thereunder may be diluted upon the occurrence of a triggering event. Accordingly, the overall effects of the Section 382 Tax Benefits Preservation Plan may be to render more difficult, or discourage a merger, tender offer, or assumption of control by a substantial holder of our securities. The Section 382 Tax Benefits Preservation Plan, however, should not interfere with any merger or other business combination approved by the Board.

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Changes or modifications in financial accounting standards may have a material adverse impact on our reported results of operations or financial condition.

A change or modification in accounting policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective, including the potential impact of the adoption and implementation of the accounting standard update on revenue recognition issued in May 2014 by the Financial Accounting Standards Board. New pronouncements and varying interpretations of existing pronouncements have occurred with frequency and may occur in the future. Changes to existing rules, or changes to the interpretations of existing rules, could lead to changes in our accounting practices, and such changes could materially adversely affect our reported financial results or the way we conduct our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our corporate headquarters is located in Redwood City, California, where we sublease an office facility of approximately 21,620 square feet. The sublease agreement will expire on April 30, 2017. We are in the process of evaluating the lease for a new corporate headquarters location. We also lease office facilities in Eugene, Oregon (for which the lease agreement will expire on December 31, 2017) and Louisville, Colorado (for which the lease agreement expired on January 31, 2017 and is being renewed with a maximum 90 day commitment). In addition, we lease office space in Bangalore, India with 6,838 square feet for which the lease will expire on August 31, 2021 and in Manila, Philippines for which the lease will expire on May 15, 2018.

ITEM 3. LEGAL PROCEEDINGS.

On October 11, 2016 the Wage and Hour Division of the U.S. Department of Labor ("DOL") notified the Company that it would be conducting an audit of the Company relating to compliance with the Fair Labor Standards Act ("FLSA"). The DOL has indicated that the focus of the audit is directed to compliance with overtime requirements related to our technology specialists who work from home providing technical support services. The audit commenced on October 20, 2016 and is ongoing as of the date of this report. On January 24, 2017, the DOL notified the Company that it would be conducting an audit of the Company relating to compliance with the Family and Medical Leave Act of 1993. As of the date of this report this audit has not yet commenced.

On December 20, 2016 the Federal Trade Commission ("FTC") issued a Civil Investigative Demand to the Company requiring the Company to produce certain documents and materials and to answer certain interrogatories relating to PC Healthcheck, a software program provided by the Company to certain third parties. The FTC has not alleged a factual basis underlying the investigation. On January 17, 2017 the Consumer Protection Division of the Office of Attorney General, State of Washington ("Washington AG"), issued a Civil Investigative Demand to the Company requiring the Company to produce certain documents and materials and to answer certain interrogatories relating to PC Healthcheck. The Washington AG has not alleged a factual basis underlying the investigation. The Company is in the process of responding to both Civil Investigative Demands.

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

Guarantees

We have identified guarantees in accordance with ASC 450, Contingencies. This guidance stipulates that an entity must recognize an initial liability for the fair value, or market value, of the obligation it assumes under the guarantee at the time it issues such a guarantee, and must disclose that information in its interim and annual financial statements. We have entered into various service level agreements with our partners, in which we may guarantee the maintenance of certain service level thresholds. Under some circumstances, if we do not meet these thresholds, we may be liable for certain financial costs. We evaluate costs for such guarantees under the provisions of ASC 450. We consider such factors as the degree of probability that we would be required to satisfy the liability associated with the guarantee and the ability to make a reasonable estimate of the resulting cost. We incurred zero costs as a result of such obligations during the years ended December 31, 2016 and 2015. We have not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2016 and 2015.

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ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Market of Common Stock

Our common stock has been traded publicly on the Nasdaq Global Select Market ("Nasdaq") under the symbol "SPRT" from July 19, 2000 to August 17, 2017 and then on The Nasdaq Capital Market since August 17, 2017. Before July 19, 2000, there was no public market for our common stock. The following table sets forth the highest and lowest sale price of our common stock for the quarters indicated:

	Low	High
Fiscal Year 2016:		
First Quarter	$2.10	$3.18
Second Quarter	$2.16	$3.00
Third Quarter	$2.37	$2.94
Fourth Quarter	$1.98	$2.61
Fiscal Year 2015:		
First Quarter	$4.68	$6.24
Second Quarter	$4.14	$5.46
Third Quarter	$3.27	$4.23
Fourth Quarter	$2.91	$3.81

Holders of Record

As of February 28, 2017, there were approximately 21 holders of record of our common stock (not including beneficial holders of stock held in street name).

