ANCESTRY.COM INC.

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 001-34518

Ancestry.com Inc.

(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**26-1235962** *(I.R.S. Employer Identification Number)*
360 West 4800 North Provo, Utah *(Address of principal executive offices)*	**84604** *(Zip Code)*

(801) 705-7000
(Registrants' telephone number, including area code)

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

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

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

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

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

As of April 30, 2010, there were 42,486,886 shares of the registrant's common stock, par value $0.001, outstanding.

Ancestry.com Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ANCESTRY.COM INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (unaudited)	December 31, 2009
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97,666	$ 66,941
Restricted cash	2,252	2,181
Short-term investments	30,315	33,331
Accounts receivable, net of allowances of $274 and $472 at March 31, 2010 and December 31, 2009, respectively	5,208	5,860
Income tax receivable	473	2,017
Deferred income taxes	8,797	8,797
Prepaid expenses and other current assets	3,871	5,380
Total current assets	148,582	124,507
Property and equipment, net	17,973	19,430
Content database costs, net	50,609	49,650
Intangible assets, net	37,805	41,484
Goodwill	285,466	285,466
Other assets	2,538	2,811
Total assets	$ 542,973	$ 523,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,743	$ 6,877
Accrued expenses	21,916	18,850
Escrow liability	1,819	1,763
Deferred revenues	84,145	69,711
Current portion of long-term debt	28,445	28,416
Total current liabilities	144,068	125,617
Long-term debt, less current portion	68,722	71,609
Deferred income taxes	28,967	30,117
Other long-term liabilities	1,115	1,115
Total liabilities	242,872	228,458
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 175,000 shares authorized; 42,468 and 42,416 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	42	42
Additional paid-in capital	273,732	272,513
Accumulated other comprehensive loss	(11)	(41)
Retained earnings	26,338	22,376
Total stockholders' equity	300,101	294,890
Total liabilities and stockholders' equity	$ 542,973	$ 523,348

See accompanying notes to condensed consolidated financial statements

ANCESTRY.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2010	2009
	(unaudited) (In thousands, except per share data)	
Revenues:		
Subscription revenues	$ 59,560	$ 49,184
Product and other revenues	4,861	4,049
Total revenues	64,421	53,233
Costs of revenues:		
Cost of subscription revenues	11,501	9,756
Cost of product and other revenues	1,494	1,514
Total cost of revenues	12,995	11,270
Gross profit	51,426	41,963
Operating expenses:		
Technology and development	9,927	8,856
Marketing and advertising	22,446	14,921
General and administrative	7,742	7,563
Amortization of acquired intangible assets	3,679	4,058
Total operating expenses	43,794	35,398
Income from operations	7,632	6,565
Other income (expense):		
Interest expense	(1,216)	(1,841)
Interest income	63	131
Other income, net	9	8
Income before income taxes	6,488	4,863
Income tax expense	(2,526)	(1,360)
Net income	$ 3,962	$ 3,503
Net income per common share:		
Basic	$ 0.09	$ 0.09
Diluted	$ 0.08	$ 0.09
Weighted average common shares outstanding		
Basic	42,459	38,226
Diluted	47,454	39,139

See accompanying notes to condensed consolidated financial statements

ANCESTRY.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2010	2009
	(unaudited) (In thousands)	
Operating activities:		
Net income	$ 3,962	$ 3,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,864	2,643
Amortization of content	1,834	1,712
Amortization of intangible assets	3,679	4,058
Amortization of deferred financing costs	215	212
Deferred income taxes	(1,150)	(1,200)
Stock-based compensation expense	1,004	1,526
Changes in operating assets and liabilities:		
Accounts receivable	652	(520)
Restricted cash	(15)	381
Prepaid expenses and other assets	1,567	(126)
Income tax receivable	1,544	(12)
Accounts payable and accrued expenses	3,932	(447)
Deferred revenues	14,434	7,605
Net cash provided by operating activities	34,522	19,335
Investing activities:		
Capitalization of content database costs	(2,792)	(1,786)
Purchases of property and equipment	(1,407)	(2,605)
Purchases of short-term investments	(2,000)	—
Proceeds from sale and maturity of short-term investments	5,046	—
Net cash used in investing activities	(1,153)	(4,391)
Financing activities:		
Proceeds from exercise of stock options	214	209
Principal payments on debt	(2,858)	(2,625)
Repurchase of common stock	—	(100)
Net cash used in financing activities	(2,644)	(2,516)
Net increase in cash and cash equivalents	30,725	12,428
Cash and cash equivalents at beginning of period	66,941	40,121
Cash and cash equivalents at end of period	$ 97,666	$ 52,549
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 1,001	$ 4,028
Cash paid for income taxes	403	37
Supplemental disclosures of noncash investing and financing activities:		
Unrealized gain on short-term investments	30	—
Capitalization of stock-based compensation	1	1

See accompanying notes to condensed consolidated financial statements

ANCESTRY.COM INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. NATURE OF OPERATIONS

Ancestry.com Inc. (the "company" or "Ancestry") is an online family history resource that derives revenues from providing access to digitized historical records on a subscription basis. The company also offers other products including software, self-publishing products and advertising services.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the company and its wholly owned subsidiaries and a variable interest entity ("VIE"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying condensed consolidated balance sheet as of March 31, 2010 and the condensed consolidated statements of operations and condensed consolidated statements of cash flows for the three months ended March 31, 2010 and 2009 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") on the same basis as the audited consolidated financial statements and in the opinion of management, reflect all adjustments of a normal recurring nature, considered necessary to present fairly the company's financial position, results of its operations and cash flows for the three months ended March 31, 2010 and 2009. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company's 2009 Annual Report on Form 10-K (the "2009 Annual Report") filed with the Securities and Exchange Commission on February 26, 2010.

The preparation of interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ materially from these estimates.

Recent accounting pronouncements

There have been no new recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2010, with the exception of those discussed below, as compared to the recent accounting pronouncements described in the 2009 Annual Report, that are of significance, or potential significance, to the company.

In October 2009, the Financial Accounting Standard Board ("FASB") issued new revenue recognition standards for arrangements with multiple deliverables. The new standards permit entities to use management's best estimate of selling price to value individual deliverables when those deliverables do not have vendor specific objective evidence of fair value or when third-party evidence of selling price is not available. Additionally, these new standards modify the manner in which the selling price is allocated across the separately identified deliverables by no longer permitting the residual method of allocating the selling price and instead be allocating it in relation to relative selling values. The company expects to adopt this accounting guidance at the beginning of its first quarter of 2011 on a prospective basis for applicable transactions originating or materially modified after January 1, 2011. The company does not expect the adoption of this accounting standard to have a material effect on the company's consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued amended standards for determining whether to consolidate a VIE. These new standards amend the evaluation criteria to identify the primary beneficiary of a VIE and require ongoing reassessment of whether an enterprise is the primary beneficiary of the VIE. These standards were effective for the company beginning in the first quarter of 2010. The company has concluded that it is the primary beneficiary of a VIE and therefore has consolidated the financial statements of the VIE into the financial statements of the company. The VIE is not significant to the financial position, results of operations, or cash flows of the consolidated company. At March 31, 2010, the VIE had net assets of approximately $0.1 million. The adoption of the new standards did not have an impact on the company's consolidated financial position, results of operations or cash flows.

2. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, cash equivalents and short-term investments consisted of the following (in thousands):

	March 31, 2010	December 31, 2009
Cash	$ 9,453	$ 5,159
Cash equivalents:		
Money market funds	88,213	61,782
Total cash and cash equivalents	$ 97,666	$ 66,941
Short-term investments:		
U.S. agency securities	$ 30,315	$ 33,331

Gross unrealized gains and losses on short-term investments were not significant at March 31, 2010 and December 31, 2009 or during the three months ended March 31, 2010. As of March 31, 2010, the company had U.S. agency securities totaling $15.3 million in an unrealized gain position and U.S. agency securities totaling $15.0 million in an unrealized loss position and had been in a loss position for less than one year. There are no securities in an unrealized loss position that are considered to be other than temporary. As of December 31, 2009, all U.S. agency securities were in an unrealized loss position and had been in a loss position for less than one year. The company designates all short-term investments as available-for-sale. As of March 31, 2010 and December 31, 2009, the company did not hold any investments with original maturities greater than one year from the date of purchase.

Cash equivalents and short-term investments are measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the accounting guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

Our cash equivalents and short-term investments at March 31, 2010 and December 31, 2009 are all classified within Level 1. There were no movements between fair value measurement levels of our cash equivalents and short-term investments during the three months ended March 31, 2010.

The carrying amounts reported in the financial statements for accounts receivable and accounts payable approximate their fair values because of the short-term maturities of these financial instruments. The carrying value of long-term debt approximates fair values based on interest rates currently available to the company for debt with similar terms at March 31, 2010 and December 31, 2009.

3. NET INCOME PER COMMON SHARE

Basic net income per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted net income per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential common shares outstanding during the period. Potential common shares consist primarily of incremental shares issuable upon the assumed exercise of stock-based awards to purchase common stock using the treasury stock method. A reconciliation of the numerator and the denominator used in the calculation of basic and diluted earnings per share is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2010	2009
Basic net income per common share:		
Net income	$ 3,962	$ 3,503
Shares used in computation:		
Weighted-average common shares outstanding	42,459	38,226
Basic net income per common share	$ 0.09	$ 0.09
Diluted net income per common share:		
Net income	$ 3,962	$ 3,503
Shares used in computation:		
Weighted-average common shares outstanding	42,459	38,226
Dilutive stock options	4,995	913
Weighted-average number of diluted common shares	47,454	39,139
Diluted net income per common share	$ 0.08	$ 0.09

4. COMPREHENSIVE INCOME

Comprehensive Income

Other comprehensive income consists of unrealized gains and losses on available-for-sale securities. The components of comprehensive income are as follows:

	Three Months Ended March 31,	
	2010	2009
Net income	$ 3,962	$ 3,503
Other comprehensive income:		
Change in unrealized loss on available for sale securities, net	30	—
Comprehensive income	$ 3,992	$ 3,503

5. STOCK-BASED AWARD PLANS

In July 2009, the Board of Directors approved the 2009 Stock Incentive Plan (the "2009 Plan"), which provides for the grant of stock options and other stock-based awards, including restricted stock units, to employees, directors and consultants. The 2009 Plan was effective upon the consummation of the company's initial public offering on November 10, 2009. The 2009 Plan is subject to various automatic annual increase provisions on the first day of each fiscal year. On January 1, 2010, the number of stock-based awards available for grant under the 2009 Plan increased by 1,696,653 shares. As of March 31, 2010, 3,368,471 stock-based awards were available to be granted under the 2009 Plan. The company has also granted stock options under previously approved plans: the 1998 Stock Option Plan (the "1998 Plan"), the Executive Stock Plan ("ESP"), the 2004 Stock Option Plan (the "2004 Plan") and the Generations Holding, Inc. Stock Purchase and Option Plan (the "2008 Plan"). The company has no intentions to grant additional stock awards under the 1998 Plan, ESP, 2004 Plan or 2008 Plan.

Stock Options

Stock option awards granted generally vest over four years and have a term not greater than ten years from the date of grant. A summary of stock option activity of all the plans for the three months ended March 31, 2010 is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2009	10,373,290	$ 5.29
Granted	252,250	16.07
Exercised	(52,056)	4.10
Canceled	(15,895)	5.38
Outstanding at March 31, 2010	10,557,589	5.55
Exercisable at March 31, 2010	6,747,065	4.76
Vested and expected to vest	10,360,516	5.49

As of March 31, 2010, the company had $9.8 million of total unrecognized compensation expense, net of estimated forfeitures, related to stock options. The unrecognized compensation expense is expected to be recognized over a weighted average remaining period of 2.6 years. The weighted average remaining contractual life of options outstanding at March 31, 2010 was 6.9 years. The total intrinsic values of options outstanding and options exercisable as of March 31, 2010 were $120.3 million and $82.2 million, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2010 was $0.5 million.

The company estimates the fair value of each option on the date of grant using the Black-Scholes option-pricing model. The weighted average grant date fair values of options granted during the three months ended March 31, 2010 and 2009 were $5.43 and $2.64, respectively. The following weighted average assumptions were used in the calculations for the three months ended March 31, 2010 and 2009.

	March 31,	
	2010	2009
Expected volatility	40%	50%
Expected term (in years)	4.0	4.2
Weighted average risk-free interest rate	1.9%	1.6%
Weighted average fair value of the underlying common stock	$ 16.07	$ 5.50
Expected dividends	—	—

Restricted Stock Units

During the three months ended March 31, 2010, the company also issued restricted stock units under the 2009 Plan. Restricted stock unit awards generally vest over four years, though the initial grant of restricted stock units had a delayed initial vesting date. The following table summarizes restricted stock unit activity for the three months ended March 31, 2010.

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock units outstanding at December 31, 2009	—	$ —
Granted	196,198	16.53
Vested	—	—
Forfeited	—	—
Restricted stock units outstanding at March 31, 2010	196,198	16.53

As of March 31, 2010 the company had $2.7 million of total unrecognized compensation expense, net of estimated forfeitures related to restricted stock units. The unrecognized compensation expense is expected to be recognized over a weighted average period of 4.2 years.

The following table summarizes stock-based compensation expense included in the statement of operations (in thousands):

	Three Months Ended March 31,	
	2010	2009
Cost of subscription revenues	$ 28	$ 29
Technology and development	397	475
Marketing and advertising	68	88
General and administrative	511	934
Total stock-based compensation expense	$ 1,004	$ 1,526

6. INCOME TAXES

The company is subject to income taxes in the U.S. and foreign jurisdictions. Significant judgment is required in evaluating the company's uncertain tax positions and determining its provision for income taxes. The company's total gross unrecognized tax benefits as of March 31, 2010 and December 31, 2009 were $0.6 million. The gross uncertain tax positions, if recognized by the company, would affect the company's effective income tax rate.