Dividend Policy

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

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Stock Price Performance Graph

The following graph illustrates a comparison of the cumulative total stockholder return (change in stock price plus reinvested dividends) of the Company's Common Stock and the CRSP Total Return Index for the Nasdaq U.S. Stocks (the "Nasdaq Composite Index") and Nasdaq Computer and Data Processing Services Index from December 31, 2011 through December 31, 2016. The graph assumes that $100 was invested on December 31, 2011 in us, the Nasdaq Composite Index and the Nasdaq Computer and Data Processing Services Index and that all dividends were reinvested. No cash dividends have been declared or paid on our common stock. Our common stock has been traded on the Nasdaq since July 19, 2000. The comparisons in the table are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

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

CUMULATIVE TOTAL RETURN AT PERIOD END

	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Support.com, Inc.	$100.00	$185.33	$168.44	$93.78	$44.89	$38.22
Nasdaq Composite Index	$100.00	$115.91	$160.32	$181.80	$192.21	$206.63
Nasdaq Computer Index	$100.00	$112.48	$148.41	$177.91	$189.02	$212.21

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

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

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

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	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue:					
Services	$56,311	$72,151	$77,272	$74,867	$57,622
Software and other	5,349	5,182	5,719	13,296	14,332
Total revenue	61,660	77,333	82,991	88,163	71,954
Cost of revenue:					
Cost of services	50,245	61,439	60,606	43,208	37,343
Cost of software and other	486	536	840	1,172	1,421
Total cost of revenue	50,731	61,975	61,446	44,380	38,764
Gross profit	10,929	15,358	21,545	43,783	33,190
Operating expenses:					
Research and development	5,577	6,957	5,078	5,735	6,773
Sales and marketing	6,671	8,545	7,206	14,599	18,285
General and administrative	12,958	13,011	11,320	11,376	12,234
Amortization of intangible assets and other	1,028	1,069	1,091	1,321	1,522
Goodwill impairment	—	14,240	—	—	—
Restructuring	1,146	—	—	—	—
Total operating expenses	27,380	43,822	24,695	33,031	38,814
Income (loss) from operations	(16,451)	(28,464)	(3,150)	10,752	(5,624)
Interest income and other, net	518	430	294	369	297
Income (loss) from continuing operations, before income taxes	(15,933)	(28,034)	(2,856)	11,121	(5,327)
Income tax provision (benefit)	307	(965)	740	772	208
Income (loss) from continuing operations, after income taxes	(16,240)	(27,069)	(3,596)	10,349	(5,535)
Income from discontinued operations, after income taxes	284	28	113	34	111
Net income (loss)	$(15,956)	$(27,041)	$(3,483)	$10,383	$(5,424)
Basic earnings (loss) per share:					
Continuing operations, after income taxes	$(0.88)	$(1.49)	$(0.20)	$0.60	$(0.34)
Discontinued operations, after income taxes	0.01	0.00	0.01	0.00	0.01
Basic net earnings (loss) per share	$(0.87)	$(1.49)	$(0.19)	$0.60	$(0.33)
Diluted earnings (loss) per share:					
Continuing operations, after income taxes	$(0.88)	$(1.49)	$(0.20)	$0.58	$(0.34)
Discontinued operations, after income taxes	0.01	0.00	0.01	0.00	0.01
Diluted net earnings (loss) per share	$(0.87)	$(1.49)	$(0.19)	$0.58	$(0.33)
Shares used in computing per share amounts:					
Basic	18,409	18,182	17,944	17,184	16,266
Diluted	18,409	18,182	17,944	17,941	16,266