7. COMMITMENTS AND CONTINGENCIES

The company is involved in various legal proceedings that have arisen in the ordinary course of business. While the company's management does not believe that any pending legal claim or proceeding will be resolved in a manner that would have a material adverse effect on the company's business, the company cannot assure the ultimate outcome of any legal proceeding or contingency in which the company is or may become involved.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements relating to future events and future performance. All statements other than those that are purely historical may be forward-looking statements. We may, in some cases, use words such as "project," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "potentially," "will" or "may," or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. Forward-looking statements in this Quarterly Report include statements about:

- *our future financial performance, including our revenues, cost of revenues, operating expenses and ability to sustain profitability;*
- *our rate of revenue growth;*
- *our ability to attract and retain subscribers;*
- *our ability to generate additional revenues on a cost-effective basis;*
- *our ability to acquire content and make it available online;*
- *the success of our promotional programs and new products;*
- *disruptions in our services;*
- *our international expansion plans;*
- *success with respect to any future acquisitions;*
- *our ability to retain and hire necessary employees;*
- *our ability to adequately protect our intellectual property;*
- *the impact of claims or litigation;*
- *our liquidity and working capital requirements;*
- *the impact of external market forces; and*
- *the effect of laws applying to our business, including privacy laws.*

Although we believe that the assumptions underlying the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements, which statements speak only as of the date of this Quarterly Report. These important factors include those that we discuss in this Quarterly Report under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and elsewhere. You should read these factors and the other cautionary statements made in this Quarterly Report as being applicable to all related forward-looking statements wherever they appear in this Quarterly Report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. All subsequent written or spoken forward-looking statements attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report, and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

Ancestry.com is the world's largest online family history resource, with more than 1.2 million paying subscribers around the world as of March 31, 2010. We have been a leader in the family history market for over 20 years and have helped pioneer the market for online family history research. We believe that most people have a fundamental desire to understand who they are and from where they came, and that anyone interested in discovering, preserving and sharing their family history is a potential user of Ancestry.com. We strive to make our service valuable to individuals ranging from the most committed family historians to those taking their first steps towards satisfying their curiosity about their family stories.

The foundation of our service is an extensive and unique collection of billions of historical records that we have digitized, indexed and put online over the past decade. Our subscribers use our proprietary online platform, extensive digital historical record collection, and easy-to-use technology to research their family histories, build their family trees, collaborate with other subscribers, upload their own records and publish and share their stories with their families. We offer our service on a subscription basis, typically annual or monthly. These subscribers are our primary source of revenue. We charge each subscriber for their subscription at the commencement of their subscription period and at each renewal date. Although monthly subscribers have become an increasing proportion of our subscribers, the predominantly annual commitments of our subscribers enhance management's near-term visibility on our revenues and provide working capital benefits, which we believe enable us to more effectively manage the growth of our business. We provide ongoing value to our subscribers by regularly adding new historical content, enhancing our Web sites with new tools and features and enabling greater collaboration among our users through the growth of our global community.

Our goal is to remain the leading online resource for family history and to grow our subscriber base in the United States and around the world by offering a superior value proposition to anyone interested in learning more about their family history. We will focus on retaining our loyal base of existing subscribers, on acquiring new subscribers and on expanding the market to new consumers. We believe our previous investments in technology and content have provided us a foundation for a scalable business model that will help us to increase our margins over the long term and effectively manage our costs as our business grows. However, we expect to continue to devote substantial resources and funds to improving our technologies and product offerings and acquiring new and relevant content, and also to expanding awareness of our brand and category through marketing, which may reduce our margins in the near term.

The following discussion and analysis is based upon and should be read in conjunction with the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report as well as the Consolidated Financial Statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Annual Report.")

Key Business Metrics

Our management regularly reviews a number of financial and operating metrics, including the following key operating metrics to evaluate our business, determine the allocation of resources, make decisions regarding corporate strategies and evaluate forward-looking projections. The following key operating metrics reflect data with respect to the Ancestry.com Web sites and exclude our other subscription-based Web sites, such as myfamily.com and Genealogy.com.

- *Total subscribers.* A subscriber is an individual who pays for renewable access to one of our Ancestry.com Web sites. Total subscribers is defined as the number of subscribers at the end of the relevant period.

- *Monthly churn.* Monthly churn is a measure representing the number of subscribers that cancel in the quarter divided by the sum of beginning subscribers and subscriber additions during the quarter. To arrive at monthly churn, we divide the result by three. Management uses this measure to determine the health of our subscriber base.
- *Subscriber acquisition cost.* Subscriber acquisition cost is external marketing and advertising expense, divided by total subscriber additions in the period. Management uses this metric to determine the efficiency of our marketing and advertising programs in acquiring new subscribers.
- *Average monthly revenue per subscriber.* Average monthly revenue per subscriber is total subscription revenues earned in the period from subscriptions to one of the Ancestry.com Web sites divided by the average number of subscribers in the period, divided by the number of months in the period. The average number of subscribers for the period is calculated by taking the average of the beginning and ending number of subscribers for the period.

A significant number of our renewals occur in the first quarter of each year. Because we recognize subscription revenues ratably over the subscription period, this trend generally has not resulted in a material seasonal impact on our revenues, but may result in a seasonal effect on one or more of the key business metrics described above.

Performance Highlights

The following represents our performance highlights for the periods presented:

	Three Months Ended March 31,	
	2010	**2009**
Total subscribers	1,211,978	959,411
Gross subscriber additions	279,100	188,561
Monthly churn	3.3%	4.3%
Subscriber acquisition cost	$ 69.57	$ 62.23
Average monthly revenue per subscriber	$ 16.70	$ 16.46

Our subscriber numbers increased in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 as a result of increased interest in Ancestry.com stemming from NBC's release of the U.S. version of the television show "Who Do You Think You Are?" on March 5, 2010. Prior to the premier of the television show, we were seeing increased annual growth of approximately 18% in gross subscriber additions, primarily due to our own marketing efforts, particularly our new television advertising campaigns that have been running in our major markets: the U.S., the U.K., Canada, and Australia.

Our monthly churn dropped a full percentage point in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009. This decrease was in part due to our growing collection of digitized historical content, our continued investment in the Ancestry.com product platform itself, growing collaboration within our large subscriber community and the impact of increased category awareness and excitement coming from the NBC show and our own marketing efforts. We expect churn, which is higher among monthly subscribers as compared to annual subscribers, to increase sequentially during the second quarter of 2010 because a larger proportion of the gross subscriber additions during the three months ended March 31, 2010 were monthly subscribers as compared to our December 31, 2009 subscriber base.

Components of Condensed Consolidated Statements of Operations

Revenues

Subscription revenues. We derive subscription revenues primarily from providing access to our services via our various Ancestry.com Web sites. Subscription revenues are recognized ratably over the subscription period, which consists primarily of annual and monthly subscriptions, net of estimated cancellations. We typically charge each subscriber's credit card for their subscription at the commencement of their subscription period and at each renewal date (whether annual or monthly), unless they cancel their subscription before the renewal date. The amount of unrecognized revenues is recorded in deferred revenue.

A majority of our subscription revenues are derived from subscribers in the United States. We attribute subscription revenues by country based on the billing address of the subscriber, regardless of the Web site to which the person subscribes. The following presents subscription revenue by geographic region (in thousands):

	Three Months Ended December 31,	
	2010	2009
United States	$ 44,404	$ 37,076
United Kingdom	9,717	8,145
All other countries	5,439	3,963
Total subscription revenues	$ 59,560	$ 49,184

Product and other revenues. Product and other revenues include sales of desktop software (Family Tree Maker), vital records certificates, DNA testing (Ancestry.com DNA), advertising and other products and services. Revenues related to these products are recognized upon shipment of product or fulfillment of services, as applicable.

Cost of Revenues

Cost of subscription revenues. Cost of subscription revenues consist of amortization of our database content costs, depreciation expense on web servers and equipment, credit card processing fees, web hosting costs, royalty costs on certain content licensed from others and personnel-related costs for database content support and subscriber services personnel.

Cost of product and other revenues. Cost of product and other revenues consist of our direct costs to purchase the products, shipping costs, credit card processing fees, personnel-related costs of warehouse personnel, warehouse storage costs and royalties on products licensed from others.

Personnel-related costs for each category of cost of revenues and operating expenses include salaries, bonuses, stock-based compensation, employer payroll taxes and employee benefit costs.

Operating Expenses

Technology and development. Technology and development expenses consist of personnel-related costs incurred in product development, maintenance and testing of our Web sites, enhancing our record search and linking technologies, developing solutions for new product lines, internal information systems and infrastructure, third-party development, and other internal-use software systems. Our development costs are primarily based in the United States and are primarily devoted to providing accessibility to content and tools for individuals to do family history research. We expect our investment in technology and development to increase in absolute dollars in 2010 as compared to 2009 as we invest in personnel and other resources to further improve our service.

Marketing and advertising. Marketing and advertising expenses consist primarily of direct expenses related to television and online advertising and personnel-related expenses. We expect marketing expenses to increase in absolute dollars and as a percentage of revenues in 2010 as compared to 2009 due to our efforts to build category and brand awareness globally, increased marketing expenses in the first half of 2010 related to the marketing and promotion around the U.S. version of the television show “Who Do You Think You Are?” and increased media costs.

General and administrative. General and administrative expenses consist principally of personnel-related expenses for our executive, finance, legal, human resources and other administrative personnel, as well as accounting and legal professional fees and other general corporate expenses. We expect our general and administrative expenses to increase in absolute dollars in 2010 due to the compliance costs of being a public company.

Amortization of acquired intangible assets. Amortization of acquired intangible assets is the amortization expense associated with subscriber relationships and contracts, core technologies, and intangible assets, including trademarks and tradenames.

Other Income (Expense) and Income Tax Expense

Interest expense. Interest expense includes the interest expense associated with our long-term debt and amortization of debt-issuance costs. Our interest expense varies based on the level of debt outstanding and changes in interest rates.

Interest income. Interest income includes interest earned on cash and cash equivalents and short-term investments.

Income tax expense. Income tax expense consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions.

Results of Operations

The following table sets forth our condensed consolidated statements of operations as a percentage of revenues for the three months ended March 31, 2010 and 2009. The information contained in the table below should be read in conjunction with our condensed consolidated financial statements and the related notes.

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Subscription revenues	92.5%	92.4%
Product and other revenues	7.5	7.6
Total revenues	100.0	100.0
Costs of revenues:		
Cost of subscription revenues	17.9	18.3
Cost of product and other revenues	2.3	2.9
Total cost of revenues	20.2	21.2
Gross profit	79.8	78.8
Operating expenses:		
Technology and development	15.4	16.7
Marketing and advertising	34.9	28.0
General and administrative	12.0	14.2
Amortization of acquired intangible assets	5.7	7.6
Total operating expenses	68.0	66.5
Income from operations	11.8	12.3
Other income (expense):		
Interest expense	(1.8)	(3.5)
Interest income	0.1	0.3
Other income, net	—	—
Income before income taxes	10.1	9.1
Income tax expense	(3.9)	(2.5)
Net income	6.2	6.6

Revenues, Cost of Revenues and Gross Profit

	Three Months Ended March 31,		
	2010	2009	% Change
	(In thousands)		
Revenues:			
Subscription revenues	$ 59,560	$ 49,184	21.1%
Product and other revenues	4,861	4,049	20.1
Total revenues	64,421	53,233	21.0
Cost of revenues:			
Cost of subscription revenues	11,501	9,756	17.9
Cost of product and other revenues	1,494	1,514	(1.3)
Total cost of revenues	12,995	11,270	15.3
Gross profit	$ 51,426	$ 41,963	22.6
Gross profit percentage	79.8%	78.8%	

Subscription revenues

The increase in our subscription revenues of $10.4 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily the result of an increase in the number of total subscribers, as well as an increase in average monthly revenue per subscriber on our Ancestry.com Web sites. Average monthly revenue per subscriber increased in the three months ended March 31, 2010, due to both a shift in mix between annual and monthly subscriptions to more monthly subscriptions, relative to the three months ended March 31, 2009 and a shift in mix from basic packages to premium packages, relative to the comparable prior-year period. During the three months ended March 31, 2010, changes in foreign currency exchange rates had an unfavorable impact on subscription revenues. Had our average exchange rates remained the same for the three months ended March 31, 2010 as our average exchange rates for the three months ended March 31, 2009, our reported revenues in the three months ended March 31, 2010 would have been approximately 0.5% higher.

Product and other revenues

The increase in product and other revenues of $0.8 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily due to a non-recurring release of a sales returns reserve related to a change in our software distribution partners. Additionally, revenues related to our vital records products increased, partially offset by a decrease in revenues related to our Ancestry DNA products.

Cost of subscription revenues

The increase in our cost of subscription revenues of $1.7 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily due to a $0.7 million increase in our personnel-related costs reflecting an increase in our Web hosting support personnel, an increase in our credit card processing fees of $0.4 million and an increase in our web hosting costs of $0.4 million as transaction volumes were greater during the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

Cost of product and other revenues

Cost of product and other revenues remained relatively consistent between the three month periods ended March 31, 2010 and March 31, 2009.

Operating Expenses

	Three Months Ended March 31,		
	2010	2009	% Change
	(In thousands)		
Operating expenses:			
Technology and development	$ 9,927	$ 8,856	12.1%
Marketing and advertising	22,446	14,921	50.4
General and administrative	7,742	7,563	2.4
Amortization of acquired intangible assets	3,679	4,058	(9.3)
Total operating expenses	$ 43,794	$ 35,398	23.7

Technology and development

The increase in technology and development expenses of $1.1 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily the result of an increase in personnel-related expenses reflecting an increase in the number of technology and development personnel during the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

Marketing and advertising

The increase in marketing and advertising expenses of $7.5 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily attributable to a $7.8 million increase in television and online advertising in both the domestic and international markets, which included $4.5 million of marketing and advertising expenses around the U.S. version of the television show “Who Do You Think You Are?”

General and administrative

The increase in general and administrative expenses of $0.2 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily the result of increased outside services such as consultants, legal services and accounting fees as well as foreign currency translation losses.

Amortization of acquired intangible assets

The decrease in amortization of acquired intangible assets of $0.4 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was due to decreased amortization of our subscriber relationship intangible asset, which is amortized on an accelerated basis.