	December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and investments	$53,409	$65,734	$73,793	$72,357	$56,350
Working capital	$54,873	$67,873	$79,758	$77,973	$54,758
Total assets	$67,229	$81,492	$107,987	$106,899	$88,259
Long-term obligations	$607	$792	$2,201	$1,804	$1,456
Accumulated deficit	$(202,470)	$(186,514)	$(159,473)	$(155,990)	$(166,373)

Total stockholders’ equity	$57,308	$71,346	$95,721	$95,396	$74,163

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

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

Overview

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

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

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

Total revenue for the year ended December 31, 2016 decreased by $15.7 million, or 20%, from 2015. Revenue from services decreased by $15.8 million, or 22%, from 2015. The decrease in service revenue was mainly due to Comcast improving its Wireless Gateway customer experience, which has reduced call volume. Revenue from software and other increased by $0.2 million, or 3%, from 2015 primarily due to new subscriptions exceeding expiring subscriptions.

Cost of services for the year ended December 31, 2016 decreased by 18% from 2015 and was mainly driven by the lower service revenues for 2016. Cost of software and other for the year ended December 31, 2016 decreased by 9% year-over-year principally due to a decline in third-party licensing costs of $0.1 million. Total gross margin declined from 20% to 18% year-over-year which was primarily attributable to higher employee benefit costs associated with our self-insured medical insurance plan.

Operating expenses for the year ended December 31, 2016 decreased by 38% from 2015. Included in operating expenses for 2015 was an impairment charge of $14.2 million related to the write-off of goodwill, accounting for 86% of the decrease. The remainder of the decrease related to lower research and development costs of $1.4 million as well as lower sales and marketing costs of $1.9 million due to decreased employee related expenses, including stock-based compensation, from reduced headcount associated with the Company's cost restructuring efforts in the second and fourth quarter of 2016.

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

Critical Accounting Policies and Estimates

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

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Revenue Recognition

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

Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets or liabilities. Therefore, determining fair value for Level 1 instruments generally does not require significant management judgment, and the estimation is not difficult.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 instruments require limited management judgment.

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

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

Purchase Accounting in Business Combinations

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

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Accounting for Goodwill and Other Intangible Assets

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

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

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

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

During the second and fourth quarter of 2015, based on various quantitative and qualitative factors which included, among others, the continuing decline in the Company’s market capitalization, the Company determined that sufficient indicators existed warranting a review of the future net cash flows expected to result from the use of the identifiable intangible assets and their eventual disposition. We determined that asset values were recoverable based on future estimated cash flows and concluded that there was no impairment. In addition, we performed an assessment of identifiable intangibles during 2016 and concluded that there was no impairment.

If our estimates regarding future cash flows derived from such assets were to change, we may record an impairment charge to the value of these assets. Such impairment loss would be measured as the difference between the carrying value of the asset and its fair value. The carrying value of intangible assets as of December 31, 2016 was $266,000.

Stock-Based Compensation

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

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Accounting for Income Taxes

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

Our deferred tax assets do not include excess tax benefits related to stock-based compensation post ASC 718 adoption. The total excess tax benefit component of our federal and state net operating loss carryforwards is $4.1 million as of December 31, 2016. Consistent with prior years, the excess tax benefit reflected in our net operating loss carryforwards will be accounted for as a credit to stockholders' equity, if and when realized. In determining if and when excess tax benefits have been realized, we have elected to utilize the with-and-without approach with respect to such excess tax benefits.

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

Results of Operations

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

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
Services	91 %	93 %	93 %
Software and other	9	7	7
Total revenue	100	100	100
Cost of revenue:			
Cost of services	81	79	73
Cost of software and other	1	1	1
Total cost of revenue	82	80	74
Gross profit	18	20	26
Operating expenses:			
Research and development	9	9	6
Sales and marketing	11	11	9
General and administrative	21	17	14

Amortization of intangible assets and other	2	1	1
Impairment of goodwill	—	19	—
Restructuring	2	—	—
Total operating expenses	45	57	30
Loss from operations	(27)	(37)	(4)
Interest income and other, net	1	1	1
Loss from continuing operations, before income taxes	(26)	(36)	(3)
Income tax provision (benefit)	—	(1)	1
Loss from continuing operations, after income taxes	(26)	(35)	(4)
Income from discontinued operations, after income taxes	—	—	—
Net Loss	(26)%	(35)%	(4)%