Other Income (Expense) and Income Tax Expense

	Three Months Ended March 31,		
	2010	2009	% Change
	(In thousands)		
Other income (expense):			
Interest expense	$ (1,216)	$ (1,841)	(33.9)%
Interest income	63	131	(51.9)
Other income, net	9	8	12.5
Income tax expense	(2,526)	(1,360)	85.7
Other data:			
Effective tax rate	38.9%	28.0%	

Interest expense

The decrease in interest expense of $0.6 million in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was primarily due to the $33.2 million of principal payments made on our credit facility during the past 12 months, which reduced our debt balance during the three months ended March 31, 2010 as compared to the three months ended March 31, 2009. Additionally, the effective interest rate on our credit facility decreased to 4.1% as of March 31, 2010 from 4.3 % as of March 31, 2009.

Interest income

Interest income was not significant in either of the three month periods ended March 31, 2010 or 2009.

Other income, net

Other income was not significant in either of the three month periods ended March 31, 2010 or 2009.

Income tax expense

Our effective income tax rate of 38.9% for the three months ended March 31, 2010 differed from the federal statutory rate of 35% principally due to state income taxes of 2.3% and to foreign income taxes of 1.0% as a result of net operating losses in foreign jurisdictions for which no income tax benefit has been recognized and to other items of 0.6%.

For the three months ended March 31, 2009 our effective income tax rate of 28.0% differed from the federal statutory rate of 35% primarily due to state income taxes of 1.8%, to changes in the state tax apportionment factors resulting from enacted legislation of (21.5)%, to foreign income taxes of 3.0% as a result of net operating losses in foreign jurisdictions for which no income tax benefit has been recognized, to net operating loss adjustments of 4.2% and to other items of 5.5%.

Other Financial Data

In addition to our GAAP results discussed above, we believe adjusted EBITDA and free cash flow are useful to investors in evaluating our operating performance because securities analysts use adjusted EBITDA and free cash flow as supplemental measures to evaluate the overall operating performance of companies. For the three months ended March 31, 2010 and 2009, our net income, adjusted EBITDA and free cash flow were as follows:

	Three Months Ended March 31,		
	2010	2009	% Change
Net Income	$ 3,962	$ 3,503	13.1%
Adjusted EBITDA(1)	17,013	16,504	3.1
Free cash flow(2)	11,410	8,048	41.8

(1) *Adjusted EBITDA.* We define adjusted EBITDA as net income plus net interest expense; income tax expense; non-cash charges including depreciation, amortization and stock-based compensation expense; other (income) expense.

(2) *Free cash flow.* We define free cash flow as net income plus net interest expense; income tax expense; non-cash charges including depreciation, amortization and stock-based compensation expense; other (income) expense; minus capitalization of content database costs, capital expenditures and cash paid for income taxes and interest.

Adjusted EBITDA and free cash flow are financial data that are not calculated in accordance with generally accepted accounting principles, or GAAP. The table below in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” provides a reconciliation of these non-GAAP financial measures to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP. We prepare adjusted EBITDA and free cash flow to eliminate the impact of items that we do not consider indicative of our core operating performance. We encourage you to evaluate these adjustments and the reasons we consider them appropriate, as well as the material limitations of non-GAAP measures.

Our management uses adjusted EBITDA and free cash flow as measures of operating performance; for planning purposes, including the preparation of our annual operating budget; to allocate resources to enhance the financial performance of our business; to evaluate the effectiveness of our business strategies; to provide consistency and comparability with past financial performance; to facilitate a comparison of our results with those of other companies; and in communications with our board of directors concerning our financial performance. We also use adjusted EBITDA and have used free cash flow as factors when determining management’s incentive compensation.

Management believes that the use of adjusted EBITDA and free cash flow provides consistency and comparability with our past financial performance, facilitates period to period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. Management believes that it is useful to exclude non-cash charges such as depreciation, amortization and stock-based compensation from adjusted EBITDA and free cash flow because (i) the amount of such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and (ii) such expenses can vary significantly between periods as a result of new acquisitions, full amortization of previously acquired tangible and intangible assets or the timing of new stock-based awards, as the case may be.

Although adjusted EBITDA and free cash flow are frequently used by investors and securities analysts in their evaluations of companies, adjusted EBITDA and free cash flow each have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- adjusted EBITDA and free cash flow do not reflect our future requirements for contractual commitments and adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures;
- adjusted EBITDA and free cash flow do not reflect changes in, or cash requirements for, our working capital;
- adjusted EBITDA does not reflect interest income or interest expense;
- adjusted EBITDA does not reflect cash requirements for income taxes;
- adjusted EBITDA and free cash flow do not reflect the non-cash component of employee compensation;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and adjusted EBITDA and free cash flow do not reflect any cash requirements for these replacements;
- other companies in our industry may calculate adjusted EBITDA or free cash flow or similarly titled measures differently than we do, limiting their usefulness as comparative measures.

The following table presents a reconciliation of our adjusted EBITDA and free cash flow to net income, the most comparable GAAP measure, for each of the periods identified.

	Three Months Ended March 31,	
	2010	2009
Reconciliation of adjusted EBITDA and free cash flow to net income:		
Net income	$ 3,962	$ 3,503
Interest expense, net	1,153	1,710
Income tax expense	2,526	1,360
Depreciation expense	2,864	2,643
Amortization expense	5,513	5,770
Stock-based compensation	1,004	1,526
Other income, net	(9)	(8)
Adjusted EBITDA	$ 17,013	$ 16,504
Capitalization of content database costs	(2,792)	(1,786)
Purchase of property and equipment	(1,407)	(2,605)
Cash paid for interest	(1,001)	(4,028)
Cash paid for income taxes	(403)	(37)
Free cash flow	$ 11,410	$ 8,048

Liquidity and Capital Resources

On November 10, 2009, we received net proceeds of $47.8 million from our initial public offering. Prior to our initial public offering, we had funded our operations primarily from cash flows from operations. In December 2007, Spectrum Equity Investors contributed cash and equity with an aggregate value of $138.6 million and we entered into a credit facility that included a $140 million term loan as part of a larger transaction, which we refer to as the Spectrum investment.

Our primary uses of cash include operating costs such as personnel-related expenses, marketing and advertising, payments related to our long-term debt, capital and content database costs and web hosting costs. Our future capital requirements may vary materially from those now planned and will depend on many factors, including:

- the development of new services;
- market acceptance of our services;
- the levels of advertising and promotion required to retain and acquire subscribers;
- the launch of additional services and improvement of our competitive position in the marketplace;
- the expansion of our development and marketing organizations;
- the building of infrastructure necessary to support our growth; and
- our relationships with suppliers and customers.

We have experienced increases in our expenditures in connection with the growth in our operations and personnel, and we anticipate that our expenditures will continue to increase in the future. We expect cash on hand, internally generated cash flow and available credit from our credit facility will provide adequate funds for operating and recurring cash needs (e.g., working capital, capital expenditures, and debt repayments) for at least the next 12 months.

As of March 31, 2010, we had $138.0 million of total liquidity, comprised of $97.7 million in cash and cash equivalents, $30.3 million in short-term investments and the ability to borrow $10.0 million under the revolving portion of our credit facility. Cash and cash equivalents are comprised of high quality investments including money market funds. Short-term investments are classified as available-for-sale and are held in high quality investments including U.S. government agency securities with maturities less than a year. Note 2 to our condensed consolidated financial statements included in this Quarterly Report describes further the composition of our cash and cash equivalents and short-term investments.

Summary cash flow information for cash and cash equivalents and short-term investments for the three months ended March 31, 2010 and 2009 is set forth below. For the purposes of this cash flow analysis, we consider our highly liquid short-term investments as cash.

	March 31,		
	2010	2009	% Change
	(In thousands)		
Net cash and cash equivalents and short-term investments provided by (used in):			
Operating activities	$ 34,522	$ 19,335	79%
Investing activities	(4,169)	(4,391)	(5)
Financing activities	(2,644)	(2,516)	5
Increase in cash and cash equivalents and short-term investments	$ 27,709	$ 12,428	123

Cash Flow Analysis

Sources and uses of cash

Cash and cash equivalents and short-term investments increased by $27.7 million to $128.0 million in the three months ended March 31, 2010 as compared to an increase of $12.4 million in the three months ended March 31, 2009. During the three month periods, net cash provided by operating activities was used primarily for debt repayments, investments in capital and content database costs.

Net cash provided by operating activities

For the three months ended March 31, 2010, net cash provided by operating activities was $34.5 million for an increase of $15.2 million, as compared to the three months ended March 31, 2009. Net cash provided by operating activities consists of net income as adjusted for non-cash expenses and changes in operating assets and liabilities. Net income was $4.0 million for the three months ended March 31, 2010. Non-cash expenses, including depreciation, amortization of content database costs, amortization of acquired intangible assets, stock-based compensation and amortization of deferred financing costs, totaled $9.6 million for three months ended March 31, 2010 for a decrease of $0.6 million as compared to the three months ended March 31, 2009. Net cash provided by changes in operating assets and liabilities excluding deferred revenue totaled $7.7 million in the three months ended March 31, 2010 for an increase of $8.4 million over the comparable prior year period. Additionally, deferred revenue, cash received from subscribers, but not yet recognized in revenue, increased $14.4 million during the three months ended March 31, 2010 for an increase of $6.8 million over the comparable prior year period.

Net cash used in investing activities

For the three months ended March 31, 2010, net cash used in investing activities totaled $4.2 million for a decrease of $0.2 million, as compared to the three months ended March 31, 2009. Net cash used in investing activities consisted of investments in capital equipment and content database costs. The decrease in net cash used in investing activities was due to decreased purchases of capital equipment partially offset by increased content database costs.

Net cash used in financing activities

For the three months ended March 31, 2010, net cash used in financing activities totaled $2.6 million for an increase of $0.1 million as compared to the three months ended March 31, 2009. Net cash used in financing activities consisted primarily of principal payments on long-term debt partially offset by proceeds from stock option exercises.

Contractual Obligations

Long-term Debt

At March 31, 2010, long-term debt outstanding under our credit facility totaled $97.2 million. Of the amount outstanding at March 31, 2010, $28.4 million is due in the next 12 months, including an $18.6 million excess cash payment that we expect to make in the second quarter of 2010. We expect to repay the credit facility with cash on hand, including the proceeds from our initial public offering and cash flow generated from operations. We were in compliance with all debt covenants under the credit facility at March 31, 2010. The credit facility includes a revolving commitment of up to $10.0 million, of which $10.0 million was available for borrowing at March 31, 2010. There were no significant changes to the credit facility during the three months ended March 31, 2010. Note 6 to our consolidated financial statements in the 2009 Annual Report describes further our credit facility and related long-term debt.

Operating Leases

There have been no significant changes to our contractual lease obligations since December 31, 2009. We have entered into various non-cancelable operating lease agreements for our offices and distribution centers throughout the U.S. with original lease periods expiring through 2015. We recognize rent expense on our operating leases on a straight-line basis beginning at the commencement of the lease.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. Accordingly, our operating results, financial condition and cash flows are not subject to off-balance sheet risks.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in conformity with United States generally accepted accounting principles. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. These estimates and assumptions are often based on judgments that we believe to be reasonable under the circumstances at the time made, but all such estimates and assumptions are inherently uncertain and unpredictable. Actual results may differ from those estimates and assumptions, and it is possible that other professionals, applying their own judgment to the same facts and circumstances, could develop and support alternative estimates and assumptions that would result in material changes to our operating results and financial condition. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances.

We consider the assumptions and estimates associated with recoverability of intangible assets, the period of amortization of our database content costs, stock-based compensation and income taxes to be our critical accounting estimates. For further information on our significant accounting policies, see Note 1 to our consolidated financial statements included in our 2009 Annual Report. There have been no changes to our significant accounting policies since December 31, 2009 except as discussed below in Recent Accounting Pronouncements.

Recent Accounting Pronouncements

Revenue Recognition

In October 2009, the Financial Accounting Standard Board (“FASB”) issued new revenue recognition standards for arrangements with multiple deliverables. The new standards permit entities to use management’s best estimate of selling price to value individual deliverables when those deliverables do not have vendor specific objective evidence of fair value or when third-party evidence of selling price is not available. Additionally, these new standards modify the manner in which the selling price is allocated across the separately identified deliverables by no longer permitting the residual method of allocating the selling price and instead be allocating it in relation to relative selling values. We expect to adopt this accounting guidance at the beginning of the first quarter of 2011 on a prospective basis for applicable transactions originating or materially modified after January 1, 2011. Management does not expect the adoption of this accounting standard to have a material effect on our consolidated financial position, results of operations or cash flows.

Variable Interest Entities

In June 2009, the FASB issued amended standards for determining whether to consolidate a variable interest entity (“VIE”). These new standards amend the evaluation criteria to identify the primary beneficiary of a VIE and require ongoing reassessment of whether an enterprise is the primary beneficiary of the VIE. These standards were effective for us beginning in the first quarter of 2010. The adoption of the new standards did not have an impact on our consolidated financial position, results of operations or cash flows.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate and foreign currency exchange risks. For financial market risks related to changes in interest rates and foreign currency exchange, reference is made to Item 7A “Quantitative and Qualitative Disclosures About Market Risk” contained in Part II of our 2009 Annual Report. Our exposure to market risk has not changed significantly since December 31, 2009.

Item 4. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this Quarterly Report our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that the information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all error and all fraud. While our disclosure controls and procedures are designed to provide reasonable assurance of their effectiveness, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ancestry.com have been detected.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. ***Legal Proceedings***

In August 2009, we received a letter from counsel to Shutterfly, Inc., alleging infringement of certain of its patents by our operation of our MyCanvas.com Web site. If litigation were to commence, we believe that we have substantive and meritorious defenses to these claims and would contest any claim vigorously.

In addition, we are party to other legal proceedings arising in the ordinary course of business and may become subject to additional proceedings in the future. While management does not believe that any pending legal claim or proceeding will be resolved in a manner that would have a material adverse effect on our business, we cannot assure you of the ultimate outcome of any legal proceeding or contingency in which we are or may become involved.

Item 1A. ***Risk Factors***

A wide range of factors could materially affect our performance. The following factors and other information included in this Quarterly Report should be carefully considered. Although the risk factors described below are the ones management deems significant, additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the following events actually occur, our business, financial condition and results of operations could be adversely affected.

Risks Related to Our Business

If our efforts to retain and attract subscribers are not successful, our revenues will be adversely affected.