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Years Ended December 31, 2016, 2015, and 2014:

Revenue

($ in thousands)	2016	% Change 2015 to 2016	2015	% Change 2014 to 2015	2014
Services	$56,311	(22)%	$72,151	(7)%	$77,272
Software and other	5,349	3%	5,182	(9)%	5,719
Total revenue	$61,660	(20)%	$77,333	(7)%	$82,991

Services. Services revenue consists primarily of fees for technology services generated from our partners. We provide these services remotely, generally using service delivery personnel who utilize our proprietary technology to deliver the services. Services revenue is also comprised of the licensing of our Support.com Cloud. Services revenue for the year ended December 31, 2016 decreased by $15.8 million from 2015. The decrease in revenue was mainly due to a decrease in the Comcast Wireless Gateway program due to call volume declines. For the year ended December 31, 2016, services revenue generated from our partnerships was $52.2 million compared to $67.4 million for 2015. For the year ended December 31, 2016, direct services revenue was $4.1 million compared to $4.8 million for 2015.

Services revenue for the year ended December 31, 2015 decreased by $5.1 million from 2014. The decrease in revenue was mainly due to 1) a decrease in the Comcast Wireless Gateway program due to call volume declines, which was somewhat offset by an increase in the Xfinity Home program due to a full year of contribution and program growth, 2) a decrease in Office Depot revenue primarily as a result of price reductions provided at the time of the 2014 contract extension and 3) other fluctuations in various programs due to market conditions. For the year ended December 31, 2015, services revenue generated from our partnerships was $67.4 million compared to $70.9 million for 2014. For the year ended December 31, 2015, direct services revenue was $4.8 million compared to $6.4 million for 2014.

Software and other. Software and other revenue is comprised primarily of fees for end-user software products provided through direct customer downloads, and, to a lesser extent, through the sale of these software products via partners. Software and other revenue for the year ended December 31, 2016 increased by $0.2 million from 2015 due to new subscriptions being greater than expirations of subscriptions. Direct software and other revenue was $3.0 million for the years ended December 31, 2016 and 2015. For the year ended December 31, 2016, software and other revenue generated from our partnerships was $2.4 million compared to $2.2 million for 2015.

Software and other revenue for the year ended December 31, 2015 decreased by $0.5 million from 2014 due to expirations of subscriptions being greater than new subscriptions. For the year ended December 31, 2015, direct software and other revenue was $3.0 million compared to $3.2 million for 2014. For the year ended December 31, 2015, software and other revenue generated from our partnerships was $2.2 million compared to $2.5 million for 2014.

Revenue Mix

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

	Year Ended December 31, 2016	2015	2014
Services	91%	93%	93%
Software and other	9%	7%	7%
Total revenue	100%	100%	100%

For the year ended December 31, 2016, Comcast and Office Depot accounted for 60% and 15%, respectively, of our total revenue. For the year ended December 31, 2015, Comcast and Office Depot accounted for 68% and 15%, respectively, of our total revenue. For the year ended December 31, 2014, Comcast and Office Depot accounted for 64% and 16%, respectively, of our total revenue. No other customers accounted for 10% or more of our total revenue in any year presented. Revenue from customers outside the United States accounted for less than 1% of our total revenue in 2016, 2015, and 2014.

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Cost of Revenue

($ in thousands)	2016	% Change 2015 to 2016	2015	% Change 2014 to 2015	2014
Cost of services	$50,245	(18)%	$61,439	1 %	$60,606
Cost of software and other	486	(9)%	536	(36)%	840
Total cost of revenues	$50,731	(18)%	$61,975	1 %	$61,446

Cost of services. Cost of services consists primarily of compensation costs and contractor expenses for people providing services, technology and telecommunication expenses related to the delivery of services and other personnel-related expenses in service delivery. The decrease of $11.2 million in cost of services for the year ended December 31, 2016 compared to 2015 was mainly due to lower services revenue which prompted corresponding decreases in wages and employee benefits in connection with supporting our customers.

The increase of $0.8 million in cost of services for the year ended December 31, 2015 compared to 2014 was mainly due to increases in wages and employee benefits in connection with the hiring of additional technology specialists primarily to support new program launches.

Cost of software and other. Cost of software and other fees consists primarily of third-party royalty fees for our end-user software products. Certain of these products were developed using third-party research and development resources, and the third party receives royalty payments on sales of products it developed. The decrease of $0.1 million in cost of software and other for the year ended December 31, 2016 compared to 2015 was primarily due to lower third-party license fees. The decrease of $0.3 million in cost of software and other for the year ended December 31, 2015 compared to 2014 was primarily due to lower sales of end-user software products.

Operating expenses

($ in thousands)	2016	% Change 2015 to 2016	2015	% Change 2014 to 2015	2014
Research and development	$5,577	(20)%	$6,957	37 %	$5,078
Sales and marketing	6,671	(22)%	8,545	19 %	7,206
General and administrative	12,958	(0)%	13,011	15 %	11,320
Amortization of intangible assets and other	1,028	(4)%	1,069	(2)%	1,091
Goodwill impairment	—	(100)%	14,240	100 %	—
Restructuring	1,146	100 %	—	—	—
Total operating expenses	$27,380	(38)%	$43,822	77 %	$24,695

Research and development. Research and development expense consists primarily of compensation costs, third-party consulting expenses and related overhead costs for research and development personnel. Research and development costs are expensed as they are incurred. The decrease of $1.4 million in research and development expense for the year ended December 31, 2016 compared to 2015 resulted primarily due to decreased employee related expenses, including stock-based compensation, from reduced headcount in connection with cost reduction efforts. The increase of $1.9 million in research and development expense for the year ended December 31, 2015 compared to 2014 resulted primarily from increases in salary and wage related expenses due to an increase in headcount.

Sales and marketing. Sales and marketing expense consists primarily of compensation costs of business development, program management and marketing personnel, as well as expenses for lead generation and promotional activities, including public relations, advertising and marketing. The decrease of $1.9 million in sales and marketing expense for the year ended December 31, 2016 compared to 2015 resulted primarily from due to decreased employee related expenses, including stock-based compensation, from reduced headcount in connection with cost reduction efforts.

The increase of $1.3 million in sales and marketing expense for the year ended December 31, 2015 compared to 2014 resulted primarily from increases in salary and wage related expenses due to an increase in headcount.

General and administrative. General and administrative expense consists primarily of compensation costs and related overhead costs for administrative personnel and professional fees for legal, accounting and other professional services. The decrease of $0.1 million in general and administrative expense for the year ended December 31, 2016 compared to 2015 was attributable to lower employee related expenses, primarily stock-based compensation, partially offset by increases in professional service fees.

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The increase of $1.7 million in general and administrative expense for the year ended December 31, 2015 compared to 2014 resulted primarily from increases in salary and wage related expenses due to an increase in headcount as well in an increase in professional services.

Amortization of intangible assets and other. The amortization of intangible assets and other for the year ended December 31, 2016 was consistent with all periods presented.

Goodwill impairment. During the second quarter of 2015, based on various quantitative and qualitative factors, which included, among others, the continuing decline in the Company's market capitalization, we determined that sufficient indicators existed warranting a review to determine if the fair value of our single reporting unit had been reduced to below its carrying value. As a result, we performed a two-step goodwill impairment test as required and concluded that our goodwill was fully impaired as of June 30, 2015. Accordingly, we recorded a non-cash goodwill impairment charge of $14.2 million for the three months ended June 30, 2015. In addition, we recorded a tax benefit associated with the goodwill impairment charge of $1.2 million which was reported as income tax provision (benefit) in our condensed consolidated statements of operations. See Note 1 in the accompanying consolidated financial statements for additional information on our goodwill impairment testing.

Restructuring. During the second quarter and fourth quarter of 2016, the Company implemented cost reduction plans. In connection with implementing the plans, we incurred one-time restructuring costs of $423,000 in the second quarter and $723,000 in the fourth quarter of 2016. The restructuring costs consisted of severance costs for terminated employees and contract termination costs. All except for $0.1 million of costs associated with the plans were paid during 2016. There were no restructuring costs incurred in 2015 and 2014.