We generate substantially all of our revenue from subscriptions to our services. We must continue to retain existing and attract new subscribers. If our efforts to satisfy our existing subscribers are not successful, we may not be able to retain them, and as a result, our revenues would be adversely affected. For example, if consumers do not perceive our services to be reliable, valuable and of high quality, if we fail to regularly introduce new and improved services, or if we introduce new services that are not favorably received by the market, we may not be able to retain existing or attract new subscribers. We rely on our marketing and advertising efforts, including television and online and offline performance-based and fixed-cost programs, to attract new subscribers and retain existing subscribers. If we are unable to effectively retain existing subscribers and attract new subscribers, our business, financial condition and results of operations would be adversely affected.

The relative service levels, pricing and related features of competitors to our products and services are some of the factors that may adversely impact our ability to retain existing subscribers and attract new subscribers. Some of our current competitors provide genealogical records free of charge. Some governments or private organizations may make historical records available online at no cost to consumers and some commercial entities could choose to make such records available on an advertising-supported basis rather than a subscription basis. If consumers are able to satisfy their family history research needs at no or lower cost, they may not perceive value in our products and services. If our efforts to satisfy and retain our existing subscribers are not successful, we may not be able to continue to attract new subscribers through word-of-mouth referrals. Further, subscriber growth may decrease as a result of a decline in interest in family history research. Any of these factors could cause our subscriber growth rate to fall, which would adversely impact our business, financial condition and results of operations.

Our recent performance may not be sustainable, which could negatively affect our stock price or financial condition and results of operations.

Our revenues have grown rapidly, increasing from $140.3 million in 2005 to $224.9 million in 2009, representing a compound annual growth rate of 12.5%. In the three months ended March 31, 2010, our revenue growth was 21% over the prior year quarter. We may not be able to sustain our recent growth rate in future periods and you should not rely on the revenue growth of this quarter or any prior quarter or year as an indication of our future performance. Additionally, we expect to continue to devote substantial resources and funds to improving our technologies and product offerings and acquiring new and relevant content, and also to expanding awareness of our brand and category through marketing, such as the increased advertising we undertook in connection with the television program “Who Do You Think You Are?,” which may reduce our margins in the near term. If our margins or our future growth resulting from our implementation of these strategies fail to meet investor or analyst expectations, it could have a negative effect on our stock price. If our growth rate were to decline significantly or become negative, it could adversely affect our financial condition and results of operations.

If we experience excessive rates of subscriber churn, our revenues and business will be harmed.

We must continually add new subscribers both to replace subscribers who choose not to renew their subscriptions and to grow our business beyond our current subscriber base. We describe the percentage of subscribers who elect not to renew their subscriptions as subscriber "churn." Subscribers choose not to renew their subscriptions for many reasons, including a desire to reduce discretionary spending or a perception that they do not use the service sufficiently, the service is a poor value, competitive services provide a better value or experience, or subscriber service issues are not satisfactorily resolved. Subscribers may choose not to renew their subscription at any time prior to the renewal date. When we add subscribers as rapidly as we have in the most recent quarter, the level of churn may also increase. If we are unable to attract new subscribers in numbers greater than our subscriber churn, our subscriber base will decrease and our business, financial condition and results of operations will be adversely affected.

If our subscriber churn increases, we may be required to increase the rate at which we add new subscribers in order to maintain and grow our revenues. If excessive numbers of subscribers cancel our service, we may be required to incur significantly higher marketing and advertising expenses than we currently anticipate to replace these subscribers with new subscribers. A significant increase in our subscriber churn would have an adverse effect on our business, financial condition and results of operations.

A change in our mix of subscription durations could have a significant impact on our revenue, churn and revenue visibility.

A majority of our subscribers have annual subscriptions. At any point in time, however, the majority of new subscribers generally sign up for monthly subscriptions, and may or may not choose to renew or convert to annual subscriptions. We generally experience higher rates of churn for monthly subscribers than for annual subscribers. As of March 31, 2010, the percentage of overall subscribers that are monthly subscribers had increased to 29%, as compared to 24% at March 31, 2009. If this trend continues, more of our revenue would become dependent on monthly renewals, and we would likely have higher churn. We continually evaluate the types of subscriptions that are most appropriate for us and our subscribers. As we make these evaluations, we may more aggressively market subscriptions that are shorter than our annual subscriptions. Any material change in our mix of subscription duration could have a significant impact on our revenue and churn.

Additionally, the predominantly annual commitments of our subscribers enhance our near-term visibility on our revenues, which we believe enable us to more effectively manage the growth of our business and provide working capital benefits. A shift in subscriber mix towards more monthly subscriptions may result in diminished visibility with respect to forecasting revenue, which could make it more difficult to manage our growth and effectively budget future working capital requirements.

Because we recognize revenues from subscriptions to our service over the term of the subscription, downturns or upturns in subscriptions may not be immediately reflected in our operating results and therefore could affect our operating results in later periods.

We recognize revenues from subscribers ratably over the term of their subscriptions. Given that annual subscriptions still represent a substantial majority of our subscriptions, a large portion of our revenues for each quarter reflects deferred revenue from subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter will not necessarily be fully reflected in the revenues in that quarter but will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns or upturns in subscriptions or market acceptance of our service, or changes in subscriber churn, may not fully impact our results of operations until future periods.

If our marketing and advertising efforts fail to generate additional revenues on a cost-effective basis, or if we are unable to manage our marketing and advertising expenses, it could harm our results of operations and growth.

Our future growth and profitability, as well as the maintenance and enhancement of our brands, will depend in large part on the effectiveness and efficiency of our marketing and advertising expenditures and the continued success of television programming related to family history. We use a diverse mix of online and offline performance-based and fixed-cost marketing and advertising programs to promote our products and services and programming, and we periodically adjust our mix of marketing and advertising programs to reflect our television audience. We have recently experienced price increases in some of our marketing and advertising channels. Significant increases in the pricing of one or more of our marketing and advertising channels would increase our marketing and advertising expense or cause us to choose less expensive but less effective marketing and advertising channels. As we implement new marketing and advertising strategies and phase out older strategies, we have expanded into television advertising, which may have significantly higher costs than other channels and which could adversely affect our profitability. Further, we may over time become disproportionately reliant on one channel or partner, such as NBC in future seasons of “Who Do You Think You Are?,” which could increase our operating expenses. We have incurred and may in the future incur marketing and advertising expenses significantly in advance of the time we anticipate recognizing revenue associated with such expenses, as in the case of television programming, and our marketing and advertising expenditures may not continue to result in increased revenue or generate sufficient levels of brand awareness. If we are unable to maintain our marketing and advertising channels on cost-effective terms or replace existing marketing and advertising channels with similarly effective channels, our marketing and advertising expenses could increase substantially, our subscriber levels could be affected adversely, and our business, financial condition and results of operations may suffer.

In addition, our expanded marketing efforts may increase our subscriber acquisition cost. We may decide to expand our international marketing and advertising efforts, which will lead to a significant increase in our marketing and advertising expenses. Any of these additional expenses may not result in sufficient customer growth to offset cost, which would have an adverse effect on our business, financial condition and results of operations.

We cannot predict what impact, if any, the television show “Who Do You Think You Are?” will have on our business in the future.

We purchased product integration in the television show “Who Do You Think You Are?” in the United States, which aired starting in the quarter ended March 31, 2010. In addition, during that quarter, PBS also aired a television series related to family history and genealogy. Both these series, or their combined effects, together with our increased television advertising, caused increased interest in our core business that resulted in a greater number of subscribers, which while increasing revenue for some duration, may also increase our churn. Our investment in “Who Do You Think You Are?” may also cause our subscriber acquisition costs to increase. While NBC has announced a second season of “Who Do You Think You Are?,” we have not executed a new contract to purchase product integration with NBC, and even if we did we cannot guarantee that another season of the show will in fact air. If we do not receive lasting benefits from these and future shows, it could have a negative effect on our stock price.

Because we generate substantially all of our revenue from online family history resources, particularly in the United States and United Kingdom, a decline in demand for our services or for online family history resources in general, and particularly of the United States and United Kingdom, could cause our revenue to decline.

We generate substantially all of our revenue from our online family history services, and we expect that we will continue to depend upon our online family history services for substantially all of our revenue in the foreseeable future. Because we depend on our online family history services, factors such as changes in consumer preferences for these products may have a disproportionately greater impact on us than if we offered multiple services. The market for online family history resources, and for consumer services in general, is subject to rapidly changing consumer demand and trends in preferences. If consumer interest in our online family history services declines, or if consumer interest in family history in general declines, we would likely experience a significant loss of revenue. Some of the potential factors that could affect interest in and demand for online family history services include:

- individuals’ interest in, and their willingness to spend time and money, conducting family history research;
- availability of discretionary funds;
- awareness of our brand and the family history category;
- the appeal and reliability of our services;
- the price, performance and availability of competing family history products and services;
- public concern regarding privacy and data security;
- our ability to maintain high levels of customer satisfaction; and
- the rate of growth in online commerce generally.

In addition, we recognize substantially all of our revenues from subscribers in the United States, the United Kingdom, and to a lesser extent, Australia and Canada. Consequently, a decrease of interest in and demand for online family history services in these countries could have a disproportionately greater impact on us than if our geographical mix of revenue was less concentrated.

Challenges in acquiring historical content and making it available online could adversely affect our ability to retain and expand our subscriber base, and therefore adversely affect our business, financial condition and results of operations.

In order to retain and expand our subscriber base, both domestically and internationally, we must continue to expend significant resources to acquire significant amounts of additional historical content, digitize it and make it available to our subscribers online. We face legal, logistical and cultural challenges in acquiring new content. Relevant governmental records may be widely dispersed and held at a national, state or local level.

Religious and private records are even more widely dispersed. These problems often pose particular challenges in acquiring content internationally. For example, content in Germany is highly dispersed, and legislation in France is particularly stringent. Desirable content may not be available to us on favorable terms, or at all, due to competition for a particular collection, privacy concerns relative to information contained in a given collection or our lack of negotiating leverage with a certain content provider. For example, some of our most popular databases include so-called “vital records” content — namely, birth, marriage and death records made available by certain governmental agencies. To help prevent identity theft, or even terrorist activities, governments may attempt to restrict the release of all or substantial portions of their vital records content, and particularly birth records, to third parties. If these efforts are successful, it may limit or altogether prevent us from acquiring these types of vital record content or continuing to make them available online. In many cases, we will be the first commercial entity that may have approached the keeper of the records, often a governmental body. In some cases, we have to lobby for legislation to be changed to enable government or other bodies to grant us access to records.

While we own or license most of the images in our database, we generally do not own the underlying historical documents. If owners of content have sold or licensed it for digitization purposes on an exclusive basis to a third party, we would not be able to acquire this content. The owners of such historical records generally can allow one or more parties to digitize those records. If owners of content have sold or licensed the rights to digitize that content, even on a non-exclusive basis, they often elect not to sell or license it for digitization purposes to any other person. Therefore, if one of our competitors acquires rights to digitize a set of content, even on a non-exclusive basis, we may be unable to acquire rights to digitize that content. In some cases, acquisition of content involves competitive bidding, and we have in the past and may in the future choose not to bid or may not successfully bid to acquire content rights. In addition, a number of governmental bodies and other organizations are interested in making historical content available for free and owners of historical records may license or sell their records to such governmental bodies and organizations in addition to or instead of licensing or selling their content to us. Our inability to offer vital records or other valuable content as part of our family history research databases or the widespread availability of such content elsewhere at lower cost or for free could result in our subscription services becoming less valuable to consumers, which could have an adverse impact on our number of subscribers or subscriber churn, and therefore on our business, financial condition and results of operations.

We depend in part upon third party licenses for some of our historical content, and a loss of those licenses, or disputes regarding royalties under these licenses, could adversely affect our ability to retain and expand our subscriber base, and therefore adversely affect our revenues, financial condition and results of operations.

Though we own or license most of the images in our databases, in some cases on a non-exclusive basis, we acquire a portion of our content pursuant to ongoing license agreements. Some of these agreements have finite terms and we may not be able to renew the agreements on terms that are advantageous to us or at all. For example, we license a significant amount of our United Kingdom content from the United Kingdom National Archives under several license agreements that generally have ten year terms, with varying automatic extension periods. These agreements with the United Kingdom National Archive expire from 2012 to 2019. The agreements are generally terminable by either party for breach by the other party and by the United Kingdom National Archives upon our insolvency or bankruptcy. Some of these agreements permit the United Kingdom National Archives to terminate these licenses if we undergo a change of control.

If a current or future license for a significant content collection were to be terminated, we may not be able to obtain a new license on terms advantageous to us or at all and we could be required to remove the relevant content from our Web sites, either immediately or after some period of time. If a content provider were to license or sell us content in violation of that content provider’s agreements with other parties, we could be required to remove that content from our Web sites. If we were required to remove a material amount of content from our Web sites, as a result of the termination of one or more licenses or otherwise, it could adversely affect our business and results of operations. Some of these license agreements restrict the manner in which we use the applicable content, which could limit our ability to leverage that content for new uses as we expand our business. We pay royalties under some of these license agreements, and the other party to those royalty-bearing agreements may have a right to audit the calculation of our royalty payments. If there were to be a disagreement regarding the calculation of royalty payments, we could be required to make additional payments under those agreements. We also have indemnification obligations under many of these agreements. We could experience claims in the future which, if material, could have a negative impact on our results of operations and financial condition.

Digitizing and indexing new content can take a significant amount of time and expense, and can expose us to risks associated with the loss or damage of historical documents. Our inability to maintain or acquire content or make new content available online in a timely and cost-effective manner, or liability for loss of historical documents, could have an adverse effect on our business, financial condition and results of operations.

Digitizing and indexing new historical content can take a significant amount of time and expense and we generally incur the expenses related to such content significantly in advance of the time we can make it available to our subscribers. We have invested approximately $87 million in content to date and expect to continue to spend significant resources on content. Increases in the cost or time required to digitize and index new content could harm our financial results. Currently, two transcription vendors perform substantially all of our data transcription as measured by cost. We do not have long-term contracts with any of our transcription vendors. If we were to replace one of these transcription vendors for any reason, we would be required to provide extensive training to the new vendor, which could delay our ability to make our new content available to our subscribers, and our relationships with the new transcription vendors may be on financial or other terms less favorable to us than our existing arrangements. Our inability to maintain or acquire content or to make new content available online in a timely and cost-effective manner would have an adverse effect on our business, financial condition and results of operations.