Interest income and other, net

($ in thousands)	2016	% Change 2015 to 2016	2015	% Change 2014 to 2015	2014
Interest income and other, net	$518	20 %	$430	46 %	$294

Interest income and other, net. Interest income and other, net consists primarily of interest income on our cash, cash equivalents and short-term investments. The net increase in interest income and other of $88,000 for the year ended December 31, 2016 compared to 2015 was primarily due to increased interest on our investments. The increase in interest income and other, net, of $136,000 for the year ended December 31, 2015 compared to 2014 was primarily due to increased interest on our investments.

Income tax provision (benefit)

($ in thousands)	2016	% Change 2015 to 2016	2015	% Change 2014 to 2015	2014
Income tax provision (benefit)	$307	132 %	$(965)	(230)%	$740

Income tax provision (benefit). The income tax provision (benefit) is comprised of estimates of current taxes due in domestic and foreign jurisdictions. For the year ended December 31, 2016, the income tax provision primarily consisted of state income tax and foreign taxes. For the year ended December 31, 2016, the income tax provision consisted of a $304,000 provision for foreign taxes and a $3,000 provision for state income tax. For the year ended December 31, 2015, the income tax provision (benefit) primarily consisted of state income tax, foreign taxes, and tax benefit related to acquisition-related goodwill. For the year ended December 31, 2015, the income tax benefit consisted of $216,000 provision for foreign taxes, $1.2 million benefit for acquisition-related goodwill and $23,000 provision for state income tax. For the year ended December 31, 2014, the income tax provision primarily consisted of state income tax, foreign taxes, and tax expense related to the recording of a deferred tax liability that results from the amortization for income tax purposes of acquisition-related goodwill. For the year ended December 31, 2014, the income tax provision consisted of $422,000 for foreign taxes, $265,000 for amortization for income tax purposes of acquisition-related goodwill and $53,000 for state income tax.

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Liquidity and Capital Resources

Total cash, cash equivalents and short-term investments at December 31, 2016 and 2015 was $53.4 million and $65.7 million, respectively. Cash equivalents and short-term investments are comprised of money market funds, certificates of deposit, corporate notes and bonds, and U.S. government agency securities. The decrease in cash, cash equivalents and short-term investments in fiscal year 2016 was primarily due to cash used by operating activities.

Operating Activities

Net cash provided by (used in) operating activities was $(11.5) million for the year ended December 31, 2016, $(5.5) million for the year ended December 31, 2015, and $1.5 million for the year ended December 31, 2014. Net cash provided by (used in) operating activities primarily reflects the loss for the period, adjusted for non-cash items such as stock-based compensation expense, amortization of intangible assets and other, amortization of premiums and discounts on investments, depreciation, and changes in operating assets and liabilities.

Net cash used in operating activities during 2016 was the result of a net loss for the period of $16.0 million, adjusted for non-cash items totaling $4.2 million and changes in operating assets and liabilities of $346,000. Adjustments for non-cash items primarily consisted of stock-based compensation expense of $2.0 million, amortization of intangible assets and other of $1.0 million, and depreciation on fixed assets of $720,000. Changes in operating assets and liabilities primarily consisted of a decrease in accounts receivable, net, of $452,000 due to decreased revenues and increased collection efforts, an $818,000 increase in accounts payable, and a $579,000 increase in deferred revenue offset by decreases of $1.1 million in other accrued liabilities and $305,000 in accrued compensation due to the timing of payments and invoices received.

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

Net cash provided by operating activities during 2014 was the result of a net loss for the period of $(3.5) million, adjusted for non-cash items totaling $5.3 million and changes in operating assets and liabilities of $(351,000). Adjustment for non-cash items primarily consisted of stock-based compensation expense of $2.9 million, amortization of intangible assets and other of $1.1 million, and amortization of premiums and discounts on investments of $726,000. The changes in operating assets and liabilities primarily consisted of an increase in accounts receivable, net of $634,000 due to an increase in revenues, a decrease in deferred revenue of $632,000 due to a decrease in sales of services for which revenues are recognized ratably, offset by net increase in accounts payable, accrued compensation, other accrued liabilities and other long-term liabilities of $1.1 million due to the timing of payments.

Investing Activities

Net cash provided by (used in) investing activities was $822,000 for the year ended December 31, 2016, $9.9 million for the year ended December 31, 2015, and $(7.5) million for the year ended December 31, 2014. Net cash provided by investing activities in 2016 was primarily due to purchases of investments of $(28.6) million and purchases of property and equipment of $(561,000) offset by sales and maturities of investments of $30.0 million. Net cash provided by investing activities in 2015 was primarily due to purchases of investments of $(37.7) million and purchases of property and equipment of $(1.9) million offset by sales and maturities of investments of $49.5 million.

Net cash used in investing activities in 2014 was primarily due to purchases of investments of $(63.5) million and purchases of property and equipment of $(231,000) offset by sales and maturities of investments of $56.3 million.

Financing Activities

Net cash provided by (used in) financing activities was $(42,000) for the year ended December 31, 2016, $26,000 for the year ended December 31, 2015, and $1.1 million for the year ended December 31, 2014. In 2016, cash used in financing activities was primarily attributable to the purchase of $86,000 of common stock under employee stock purchase plans offset by a reduction of $(128,000) of treasury stock repurchases. In 2015, cash generated by financing activities was primarily attributable to the purchase of $157,000 of common stock under employee stock purchase plans offset by a reduction of $(131,000) of treasury stock repurchases. In 2014, cash generated by financing activities was primarily attributable to the exercise of employee stock options and the purchase of common stock under employee stock purchase plans.

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Working Capital and Capital Expenditure Requirements

At December 31, 2016, we had stockholders’ equity of $57.3 million and working capital of $54.9 million. We believe that our existing cash balances will be sufficient to meet our working capital requirements for at least the next 12 months.

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

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2016 and the effect these contractual obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	Payments Due By Period			
	Total	Less than 1 year	1 3 Years	More than 3 Years
Operating leases	$966	$ 531	$257	$ 178
Uncertain tax positions, including interest and penalties	487	235	—	252
	$1,453	$ 766	$257	$ 430

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

Off-Balance Sheet Arrangements

At December 31, 2016, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

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Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for revenue recognition and has been further clarified and amended in 2015 and 2016. ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to customers at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current U.S. GAAP. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective in the first quarter of 2018. Early adoption is permitted although the Company does not intend to early adopt the standard. In adopting ASU 2014-09, companies may use either a full retrospective approach or a modified retrospective approach. Under the modified retrospective approach, the Company would not restate the prior financial statements presented. This guidance requires a company to provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period during 2018 as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes, if any. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740), which simplifies the presentation of deferred income taxes. Under ASU 2015-17, deferred tax assets and liabilities are required to be classified as noncurrent, eliminating the prior requirement to separate deferred tax assets and liabilities into current and noncurrent. The new guidance is effective for the Company beginning on January 1, 2017, with early adoption permitted. The standard may be adopted prospectively or retrospectively to all periods presented. The adoption of ASU 2015-17 is not expected to have a material effect on our consolidated financial statements or disclosures.

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

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. Excess tax benefits for share-based payments will be recorded as a reduction of income taxes and reflected in operating cash flows upon the adoption of this ASU. Excess tax benefits are currently recorded in equity and as financing activity under the current rules. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2016. The adoption of ASU 2016-09 is not expected to have a material effect on our consolidated financial statements or disclosures.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory (Topic 740), which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring tax consequences and amortizing them into future periods. This update is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. A modified retrospective approach with a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption is required. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial position or results of operations.

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In January 2017, the FASB issued ASU No. 2017-01, Business Combinations – Clarifying the Definition of a Business (Topic 805), with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The new guidance is effective for annual and interim periods beginning after December 15, 2017. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate and Market Risk

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

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

As of December 31, 2016, we held $36.5 million in short-term investments (excluding cash and cash equivalents), which consisted primarily of government debt securities, corporate notes and bonds, and commercial paper. The weighted average interest rate of our portfolio was approximately 0.84% at December 31, 2016. A decline in interest rates over time would reduce our interest income from our investments. A hypothetical 10% increase or decrease in interest rates, however, would not have a material impact adverse effect on our financial condition.