In addition, if we acquire content that ultimately generates only minimal subscriber interest, the cost of acquiring and processing that content may exceed the incremental revenues produced by the content, which would adversely affect our profitability.

While we are digitizing content, we may be in possession of valuable and irreplaceable original historical documents. While we maintain insurance with respect to such documents, any loss or damage to such documents, while in our possession, could cause us significant expense and could have a material adverse effect on our reputation and the potential willingness of content owners to sell, license or lend their content to us.

We face competition from a number of different sources, and our failure to compete effectively with current and future competitors could adversely affect our ability to retain and expand our subscriber base, and therefore adversely impact our revenues, results of operations and financial condition.

We face competition in our business from a variety of online and offline organizations, some of which provide genealogical records free of charge. We expect competition to increase in the future. We generally compete on the basis of content, technology, ease of use, brand recognition, quality and breadth of products, service and support, price and the number of network users with whom other users can collaborate.

Ancestry.com and our similar international Web sites face competition from:

- FamilySearch, and its Web site FamilySearch.org, a genealogy organization that is part of The Church of Jesus Christ of Latter-day Saints. FamilySearch has an extensive collection of paper and microfilm records. FamilySearch has digitized a large quantity of these records and has published them online at FamilySearch.org, where it makes them available to the public for free and through over 4,500 family history centers located throughout the world. FamilySearch is a well funded organization and has stated its intention to undertake a massive digitization project to bring most of its collection online.

- Commercial entities, including online genealogical research services, library content distributors, search engines and portals, retailers of books and software related to genealogical research and family tree creation and family history oriented social networking Web sites.

- Non-profit entities and organizations, genealogical societies, governments and agencies that may make vital statistics or other records available to the public for free.

We expect our competition to grow, and our competitors may include other Internet-based and offline businesses, governments and other entities. Our current and future competitors may have greater resources, more well-established brand recognition or more sophisticated technologies, such as search algorithms, than we do or may more easily obtain relevant records in international markets. Additionally, our current and future competitors may offer new categories of content, products or services before us, or at lower prices, which may give them a competitive advantage in attracting subscribers. Our current and future competitors may make historical records available online at no cost or on an advertising-supported basis rather than a subscription basis. Our future competitors and their products and services may be superior to any of our current competition. There has recently been some consolidation in our industry, and such consolidation could also increase competition in the future, including competition with respect to acquisition of content, exclusivity of content or pricing. To compete effectively, we may need to expend significant resources on content acquisition, technology or marketing and advertising, which could reduce our margins and have a material adverse effect on our business, financial condition and results of operations.

Competitive pricing pressures could cause us to fail to retain existing or attract new subscribers and harm our revenues and results of operations.

Demand for our products and services is sensitive to price. Many external factors, including our marketing, content acquisition and technology costs and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies, particularly in markets outside the United States. Some of our competitors provide genealogical records free of charge. If we fail to meet our subscribers' pricing expectations, we could fail to retain existing or attract new subscribers, either of which would harm our business and results of operations. Changes in our pricing strategies could have a significant impact on our revenues, financial condition and results of operations.

Our growth could strain our personnel, technology and infrastructure resources, and if we are unable to implement appropriate controls and procedures to manage our growth, and hire and integrate appropriate personnel, we may not be able to successfully implement our business plan.

Our growth in operations has placed a significant strain on our management, administrative, technological, operational and financial infrastructure. Anticipated future growth, including growth related to the broadening of our product and service offerings and our expansion into new geographical areas, will continue to place similar strains on our personnel, technology and infrastructure. We plan to hire additional personnel in the future and may not make optimal hiring decisions or may not integrate personnel effectively. A sudden increase in our number of registered users could strain our capacity and result in Web site performance issues. Our success will depend in part upon the management ability of our officers with respect to growth opportunities. To manage the expected growth of our operations, we will need to continue to improve our operational, financial, technological and management controls and our reporting systems and procedures. Additional capital investments will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by offsetting expense reductions in the short term. If we fail to successfully manage our growth, it could adversely affect our business, financial condition and results of operations.

Any significant disruption in service on our Web sites or in our computer systems, which are currently hosted primarily by a single third-party, could damage our reputation and result in a loss of subscribers, which would harm our business and operating results.

Registered users access our service through our Web sites, where our family history research databases are located, and our internal billing software and operations are integrated with our product and service offerings. Our brand, reputation and ability to attract, retain and serve our subscribers depends upon the reliable performance of our Web sites, network infrastructure, content delivery processes and payment systems. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down our Web sites' performance and users' access to content, or made our Web sites inaccessible, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our Web sites and prevent our registered users from accessing our data and using our products and services. Problems with the reliability or security of our systems may require disclosure to our lenders and could harm our reputation, and damage to our reputation and the cost of remedying these problems could negatively affect our business, financial condition and results of operations.

Substantially all of our communications, network and computer hardware used to operate our Web sites are co-located in a facility in Utah. We do not own or control the operation of this facility. We have established a disaster recovery facility located at a third-party facility in Denver, Colorado. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur. Our systems are not completely redundant, so a failure of our system at our primary site could result in reduced functionality for our registered users, and a total failure of our systems at both sites could cause our Web sites to be inaccessible by our registered users. Problems faced by our third-party web hosting provider, with the

telecommunications network providers with whom it contracts or with the systems by which it allocates capacity among its customers, including us, could adversely affect the experience of our subscribers. Our third-party web hosting provider could decide to close its facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy reorganization, faced by our third-party web hosting provider or any of the service providers with whom it contracts may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our third-party web hosting provider is unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and have an adverse effect on our business, financial condition and results of operations.

Our operating results depend on numerous factors and may fluctuate from quarter to quarter, which could make them difficult to predict.

Our quarterly operating results are tied to certain financial and operational metrics that have fluctuated in the past and may fluctuate significantly in the future. As a result, you should not rely upon our past quarterly operating results as indicators of future performance. Our operating results depend on numerous factors, many of which are outside of our control. In addition to the other risks described in this “Risk Factors” section, the following risks could cause our operating results to fluctuate:

- our ability to retain existing subscribers and attract new subscribers;
- the mix of annual and monthly subscribers at any given time and the mix of packages to which they subscribe to;
- the success and timing of television programming relating to family history and its impact on our market and our marketing expenditures;
- timing and amount of costs of new and existing marketing and advertising efforts;
- timing and amount of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure, including content acquisition and international expansion costs;
- the cost and timing of the development and introduction of new product and service offerings by us or our competitors;
- downward pressure on the pricing of our subscriptions;
- system failures, security breaches or Web site downtime;
- fluctuations in the usage of our Web sites; and
- fluctuations in foreign currency exchange rates.

For these or other reasons, the results of any prior quarterly or annual periods should not be relied upon as indications of our future performance and our revenue and operating results in future quarters may differ materially from the expectations of management or investors.

We require a significant amount of cash to service our indebtedness, which reduces the cash available to finance our organic growth and strategic acquisitions, alliances and collaborations. If we fail to grow as a result of limitations on available cash, it could harm our financial condition and stock price.

We have a significant amount of indebtedness, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." Our indebtedness could:

- make us more vulnerable to unfavorable economic conditions;
- make it more difficult to obtain additional financing in the future for working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- require us to dedicate or reserve a large portion of our cash flow from operations for making payments on our indebtedness, which would prevent us from using it for other purposes;
- make us susceptible to fluctuations in market interest rates that affect the cost of our borrowings to the extent that our variable rate debt is not covered by interest rate derivative agreements; and
- make it more difficult to pursue strategic acquisitions, alliances and collaborations.

Our existing credit facility contains a number of financial and operating covenants which could limit our flexibility in operating our business. For example, our credit facility limits our capital expenditures, which limits the amount we can spend on content acquisition, and it limits the amount we can pay when acquiring companies. These restrictions and covenants, among other things, limit our ability to: incur additional indebtedness; make investments; pay dividends or make distributions to our stockholders; grant liens on our assets; sell assets; enter into a new or different line of business; enter into transactions with our affiliates; acquire, merge or consolidate with other entities or transfer all or substantially all of our assets; and enter into sale and leaseback transactions. Our failure to comply with any covenant could result in a default under the credit facility. Our ability to service our indebtedness and comply with the covenants will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Some of these factors are beyond our control. We believe that, based upon current levels of operations, we will be able to comply with the covenants in our credit facility and meet our debt service obligations when due. Significant assumptions underlie this belief including, among other things, that we will continue to be successful in implementing our business strategy and that there will be no material adverse developments in our business, liquidity or capital requirements. If we cannot generate sufficient cash flow from operations to service our indebtedness and to meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancing or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our credit facility. See Note 6 to our consolidated financial statements found in our 2009 Annual Report for more information about our credit facility.

Our obligations under the existing credit facility are secured by collateral, which includes substantially all of our assets, including our intellectual property. If we are not able to satisfy our obligations under the credit facility, the creditors could exercise their rights under the credit facility, which include taking control of the collateral, including our intellectual property, which would have a material adverse effect on our business.

We may need additional capital, and we cannot be certain that additional financing will be available. If we fail to obtain additional financing if needed, it could harm our growth and our ability to respond to business challenges.

Prior to our initial public offering, we had funded our operations primarily from cash flows from operations. However, in connection with the Spectrum investment, we incurred $140 million of debt. Although we currently anticipate that our available funds and cash flow from operations will be sufficient to meet our cash needs for at least the next 12 months, we may require additional financing in the future. Our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance and condition of the capital markets at the time we seek financing. Additional financing may not be available to us on favorable terms, or at all, when required. The financial stress that affected the banking system and financial markets over the past several years could make it more difficult for us to obtain additional financing if we should require it. CIT Group Inc., the parent company of CIT Lending Services Corporation, or CIT, one of the lenders in the lending syndicate for the revolving portion of our credit facility, has reorganized under Chapter 11 of United States Bankruptcy Code.

If CIT or any other of the financial institutions that are in the syndicate for the revolving portion of our credit facility were to suffer further financial difficulties or enter bankruptcy, it could affect our ability to draw down on that facility. If sufficient funds are not available from our credit facility, we may seek to raise additional funds through the issuance of equity, equity-linked or debt securities, although we cannot be certain that we would be able to issue sufficient amounts at adequate prices to satisfy our needs. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to service our outstanding indebtedness, to continue to support our business growth and to respond to business challenges could be significantly limited.

If we are unable to improve market recognition of and loyalty to our brands, or if our reputation were to be harmed, we could lose subscribers or fail to increase the number of subscribers, which could harm our revenues, results of operations and financial condition.

We believe that maintaining and enhancing our Ancestry.com and other brands is critical to our success. We believe that the importance of brand recognition and loyalty will only increase in light of increasing competition in our markets. We plan to continue to promote our brands, both domestically and internationally, but there is no guarantee that our selected strategies will increase the favorable recognition of our brands. Some of our existing and potential competitors, including search engines, media companies and government and religious institutions have well-established brands with greater brand recognition than we have. Additionally, from time to time, our subscribers express dissatisfaction with our service, including, among other things, dissatisfaction with our auto-renewal and other billing policies, our handling of personal data and the way our services operate. To the extent that dissatisfaction with our service is widespread or not adequately addressed, our brand may be adversely impacted. If our efforts to promote and maintain our brand are not successful, our operating results and our ability to attract and retain subscribers may be adversely affected. In addition, even if our brand recognition and loyalty increases, this may not result in increased use of our products and services or higher revenues. Many of our subscribers are passionate about family history research, and many of these subscribers participate in blogs on this topic both on our Web sites and elsewhere. If actions we take or changes we make to our products upset these subscribers, their blogging could negatively affect our brand and reputation.

Online family history research is a relatively new industry and our operational history in the online family history research industry is also relatively limited. Consequently, it is difficult to predict the ultimate size of the industry and the acceptance by the market of our products and services. Our business strategy and projections rely on a number of assumptions, some or all of which may be incorrect. For example, we believe that consumers will be willing to pay for subscriptions to our online family history resources, notwithstanding the fact that some of our current and future competitors may provide such resources free of charge. We cannot accurately predict whether our products and services will achieve significant acceptance by potential users in significantly larger numbers than at present. You should therefore not rely on our historic growth rates as an indication of future growth.

Our business could be adversely affected if our subscribers are not satisfied with our products and services. If we lose subscribers or fail to increase the number of subscribers due to dissatisfaction with our products and services, it could harm our revenues, results of operations and financial condition.

Our business depends on our ability to satisfy our subscribers. Our subscribers' satisfaction may be negatively impacted by factors that are actual or perceived by them, such as limitations in our technologies, changes in our products and services, interruptions or slowness in online capacity of our Web sites, privacy and data security concerns, speed of search of our online content and relevance of search results, as well as perceived ease of search, and our automatic subscription renewal by credit card policy, including any perceptions of credit card fraud. If we do not handle subscriber complaints effectively, our brand and reputation may suffer, we may lose our subscribers' confidence, and they may choose not to renew their subscriptions. Complaints or negative publicity about our products, services or billing practices could adversely impact our business, financial condition and results of operations.

We face many risks associated with our plans to continue to expand our international offerings and marketing and advertising efforts, which could harm our business, financial condition and results of operations.

In addition to our United States and United Kingdom Web sites, since 2006, we have launched Web sites directed at Australia, Canada, Germany, France, Italy, Sweden and China and launched an initial version of our global Mundia.com Web site in the third quarter of 2009. In 2009, approximately 34% of subscribers to our Ancestry.com Web sites, and approximately 25% of our revenues from subscribers, were from locations outside the United States. We anticipate that our continuing international expansion will continue to entail increased marketing and advertising of our products, services and brands, and the development of localized Web sites throughout our geographical markets. We may not succeed in these efforts and achieve our subscriber acquisition or other goals. For some international markets, customer preferences and buying behaviors may be different, and we may use business models that are different from our traditional subscription model that provides company-acquired content to subscribers. Our revenues from new foreign markets may not exceed the costs of establishing, marketing and maintaining our international offerings, and therefore may not be profitable on a sustained basis, if at all. We will be subject to risks of doing business internationally, including the following:

- difficulties in developing and marketing our offerings and brands as a result of distance, language and cultural differences;
- foreign currency exchange rate fluctuations;
- more stringent consumer and data protection laws;
- local socio-economic and political conditions;
- technical difficulties and costs associated with the localization of our service offerings;
- strong local competitors;
- lack of experience in certain geographical markets;
- different and conflicting legal and regulatory regimes;
- changes in governmental regulations;
- different and conflicting intellectual property laws;
- difficulties in staffing and managing international operations; and
- risk of business or user fraud.

One or more of these factors could harm our business, financial condition and results of operations.

If we are unable to continually enhance our products and services and adapt them to technological changes and subscriber needs, we may not remain competitive and our business may fail to grow or decline.

Our business is rapidly changing. To remain competitive, we must continue to provide relevant content and enhance and improve the functionality and features of our products and services. If we fail to do so, or if competitors introduce new solutions embodying new technologies, our existing products and services may become obsolete. Our future success will depend, among other things, on our ability to:

- anticipate demand for new products and services;
- enhance our existing solutions; and
- respond to technological advances on a cost-effective and timely basis.

Developing the technologies in our products entails significant technical and business risks. We may use new technologies ineffectively, or we may fail to adapt our products and services to the demands of our subscribers. If we face material delays in introducing new or enhanced solutions, our subscribers may forego the use of our solutions in favor of those of our competitors.

Undetected product or service errors or defects could result in the loss of revenues, delayed market acceptance of our products or services or claims against us.

We offer a variety of Internet-based services and a software product, Family Tree Maker, all of which are complex and frequently upgraded. Our Internet-based services and software product may contain undetected errors, defects, failures or viruses, especially when first introduced or when new versions or enhancements are released. Despite product testing, our products, or third party products that we incorporate into ours, may contain undetected errors, defects or viruses that could, among other things:

- require us to make extensive changes to our subscription services or software product, which would increase our expenses;
- expose us to claims for damages;
- require us to incur additional technical support costs;
- cause a negative registered user reaction that could reduce future sales;
- generate negative publicity regarding us and our subscription services and software product; or
- result in subscribers delaying their subscription or software purchase or electing not to renew their subscriptions.

Any of these occurrences could have a material adverse effect upon our business, financial condition and results of operations.

Privacy concerns could require us to incur significant expense and modify our operations in a manner that could result in restrictions and prohibitions on our use of certain information, and therefore harm our business.

As part of our business, we make biographical and historical data available through our Web sites, we use registered users' personal data for internal purposes and we host Web sites and message boards, among other things, that contain content supplied by third parties. In addition, in connection with our Ancestry.com DNA product, we obtain biological DNA samples used for genetic testing. For privacy or security reasons, privacy groups, governmental agencies and individuals may seek to restrict or prevent our use or publication of certain biological or historical information pertaining to individuals, particularly living persons. We will also face additional privacy issues as we expand into other international markets, as many nations have privacy protections more stringent than those in the United States. We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Increased domestic or international regulation of data utilization and distribution practices, including self-regulation, could require us to modify our operations and incur significant expense, which could have an adverse effect on our business, financial condition and results of operations.

Our possession and use of personal information presents risks and expenses that could harm our business. Unauthorized disclosure or manipulation of such data, whether through breach of our network security or otherwise, could expose us to costly litigation and damage our reputation.

Maintaining our network security is of critical importance because our online systems store confidential registered user, employee and other sensitive data, such as names, addresses, credit card numbers and other personal information. In particular, a substantial majority of our subscribers use credit and debit cards to purchase our products and services. If we or our processing vendors were to have problems with our billing software, it could have an adverse effect on our subscriber satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment services. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our subscribers' credit cards on a timely basis or at all, our business, financial condition and results of operations could be adversely affected.

In addition, our online systems store the content that our registered users upload onto our Web sites, such as family records and photos. This content is often personally meaningful, and our registered users may rely on our online system to store digital copies of such content. If we were to lose such content, if our users' private content were to be publicly available or if third parties were able to access and manipulate such content, we may face liability and harm to our brand and reputation.

We and our vendors use commercially available encryption technology to transmit personal information when taking orders. We use security and business controls to limit access and use of personal information, including registered users' uploaded content. However, third parties may be able to circumvent these security and business measures by developing and deploying viruses, worms and other malicious software programs that are designed to attack or attempt to infiltrate our systems and networks. In addition, employee error, malfeasance or other errors in the storage, use or transmission of personal information could result in a breach of registered user or employee privacy.

If third parties improperly obtain and use the personal information of our registered users or employees, we may be required to expend significant resources to resolve these problems. A major breach of our network security and systems could have serious negative consequences for our businesses, including possible fines, penalties and damages, reduced demand for our products and services, an unwillingness of subscribers to provide us with their credit card or payment information, an unwillingness of registered users to upload family records or photos onto our Web sites, harm to our reputation and brand and loss of our ability to accept and process subscriber credit card orders. Similarly, if a well-publicized breach of data security at any other major consumer Web site were to occur, there could be a general public loss of confidence in the use of the Internet for commercial transactions. Any of these events could have material adverse effects on our business, financial condition and results of operations.

Any claims related to activities of registered users and the content they upload could result in expenses that could harm our results of operations and financial condition.

Our registered users often upload their own content onto our Web sites. The terms of use of such content are set forth in the terms and conditions of our Web sites and a submission agreement to which registered users must agree when they upload their content. Disputes or negative publicity about the use of such content could make members more reluctant to upload personal content or harm our reputation. We do not review or monitor content uploaded by our registered users, and could face claims arising from or liability for making any such content available on our Web sites. In addition, our collaboration tools and other features of our site allow registered users to contact each other. While registered users can choose to remain anonymous in such communications, registered users may choose to engage with one another without anonymity. If any such contact were to lead to fraud or other harm, we may face claims against us and negative publicity. Litigation to defend these claims or efforts to counter any negative publicity could be costly and any other liabilities we incur in connection with any such claims may harm our business, financial condition and results of operations.

Increases in credit card processing fees would increase our operating expenses and adversely affect our results of operations, and the termination of our relationship with any major credit card company would have a severe, negative impact on our ability to collect revenues from subscribers.

The substantial majority of our subscribers pay for our products and services using credit cards. From time to time, the major credit card companies or the issuing banks may increase the fees that they charge for each transaction using their cards. An increase in those fees would require us to either increase the prices we charge for our products and services, or suffer a negative impact on our profitability, either of which could adversely affect our business, financial condition and results of operations.

In addition, our credit card fees may be increased by credit card companies if our chargeback rate or the refund rate exceeds certain minimum thresholds. If we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or for all credit card transactions, may be increased, and, if the problem significantly worsens, credit card companies may further increase our fees or terminate their relationships with us. Any increases in our credit card fees could adversely affect our results of operations, particularly if we elect not to raise our subscription rates to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

If government regulation of the Internet or other areas of our business changes or if consumer attitudes toward use of the Internet change, we may need to change the manner in which we conduct our business in a manner that is less profitable or incur greater operating expenses, which could harm our results of operations.

The adoption, modification or interpretation of laws or regulations relating to the Internet or other areas of our business could adversely affect the manner in which we conduct our business or the overall popularity or growth in use of the Internet. Such laws and regulations may cover automatic subscription renewal, credit card processing procedures, sales and other procedures, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts, consumer protection, broadband residential Internet access and the characteristics and quality of services. In foreign countries, such as countries in Europe, such laws may be more restrictive than in the United States. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses, make it more difficult to renew subscriptions automatically, make it more difficult to attract new subscribers or otherwise alter our business model. Any of these outcomes could have a material adverse effect on our business, financial condition or results of operations.

Our revenues may be adversely affected if we are required to charge sales taxes in additional jurisdictions and/or other taxes for our products and services.

We collect or have imposed upon us sales or other taxes related to the products and services we sell in certain states and other jurisdictions. Additional states or one or more countries or other jurisdictions may seek to impose sales or other tax collection obligations on us in the future. A successful assertion by any country, state or other jurisdiction in which we do business that we should be collecting sales or other taxes on the sale of our products and services could, among other things, create significant administrative burdens for us, result in substantial tax liabilities for past sales, discourage registered users from purchasing from us or otherwise substantially harm our business and results of operations.

We face risk associated with currency exchange rate fluctuations, which could adversely affect our operating results.

In 2009, approximately 21% of our total revenues were received, and approximately 12% of our total expenses were paid, in currencies other than the United States dollar, such as the British pound sterling, the Canadian dollar and the Australian dollar. As a result, we are at risk for exchange rate fluctuations between such foreign currencies and the United States dollar, which could affect our results of operations. We attempt to limit our exposure by paying our operating expenses incurred in foreign jurisdictions with revenues received in the applicable currency, but if we do not have enough local currency to pay all our expenses in that currency, we are exposed to currency exchange rate risk with respect to those expenses. We are also exposed to exchange rate risk with respect to our profits earned in foreign currency. Even if we were to implement hedging strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

If we acquire any businesses or technologies in the future, they could prove difficult to integrate, disrupt our ongoing business, dilute stockholder value or have an adverse effect on our results of operations.

As part of our business strategy, we may engage in acquisitions of businesses or technologies to augment our organic or internal growth. While we have engaged in some acquisitions in the past, we do not have extensive experience with integrating and managing acquired businesses or assets. Acquisitions involve challenges and risks in negotiation, execution, valuation and integration. Moreover, we may not be able to find suitable acquisition opportunities on terms that are acceptable to us. Even if successfully negotiated, closed and integrated, certain acquisitions may not advance our business strategy, may fall short of expected return-on-investment targets or may fail. Any future acquisition could involve numerous risks including:

- potential disruption of our ongoing business and distraction of management;
- difficulty integrating the operations and products of the acquired business;
- use of cash to fund the acquisition or for unanticipated expenses;
- limited market experience in new businesses;
- exposure to unknown liabilities, including litigation, against the companies we may acquire;
- additional costs due to differences in culture, geographical locations and duplication of key talent;
- acquisition-related accounting charges affecting our balance sheet and operations;
- dilution to our current stockholders from the issuance of equity securities; and
- potential loss of key employees or customers of the acquired company.

In the event we enter into any acquisition agreements, closing of the transactions could be delayed or prevented by regulatory approval requirements, including antitrust review, or other conditions. We may not be successful in addressing these risks or any other problems encountered in connection with any attempted acquisitions, and we could assume the economic risks of such failed or unsuccessful acquisitions.

Our business may be significantly impacted by a change in the economy, including any resulting effect on consumer spending.

Our business may be affected by changes in the economy generally, including any resulting effect on consumer spending specifically. Our products and services are discretionary purchases, and consumers may reduce their discretionary spending on our products and services during an economic downturn such as the recent economic downturn. Although we have not experienced a material increase in subscription cancellations or a material reduction in subscription renewals, we may yet experience such an increase or reduction in the future, especially if employment and personal income do not improve. Conversely, consumers may spend more time using the Internet during an economic downturn and may have less time for our products and services in a period of economic growth. In addition, media prices may increase in a period of economic growth, which could significantly increase our marketing and advertising expenses. As a result, our business, financial condition and results of operations may be significantly affected by changes in the economy generally.

The loss of one or more of our key personnel, or our failure to attract, assimilate and retain other highly qualified personnel in the future, could harm our business.

We depend on the continued service and performance of our key personnel, including Timothy Sullivan, our President and Chief Executive Officer. We do not maintain key man insurance on any of our officers or key employees. We also do not have long-term employment agreements with any of our officers or key employees. In addition, much of our key technology and systems are custom-made for our business by our personnel. The loss of key personnel, including key members of our management team, as well as certain of our key marketing, sales, product development or technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business.

In addition, to execute our growth plan, we must attract and retain a relatively large number of highly qualified personnel. Competition for these employees is intense, and we may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, in making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the stock options or other equity awards they may receive in connection with their employment. Accounting principles generally accepted in the United States relating to the expensing of stock options may discourage us from granting the size or type of stock option awards that job candidates may require to join our company. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

We are subject to additional regulatory compliance matters as a result of becoming a public company, which compliance includes Section 404 of the Sarbanes-Oxley Act of 2002, and our management has limited experience managing a public company. Failure to comply with these regulatory matters could harm our business.

In November 2009, we became a public company and have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. Our management team and other personnel will need to devote a substantial amount of time to new compliance initiatives and to meeting the obligations that are associated with being a public company, and we may not successfully or efficiently manage this transition. We expect rules and regulations such as the Sarbanes-Oxley Act of 2002 will increase our legal and finance compliance costs and make some activities more time-consuming than in the past. We may need to hire a number of additional employees with public accounting and disclosure experience in order to meet our ongoing obligations as a public company. Furthermore, Section 404 of the Sarbanes-Oxley Act of 2002 requires that our management report on, and our independent auditors to attest to, the effectiveness of our internal control structure and procedures for financial reporting in our Annual Report on Form 10-K for the fiscal year ending December 31, 2010. Section 404 compliance efforts may divert internal resources and will take a significant amount of time, effort and funds to complete. We may not be able to successfully complete the procedures and certification and attestation requirements of Section 404 by the time we will be required to do so. If we fail to do so, or if in the future our chief executive officer, chief financial officer or independent registered public accounting firm determines that our internal control over financial reporting are not effective, we could be subject to sanctions or investigations by the Nasdaq Stock Market, SEC or other regulatory authorities. Furthermore, investor perceptions of our company may suffer, and this could cause a decline in the market price of our stock. Furthermore, whether or not we comply with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement necessary procedures or changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent registered public accounting firm. While we currently have a sufficient number of independent board members to assign to committees to meet the listing standards of the Nasdaq Stock Market by the deadlines set by the exchange, we would require these directors to serve on multiple committees to achieve compliance. We may seek additional independent board members, and our failure to attract such individuals could impose undue strain on our current independent directors.

Our reported financial results may be adversely affected by changes in accounting principles applicable to us.

Generally accepted accounting principles in the United States are subject to interpretation by the FASB, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. In addition, the SEC has announced a multi-year plan that could ultimately lead to the use of International Financial Reporting Standards by United States issuers in their SEC filings. Any such change could have a significant effect on our reported financial results.

Any expenses or liability resulting from litigation could adversely affect our results of operations and financial condition.