Impact of Foreign Currency Rate Changes

The functional currencies of our international operating subsidiaries are the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their income and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our consolidated balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest income and other in our consolidated statements of operations. Since we translate foreign currencies (primarily Canadian dollars and Indian rupees) into U.S. dollars for a small portion of our operations, currency fluctuations have had an immaterial impact on our consolidated statements of operations. We have both revenue and expenses that are denominated in foreign currencies. Neither a weaker or stronger U.S. dollar environment would have a material impact on our consolidated statement of operations. The historical impact of currency fluctuations on our consolidated statements of operations has generally been immaterial. As of December 31, 2016, we did not engage in foreign currency hedging activities.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

SUPPORT.COM, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Support.com, Inc. as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Support.com, Inc. at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

San Jose, California

March 6, 2017

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SUPPORT.COM, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$16,890	$27,598
Short-term investments	36,519	38,136
Accounts receivable, less allowance of $19 and $6 at December 31, 2016 and 2015, respectively	9,567	10,019
Prepaid expenses and other current assets	1,211	1,474
Total current assets	64,187	77,227
Property and equipment, net	1,706	1,989
Intangible assets, net	266	1,294
Other assets	1,070	982
Total assets	$67,229	$81,492
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,085	$267
Accrued compensation	2,974	3,280
Other accrued liabilities	2,496	3,623
Short-term deferred revenue	2,759	2,184
Total current liabilities	9,314	9,354
Long-term deferred revenue	106	102
Other long-term liabilities	501	690
Total liabilities	9,921	10,146
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock; par value $0.0001, 50,000,000 shares authorized; 19,030,024 issued and 18,548,180 outstanding at December 31, 2016; 18,717,439 issued and 18,286,961 outstanding at December 31, 2015	2	2
Additional paid-in capital	267,400	265,327
Treasury stock, at cost (481,844 shares at December 31, 2016 and 430,478 shares at December 31, 2015)	(5,295)	(5,167)
Accumulated other comprehensive loss	(2,329)	(2,302)
Accumulated deficit	(202,470)	(186,514)
Total stockholders' equity	57,308	71,346
Total liabilities and stockholders' equity	$67,229	$81,492

See accompanying notes.

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SUPPORT.COM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
Services	$56,311	$72,151	$77,272
Software and other	5,349	5,182	5,719
Total revenue	61,660	77,333	82,991
Costs of revenue:			
Cost of services	50,245	61,439	60,606
Cost of software and other	486	536	840
Total cost of revenue	50,731	61,975	61,446
Gross profit	10,929	15,358	21,545
Operating expenses:			
Research and development	5,577	6,957	5,078
Sales and marketing	6,671	8,545	7,206
General and administrative	12,958	13,011	11,320
Amortization of intangible assets and other	1,028	1,069	1,091
Goodwill impairment	—	14,240	—
Restructuring	1,146	—	—
Total operating expenses	27,380	43,822	24,695
Loss from operations	(16,451)	(28,464)	(3,150)
Interest income and other, net	518	430	294
Loss from continuing operations, before income taxes	(15,933)	(28,034)	(2,856)
Income tax provision (benefit)	307	(965)	740
Loss from continuing operations, after income taxes	(16,240)	(27,069)	(3,596)
Income from discontinued operations, after income taxes	284	28	113
Net loss	$(15,956)	$(27,041)	$(3,483)
Basic earnings (loss) per share:			
Continuing operations, after income taxes	$(0.88)	$(1.49)	$(0.20)
Discontinued operations, after income taxes	0.01	0.00	0.01
Basic net loss per share	$(0.87)	$(1.49)	$(0.19)
Diluted earnings (loss) per share:			
Continuing operations, after income taxes	$(0.88)	$(1.49)	$(0.20)
Discontinued operations, after income taxes			