From time to time, we may be subject to claims or litigation. Any such claims or litigation may be time-consuming and costly, divert management resources, require us to change our products and services, require us to accept returns of software products, or have other adverse effects on our business. Any of the foregoing could have a material adverse effect on our results of operations and could require us to pay significant monetary damages. For example, in August 2009, we received a letter from Shutterfly, Inc., alleging infringement of certain of their patents by our operation of the MyCanvas.com Web site. While MyCanvas.com revenues have represented a small percentage of our total revenue and we do not believe that this claim will be resolved in a manner that would have a material adverse effect on our business, intellectual property litigation is subject to inherent uncertainties, and there can be no assurance that the expenses associated with defending any litigation or the resolution of this dispute would not have a material adverse impact on our results of operations or cash flows. Nor can we assure you of the ultimate outcome of any legal proceeding or contingency in which we are or may become involved.

Risks Related to Intellectual Property

If our intellectual property and technologies are not adequately protected to prevent use or appropriation by our competitors, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.

Our future success and competitive position depend in part on our ability to protect our proprietary technologies and intellectual property. We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright, patent and trade secret protection laws, to protect our proprietary technologies and intellectual property. In the United States, we currently have three patents issued, and we have a number of patents pending relating to digitization, indexing, storage, correlation, search and display of content. Ancestry.com, myfamily.com and Family Tree Maker are among our registered trademarks. In addition, in the United States, we have filed various trademark applications for certain aspects of our technologies, and we have also filed trademark applications in certain foreign countries for the Ancestry and other Web site names. Many of our trademarks contain words or terms having a common usage and, as a result, may not be protectable under applicable law. Because of this concern, we have elected not to file applications with respect to certain of our trademarks, and some of our trademarks for which we have filed applications may not be protectable. We also possess intellectual property rights in aspects of our digital content, search technology, software products and digitization and indexing processes. However, our digital content is not protected by any registered copyrights or other registered intellectual property or statutory rights. Rather, our digital content is protected by user agreements that limit access to and use of our data, and by our proprietary indexing and search technology that we apply to make our digital content searchable. Compliance with use restrictions is difficult to monitor, and our proprietary rights in our digital content databases may be more difficult to enforce than other forms of intellectual property rights.

There can be no assurance that the steps we take will be adequate to protect our technologies and intellectual property, that our patent and trademark applications will lead to issued patents and registered trademarks, that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks and other intellectual property will not be challenged, invalidated or circumvented by others. Furthermore, the intellectual property laws of other countries at which our Web sites are or may be in the future be directed may not protect our products and intellectual property rights to the same extent as the laws of the United States. The legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet-related industries are uncertain and still evolving, both in the United States and in other countries. In addition, third parties may knowingly or unknowingly infringe our patents, trademarks and other intellectual property rights, and litigation may be necessary to protect and enforce our intellectual property rights. Any such litigation could be very costly and could divert management attention and resources. If the protection of our technologies and intellectual property is inadequate to prevent use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our subscription services and methods of operations. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

We also expect that the more successful we are, the more likely it will become that competitors will try to develop products that are similar to ours, which may infringe on our proprietary rights. It may also be more likely that competitors will claim that our products and services infringe on their proprietary rights. If we are unable to protect our proprietary rights or if third parties independently develop or gain access to our or similar technologies, our business, revenue, reputation and competitive position could be harmed.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information. Failure to protect our proprietary information could make it easier for third parties to compete with our products and harm our business.

A substantial amount of our tools and technologies are protected by trade secret laws. In order to protect our proprietary technologies and processes, we rely in part on security measures, as well as confidentiality agreements with our employees, licensees, independent contractors and other advisors. These measures and agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. We could potentially lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Laws regarding trade secret rights in certain markets in which we operate may afford little or no protection to our trade secrets. The loss of trade secret protection could make it easier for third parties to compete with our products by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our business, revenue, reputation and competitive position.

Intellectual property claims against us could be costly and result in the loss of significant rights related to, among other things, our Web sites and marketing and advertising activities.

Trademark, copyright, patent and other intellectual property rights are important to us and other companies. Our intellectual property rights extend to our technologies, business processes and the content on our Web sites. We use intellectual property licensed from third parties in merchandising our products and marketing and advertising our services. From time to time, third parties may allege that we have violated their intellectual property rights. If there is a claim against us for infringement, misappropriation, misuse or other violation of third party intellectual property rights, and we are unable to obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely basis, our business and competitive position may be adversely affected. Many companies are devoting significant resources to obtaining patents that could potentially affect many aspects of our business. There are numerous patents that broadly claim means and methods of conducting business on the Internet. We have not exhaustively searched patents relevant to our technologies and business. If we are forced to defend ourselves against intellectual property infringement claims, whether they are with or without merit or are determined in our favor, we may face costly litigation, diversion of technical and management personnel, limitations on our ability to use our current Web sites or inability to market or provide our products or services. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease providing certain products or services, adjust our merchandizing or marketing and advertising activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. In addition, many of our co-branding, distribution and other partnering agreements require us to indemnify our partners for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling in such an action.

In addition, as a publisher of online content, we face potential liability for negligence, copyright, patent or trademark infringement or other claims based on the nature and content of data and materials that we publish or distribute. These claims could potentially arise with respect to both company-acquired content and user-generated content. Litigation to defend these claims could be costly and any other liabilities we incur in connection with the claims may harm our business, financial condition and results of operations.

If we are unable to protect our domain names, our reputation and brand could be affected adversely, which would adversely affect our subscriber base, and therefore adversely affect our revenues.

We have registered domain names for Web site destinations that we use in our business, such as Ancestry.com, Genealogy.com and myfamily.com. However, if we are unable to maintain our rights in these domain names, our competitors could capitalize on our brand recognition by using these domain names for their own benefit. In addition, our competitors could capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere, and in many countries the top-level domain names “ancestry” or “genealogy” are owned by other parties. Though we own the “ancestry.co.uk” domain name in the United Kingdom, we might not be able to, or may choose not to, acquire or maintain other country-specific versions of the “ancestry” and “genealogy” domain names. Further, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights varies from jurisdiction to jurisdiction and is unclear in some jurisdictions. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of, our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names and determining the rights of others may require litigation, which could result in substantial costs and divert management attention. We may not prevail if any such litigation is initiated.

Risks Related to our Corporate Structure

Our share price may be volatile due to fluctuations in our operating results and other factors, each of which could cause our stock price to decline.

Our revenues, expenses and results of operations have fluctuated in the past and are likely to do so in the future from quarter to quarter and year to year due to the risk factors described in this section and the factors described below and elsewhere in this Quarterly Report:

- actual or anticipated fluctuations in our key operating metrics, financial condition and operating results;
- a greater than expected loss of existing subscribers;
- a negative change in one or more of our key metrics;
- actual or anticipated changes in our growth rate;
- issuance of new or updated research or reports by securities analysts;
- our announcement of actual results for a fiscal period that are higher or lower than projected or expected results or our announcement of revenue or earnings guidance that is higher or lower than expected;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- sales or expected sales of additional common stock;
- announcements from, or operating results of, our competitors; or
- general economic and market conditions.

Furthermore, during 2008 and 2009, the stock markets experienced extreme price and volume fluctuations and the market prices of some equity securities continue to be volatile. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of shares of our common stock to decline. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

Our stock price is susceptible to coverage by securities analysts.

The trading of our common stock is influenced by the reports and research that industry or securities analysts publish about us or our business. If analysts stop covering us, or if too few analysts cover us, the trading price of our stock would likely decrease. If one or more of the analysts who cover us downgrade our stock, our stock price will likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our principal stockholder and its affiliates own a majority of our outstanding common stock, and their interests may not always coincide with the interests of the other holders of our common stock.

As of March 31, 2010, Spectrum Equity Investors V, L.P. and certain of its affiliates beneficially owned in the aggregate shares representing approximately 55% of our outstanding voting power. Two persons associated with Spectrum Equity Investors V, L.P. currently serve on our board of directors. As a result, Spectrum Equity Investors V, L.P. and certain of its affiliates effectively control all matters presented to our stockholders for approval, including election and removal of our directors and change of control transactions. The interests of Spectrum Equity Investors V, L.P. and certain of its affiliates may not always coincide with the interests of the other holders of our common stock.

Delaware law and our corporate charter and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. For example, our board of directors has the authority to issue up to five million shares of preferred stock in one or more series and to fix the powers, preferences and rights of each series without stockholder approval. The ability to issue preferred stock could discourage unsolicited acquisition proposals or make it more difficult for a third party to gain control of our company, or otherwise could adversely affect the market price of our common stock. Our amended and restated certificate of incorporation requires that any action to be taken by stockholders must be taken at a duly called meeting of stockholders, which may only be called by our board of directors, the chairperson of our board of directors or the chief executive officer, with the concurrence of a majority of our board of directors, and may not be taken by written consent. Our amended and restated bylaws also require that any stockholder proposals or nominations for election to our board of directors meet specific advance notice requirements and procedures, which make it more difficult for our stockholders to make proposals or director nominations. In addition, we have a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change membership of a majority of our board of directors.

Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit or restrict large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our certificate of incorporation and bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in our market price being lower than it would without these provisions.

Substantial sales of our common stock by our stockholders, including sales pursuant to 10b5-1 plans, could depress our stock price regardless of our operating results.

Sales of substantial amounts of our common stock in the public market could reduce the prevailing market prices for our common stock. On November 10, 2009 we completed our initial public offering of approximately 7.4 million shares of common stock on the Nasdaq Global Select Market. As of April 30, 2010, we had approximately 42.5 million shares of common stock outstanding along with options to purchase approximately 6.8 million shares of common stock vested and exercisable that were subject to lock-up agreements executed in connection with our initial public offering. The lock-up agreements related to our initial public offering will expire with the opening of the securities markets on May 17, 2010. When the lock-up agreements expire, substantially all of our outstanding common stock will become eligible for sale, subject to Rule 144 volume limitations for holders affected by such limitations, as will common stock issuable under vested and exercisable stock options. If our existing stockholders sell a large number of shares of our common stock or the public market perceives that existing stockholders might sell shares of common stock, including sales pursuant to Rule 10b5-1 plans, the market price of our common stock could decline significantly. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

On November 4, 2009, the SEC declared effective our Registration Statement on Form S-1 (File No. 333-160986) for our initial public offering. During the first quarter of 2010, we made payments totaling $2.9 million on our credit facility with CIT Lending Services Corporation, as Administrative Agent, and certain other financial institutions. These payments were made with cash on hand, including the net proceeds from our initial public offering.

We expect to use the remainder of the net proceeds from our initial public offering for working capital and general corporate purposes. We may also use a portion of the proceeds to expand our current business through acquisitions or investments in other strategic businesses, products or technologies. We have invested the net proceeds in short-term interest-bearing, U.S. Government agency securities and money market funds pending their use as described above.

Item 6. ***Exhibits***

Exhibit Number	Exhibit Description
10.1	Ancestry.com Inc. Form of Grant Notice for 2009 Stock Incentive Plan — Restricted Stock Units (as amended).
10.2	Ancestry.com Inc. Form of Grant Notice for 2009 Stock Incentive Plan — Restricted Stock.
10.3	Ancestry.com Inc. Description of 2010 Performance Incentive Program.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* These certifications are not deemed filed with the SEC and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Ancestry.com Inc.

Dated: May 7, 2010

By: /s/ Timothy Sullivan
Timothy Sullivan
President and Chief Executive Officer

Dated: May 7, 2010

By: /s/ Howard Hochhauser
Howard Hochhauser
Chief Financial Officer

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31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* These certifications are not deemed filed with the SEC and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

Exhibit 10.1

ANCESTRY.COM INC.
GRANT NOTICE FOR 2009 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNITS

FOR GOOD AND VALUABLE CONSIDERATION, Ancestry.com Inc. (the "Company"), hereby grants to Participant named below the number of restricted stock units specified below (the "Award"), upon the terms and subject to the conditions set forth in this Grant Notice, the Ancestry.com Inc. 2009 Stock Incentive Plan (the "Plan") and the Standard Terms and Conditions (the "Standard Terms and Conditions") adopted under such Plan and provided to Participant, each as amended from time to time. Each restricted stock unit subject to this Award represents the right to receive one share of the Company's common stock, par value $0.001 (the "Common Stock"), subject to the conditions set forth in this Grant Notice, the Plan and the Standard Terms and Conditions. This Award is granted pursuant to the Plan and is subject to and qualified in its entirety by the Standard Terms and Conditions.

Name of Participant:
Grant Date:
Number of restricted stock units subject to the Award:
Vesting Schedule:

By accepting this Grant Notice, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan and the Standard Terms and Conditions.

ANCESTRY.COM INC.

By: _____
Title: _____

_____
Participant Signature

Address (please print):
_____
_____
_____

ANCESTRY.COM INC.
STANDARD TERMS AND CONDITIONS FOR
RESTRICTED STOCK UNITS

These Standard Terms and Conditions apply to the Award of restricted stock units granted to an employee or a nonemployee director of the Company pursuant to the Ancestry.com Inc. 2009 Stock Incentive Plan (the "Plan"), which are evidenced by a Grant Notice or an action of the Administrator that specifically refers to these Standard Terms and Conditions. In addition to these Terms and Conditions, the restricted stock units shall be subject to the terms of the Plan, which are incorporated into these Standard Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

1. TERMS OF RESTRICTED STOCK UNITS

Ancestry.com Inc., a Delaware corporation (the "Company"), has granted to the Participant named in the Grant Notice provided to said Participant herewith (the "Grant Notice") an award of a number of restricted stock units (the "Award" or the "Restricted Stock Units") specified in the Grant Notice. Each Restricted Stock Unit represents the right to receive one share of the Company's common stock, $0.001 par value per share (the "Common Stock"), upon the terms and subject to the conditions set forth in the Grant Notice, these Standard Terms and Conditions, and the Plan, each as amended from time to time. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. VESTING OF RESTRICTED STOCK UNITS

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until otherwise vested pursuant to the terms of the Grant Notice and these Standard Terms and Conditions. After the Grant Date, subject to termination or acceleration as provided in these Standard Terms and Conditions and the Plan, the Award shall become vested as described in the Grant Notice with respect to that number of Restricted Stock Units as set forth in the Grant Notice. Notwithstanding anything contained in these Standard Terms and Conditions to the contrary: (i) if the Participant's Termination of Employment is by reason of death or Disability before all of the Restricted Stock Units have vested, a portion of the Restricted Stock Units shall become vested such that a pro-rata portion of the total number of Restricted Stock Units subject to the Award are vested as of the date of Termination of Employment, and, unless otherwise determined by the Administrator, the remaining Restricted Stock Units shall be forfeited and canceled as of the date of such Termination of Employment, and (ii) except as provided in Section 5 below, if the Participant's Termination of Employment is for any reason other than death or Disability, any then unvested Restricted Stock Units held by the Participant shall be forfeited and canceled as of the date of such Termination of Employment. For purposes of this Section 2, "pro-rata portion" means a percentage, where the numerator is the portion of the vesting period of the Restricted Stock Units that elapsed prior to the Participant's Termination of Employment, and the denominator is the full number of days in the vesting period.

3. SETTLEMENT OF RESTRICTED STOCK UNITS

Vested Restricted Stock Units shall be settled by the delivery to the Participant or a designated brokerage firm of one share of Common Stock per vested Restricted Stock Unit as soon as reasonably practicable following the vesting of such Restricted Stock Units, and in all events no later than March 15 of the year following the year of vesting (unless delivery is deferred pursuant to a nonqualified deferred compensation plan in accordance with the requirements of Section 409A of the Code).

4. RIGHTS AS STOCKHOLDER

The Participant shall have no voting rights or the right to receive any dividends with respect to shares of Common Stock underlying Restricted Stock Units unless and until such shares of Common Stock are reflected as issued and outstanding shares on the Company's stock ledger.

5. CHANGE IN CONTROL

Unless otherwise provided in an employment, severance or other agreement between the Company and the Participant, the following provisions shall apply in the event a Change in Control occurs while the Restricted Stock Units are outstanding:

A. If the Restricted Stock Units are not continued, assumed, converted or substituted for immediately following the Change in Control, the Restricted Stock Units shall become fully vested immediately prior to the Change in Control.

B. If the Restricted Stock Units are continued, assumed, converted or substituted for, the Restricted Stock Units shall be treated as determined by the Administrator.

6. RESTRICTIONS ON RESALES OF SHARES

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Stock issued in respect of vested Restricted Stock Units, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

7. INCOME TAXES

The Company shall not deliver shares in respect of any Restricted Stock Units unless and until the Participant has made arrangements satisfactory to the Administrator to satisfy applicable withholding tax obligations. Unless the Participant pays the withholding tax obligations to the Company by cash or check in connection with the delivery of the Common Stock, withholding may be effected, at the Company's option, by withholding Common Stock issuable in connection with the vesting of the Restricted Stock Units (provided that shares of Common Stock may be withheld only to the extent that such withholding will not result in adverse accounting treatment for the Company). The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection wit the delivery of the Restricted Stock Units from any amounts payable by it to the Participant (including, without limitation, future cash wages).

8. NON-TRANSFERABILITY OF AWARD

The Participant represents and warrants that the Restricted Stock Units are being acquired by the Participant solely for the Participant's own account for investment and not with a view to or for sale in connection with any distribution thereof. The Participant further understands, acknowledges and agrees that, except as otherwise provided in the Plan or as permitted by the Administrator, the Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise directly or indirectly encumbered or disposed of except other than by will or the laws of descent and distribution and to the extent expressly permitted hereby and at all times in compliance with the U.S. Securities Act of 1933, as amended, and the rules and regulations of the Securities Exchange Commission thereunder, and in compliance with applicable state securities or "blue sky" laws and non-U.S. securities laws.

9. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Restricted Stock Units. Any prior agreements, commitments or negotiations concerning the Restricted Stock Units are superseded.

10. LIMITATION OF INTEREST IN SHARES SUBJECT TO RESTRICTED STOCK UNITS

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person upon vesting of the Restricted Stock Units. Nothing in the Plan, in the Grant Notice, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

11. GENERAL

In the event that any provision of these Standard Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Standard Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of these Standard Terms and Conditions, nor shall they affect its meaning, construction or effect.

These Standard Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

These Standard Terms and Conditions shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

All questions arising under the Plan or under these Standard Terms and Conditions shall be decided by the Administrator in its total and absolute discretion.

12. ELECTRONIC DELIVERY

By executing the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the Restricted Stock Units via Company web site or other electronic delivery.

Exhibit 10.2

ANCESTRY.COM INC.
GRANT NOTICE FOR 2009 STOCK INCENTIVE PLAN
RESTRICTED STOCK

FOR GOOD AND VALUABLE CONSIDERATION, Ancestry.com Inc. (the "Company"), hereby grants to Participant named below the number of restricted shares of the Company's common stock, par value $0.001 (the "Common Stock") specified below (the "Award"), upon the terms and subject to the conditions set forth in this Grant Notice, the Ancestry.com Inc. 2009 Stock Incentive Plan (the "Plan") and the Standard Terms and Conditions (the "Standard Terms and Conditions") adopted under such Plan and provided to Participant, each as amended from time to time. This Award is granted pursuant to the Plan and is subject to and qualified in its entirety by the Standard Terms and Conditions.

Name of Participant:
Grant Date:
Number of shares of Restricted Stock:
Vesting Schedule:

By accepting this Grant Notice, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan and the Standard Terms and Conditions.

ANCESTRY.COM INC.

By: _____
Title: _____

_____
Participant Signature

Address (please print):
_____
_____
_____

ANCESTRY.COM INC.
STANDARD TERMS AND CONDITIONS FOR
RESTRICTED STOCK

These Standard Terms and Conditions apply to the Award of restricted stock granted to an employee or a nonemployee director of the Company pursuant to the Ancestry.com Inc. 2009 Stock Incentive Plan (the "Plan"), which are evidenced by a Grant Notice or an action of the Administrator that specifically refers to these Standard Terms and Conditions. In addition to these Terms and Conditions, the restricted stock shall be subject to the terms of the Plan, which are incorporated into these Standard Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

1. TERMS OF RESTRICTED STOCK

Ancestry.com Inc., a Delaware corporation (the "Company"), has granted to the Participant named in the Grant Notice provided to said Participant herewith (the "Grant Notice") an award (the "Award" or the "Restricted Stock") of a number of restricted shares of the Company's common stock, $0.001 par value per share (the "Common Stock") specified in the Grant Notice. The Award is subject to the conditions set forth in the Grant Notice, these Standard Terms and Conditions, and the Plan, each as amended from time to time. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. VESTING OF RESTRICTED STOCK

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until otherwise vested pursuant to the terms of the Grant Notice and these Standard Terms and Conditions. After the Grant Date, subject to termination or acceleration as provided in these Standard Terms and Conditions and the Plan, the Award shall become vested as described in the Grant Notice with respect to that number of shares of Restricted Stock as set forth in the Grant Notice. Shares of Restricted Stock that have vested and are no longer subject to forfeiture and transfer restrictions are referred to herein as "Vested Shares." Shares of Restricted Stock awarded hereunder that are not vested and remain subject to forfeiture and transfer restrictions are referred to herein as "Unvested Shares." Notwithstanding anything contained in these Standard Terms and Conditions to the contrary: (i) if the Participant's Termination of Employment is by reason of death or Disability before the Restricted Stock has fully vested, a portion of the Unvested Shares shall become vested such that a pro-rata portion of the total number of shares of Restricted Stock subject to the Award are vested as of the date of Termination of Employment, and, unless otherwise determined by the Administrator, the remaining Unvested Shares shall be forfeited and canceled as of the date of such Termination of Employment, and (ii) except as provided in Section 4 below, if the Participant's Termination of Employment is for any reason other than death or Disability, any then Unvested Shares held by the Participant shall be forfeited and canceled as of the date of such Termination of Employment. For purposes of this Section 2, "pro-rata portion" means a percentage, where the numerator is the portion of the vesting period of the Restricted Stock that elapsed prior to the Participant's Termination of Employment, and the denominator is the full number of days in the vesting period.

3. RIGHTS AS STOCKHOLDER

From and after the Grant Date, the Participant shall have all of the ownership, voting rights, dividend rights and all other rights of a stockholder of the Company with respect to the Restricted Stock, except that such rights as to Unvested Shares shall terminate upon the forfeiture of such Unvested Shares as and to the extent specifically provided in Section 2 above; provided, however, that any dividends paid in respect of Unvested Shares will not be paid in cash to the Participant, but instead will be automatically reinvested in additional shares of Restricted Stock, which additional shares will be subject to the same terms and conditions as the shares of Restricted Stock with respect to which they were distributed.

4. CHANGE IN CONTROL

Unless otherwise provided in an employment, severance or other agreement between the Company and the Participant, the following provisions shall apply in the event a Change in Control occurs while Unvested Shares are outstanding under the Award:

A. If the Unvested Shares are not continued, assumed, converted or substituted for immediately following the Change in Control, the Unvested Shares shall become fully vested immediately prior to the Change in Control.

B. If the Unvested Shares are continued, assumed, converted or substituted for, the Unvested Shares shall be treated as determined by the Administrator.

5. RESTRICTIONS ON RESALES OF SHARES

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Vested Shares, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

6. INCOME TAXES

The Participant shall make arrangements satisfactory to the Company for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that arise by reason of the grant or vesting of the Restricted Stock. The Company shall not be required to issue shares or may restrict the transfer of such shares until such obligations are satisfied. Unless the Participant pays the withholding tax obligations to the Company by cash or check, withholding may be effected, at the Company's option, by withholding Common Stock issuable in connection with the Award (provided that shares of Common Stock may be withheld only to the extent that such withholding will not result in adverse accounting treatment for the Company). The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection with the Award from any amounts payable by it to the Participant (including, without limitation, future cash wages).

7. NON-TRANSFERABILITY OF UNVESTED SHARES

The Participant represents and warrants that the shares of Restricted Stock are being acquired by the Participant solely for the Participant's own account for investment and not with a view to or for sale in connection with any distribution thereof. The Participant further understands, acknowledges and agrees that, except as otherwise provided in the Plan or as permitted by the Administrator, the Unvested Shares may not be sold, assigned, transferred, pledged or otherwise directly or indirectly encumbered or disposed of except other than by will or the laws of descent and distribution and to the extent expressly permitted hereby and at all times in compliance with the U.S. Securities Act of 1933, as amended, and the rules and regulations of the Securities Exchange Commission thereunder, and in compliance with applicable state securities or "blue sky" laws and non-U.S. securities laws.

8. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Restricted Stock. Any prior agreements, commitments or negotiations concerning the Restricted Stock are superseded.

9. LIMITATION OF INTEREST IN THE RESTRICTED STOCK

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person in connection with the Award. Nothing in the Plan, in the Grant Notice, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

10. GENERAL

In the event that any provision of these Standard Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Standard Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of these Standard Terms and Conditions, nor shall they affect its meaning, construction or effect.

These Standard Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

These Standard Terms and Conditions shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

All questions arising under the Plan or under these Standard Terms and Conditions shall be decided by the Administrator in its total and absolute discretion.

11. ELECTRONIC DELIVERY

By executing the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the Restricted Stock via Company web site or other electronic delivery.

Exhibit 10.3

Ancestry.com Inc.
Description of 2010 Performance Incentive Program

On March 18, 2010, the Compensation Committee of the Board of Directors of Ancestry.com Inc (the "Company") approved financial performance objectives under the Company's Performance Incentive Program to serve as the basis for determining the Company-wide bonus pool to be paid under the program for 2010.

The Compensation Committee established two corporate performance measures that are to be used in calculating the pool for awards for 2010: revenue and adjusted EBITDA. Both measures will be weighted equally.

For revenue, no pool funding occurs below budget; at 100% of budgeted revenue, the pool is funded at 80% of the budgeted bonus pool attributable to revenue (*i.e.* , 50% of the pool). The maximum funding of 120% of the budgeted bonus pool attributable to revenue occurs at 105% of budgeted revenue. Results between 100% and 105% of budgeted revenues are interpolated such that 100% funding of the budgeted bonus pool attributable to revenue occurs at 102.5% of budgeted revenue.

For adjusted EBITDA, no pool funding occurs below budget; at 100% of budgeted adjusted EBITDA, the pool is funded at 80% of the budgeted bonus pool attributable to adjusted EBITDA (*i.e.* , the other 50% of the pool). The maximum funding of 120% of the budgeted bonus pool attributable to adjusted EBITDA occurs at 110% of budgeted adjusted EBITDA. Results between 100% and 110% of budgeted adjusted EBITDA are interpolated such that 100% funding of the budgeted bonus pool attributable to adjusted EBITDA occurs at 105% of budgeted adjusted EBITDA. The Company defines adjusted EBITDA as net income (loss) plus net interest (income) expense; income tax expense; non-cash charges including depreciation, amortization, impairment of intangible assets and stock-based compensation expense; and other (income) expense.

Under the Performance Incentive Program for 2010, each of the two performance measures are reviewed separately in determining the funding of the bonus pool. For example, if the Company achieves less than 100% of budgeted revenues but achieves 100% of budgeted adjusted EBITDA, then employees will be eligible for a pool funded with zero allocation from the revenue target, but 80% of the adjusted EBITDA target (or 40% of the budgeted bonus pool).

Individual payments made from the pool to each participant in the Performance Incentive Program, including the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the other executive officers, will be based on each executive officer's target bonus percentage of salary, as such amount may be adjusted by (1) the achievement of individual performance goals, (2) individual performance ratings, (3) business unit performance, and (4) such other factors as the Board of Directors or Compensation Committee may determine.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy Sullivan, certify that:

1. I have reviewed this Quarterly Report of Ancestry.com Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2010

By: /s/ Timothy Sullivan
Timothy Sullivan
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Howard Hochhauser, certify that:

1. I have reviewed this Quarterly Report of Ancestry.com Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2010

By: /s/ Howard Hochhauser
Howard Hochhauser
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy Sullivan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Ancestry.com Inc. for the quarter ended March 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ancestry.com Inc.

Dated: May 7, 2010

By: /s/ Timothy Sullivan
Timothy Sullivan
Chief Executive Officer

I, Howard Hochhauser, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Ancestry.com Inc. for the quarter ended March 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ancestry.com Inc.

Dated: May 7, 2010

By: /s/ Howard Hochhauser
Howard Hochhauser
Chief Financial Officer