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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 June 30, 2011

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
(Registrant's 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 July 27, 2011, there were 45,452,304 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

	June 30, 2011 (unaudited)	December 31, 2010
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 71,019	$ 65,519
Restricted cash	1,940	2,476
Accounts receivable, net of allowances of $422 and $406 at June 30, 2011 and December 31, 2010, respectively	5,679	6,990
Income tax receivable	15,362	8,094
Deferred income taxes	2,779	3,873
Prepaid expenses and other current assets	8,977	9,243
Total current assets	105,756	96,195
Property and equipment, net	19,234	21,252
Content database costs, net	71,098	65,418
Intangible assets, net	25,825	34,281
Goodwill	302,802	303,374
Other assets	2,010	1,666
Total assets	$ 526,725	$ 522,186
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,970	$ 9,451
Accrued expenses	38,224	36,978
Deferred revenues	114,285	89,301
Total current liabilities	162,479	135,730
Deferred income taxes	16,534	20,571
Other long-term liabilities	2,017	2,018
Total liabilities	181,030	158,319
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; 47,174 shares issued and 45,186 shares outstanding at June 30, 2011 and 45,179 shares issued and outstanding at December 31, 2010	47	45
Additional paid-in capital	362,968	328,957
Treasury stock, at cost; 1,988 and zero shares at June 30, 2011 and December 31, 2010, respectively	(78,095)	—
Accumulated other comprehensive income	1,025	643
Retained earnings	59,750	34,222
Total stockholders' equity	345,695	363,867
Total liabilities and stockholders' equity	$ 526,725	$ 522,186

See accompanying notes to condensed consolidated financial statements

ANCESTRY.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(unaudited) (In thousands, except per share data)			
Revenues:				
Subscription revenues	$ 96,707	$ 70,544	$ 181,890	$ 130,104
Product and other revenues	4,601	3,916	10,446	8,777
Total revenues	101,308	74,460	192,336	138,881
Costs of revenues:				
Cost of subscription revenues	14,111	11,228	27,998	22,729
Cost of product and other revenues	1,841	1,280	3,669	2,774
Total cost of revenues	15,952	12,508	31,667	25,503
Gross profit	85,356	61,952	160,669	113,378
Operating expenses:				
Technology and development	14,242	9,992	27,910	19,919
Marketing and advertising	30,250	24,490	64,058	46,936
General and administrative	10,111	8,032	19,468	15,774
Amortization of acquired intangible assets	4,297	3,679	8,567	7,358
Total operating expenses	58,900	46,193	120,003	89,987
Income from operations	26,456	15,759	40,666	23,391
Interest and other expense, net	(429)	(1,429)	(536)	(2,573)
Income before income taxes	26,027	14,330	40,130	20,818
Income tax expense	(9,470)	(5,807)	(14,602)	(8,333)
Net income	$ 16,557	$ 8,523	$ 25,528	$ 12,485
Net income per common share:				
Basic	$ 0.36	$ 0.20	$ 0.56	$ 0.29
Diluted	$ 0.33	$ 0.18	$ 0.51	$ 0.26
Weighted average common shares outstanding				
Basic	45,596	42,764	45,484	42,612
Diluted	49,893	48,015	50,082	47,754

See accompanying notes to condensed consolidated financial statements

ANCESTRY.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(unaudited) (In thousands)			
Operating activities:				
Net income	$ 16,557	$ 8,523	$ 25,528	$ 12,485
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	3,188	2,740	6,452	5,604
Amortization of content database costs	2,279	1,830	4,415	3,664
Amortization of acquired intangible assets	4,297	3,679	8,567	7,358
Amortization of deferred financing costs	69	614	138	829
Deferred income taxes	(2,021)	(1,487)	(2,989)	(2,637)
Stock-based compensation expense	2,201	1,262	3,926	2,266
Changes in operating assets and liabilities:				
Accounts receivable	999	283	1,308	935
Restricted cash	44	(99)	536	(170)
Other assets	(581)	403	(233)	1,970
Income tax receivable	(8,672)	—	(7,268)	1,544
Accounts payable and other liabilities	24,563	4,200	23,148	8,188
Excess tax benefits from stock-based compensation	(16,393)	(3,570)	(20,449)	(3,570)
Deferred revenues	5,054	4,654	24,906	19,088
Net cash provided by operating activities	31,584	23,032	67,985	57,554
Investing activities:				
Capitalization of content database costs	(4,204)	(2,349)	(9,951)	(5,141)
Purchases of property and equipment	(3,693)	(2,221)	(4,418)	(3,628)
Purchases of short-term investments	—	(5,193)	—	(7,193)
Proceeds from sale and maturity of short-term investments	—	4,991	—	10,037
Net cash used in investing activities	(7,897)	(4,772)	(14,369)	(5,925)
Financing activities:				
Proceeds from exercise of stock options	7,290	4,858	10,022	5,072
Taxes paid related to net share settlement of stock-based awards	(515)	—	(515)	—
Principal payments on debt	—	(20,937)	—	(23,795)
Excess tax benefits from stock-based compensation	16,393	3,570	20,449	3,570
Repurchases of common stock	(78,095)	—	(78,095)	—
Net cash used in financing activities	(54,927)	(12,509)	(48,139)	(15,153)
Effect of changes in foreign currency exchange rates on cash and cash equivalents	(4)	—	23	—
Net increase (decrease) in cash and cash equivalents	(31,244)	5,751	5,500	36,476
Cash and cash equivalents at beginning of period	102,263	97,666	65,519	66,941
Cash and cash equivalents at end of period	$ 71,019	$ 103,417	$ 71,019	$ 103,417
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 111	$ 476	$ 226	$ 1,477
Cash paid for income taxes	3,282	5,778	3,557	6,181
Supplemental disclosures of noncash investing and financing activities:				
Capitalization of stock-based compensation	9	2	18	3

See accompanying notes to condensed consolidated financial statements

ANCESTRY.COM INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ancestry.com Inc. ("Ancestry" or the "company") is an online family history resource that derives revenues primarily from providing online access to digitized historical records on a subscription basis. Ancestry is a holding company and all operations are conducted by its wholly-owned subsidiaries.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the company, its wholly-owned subsidiaries and a variable interest entity. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current year presentation. These reclassifications did not have a significant impact on the condensed consolidated financial statements.

Unaudited Interim Financial Statements

The accompanying condensed consolidated balance sheet as of June 30, 2011 and the condensed consolidated statements of income and cash flows for the three and six months ended June 30, 2011 and 2010 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (all of which are considered of normal recurring nature) considered necessary to present fairly the company's financial position, results of operations and cash flows for the three and six months ended June 30, 2011 and 2010. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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 Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Annual Report") filed with the Securities and Exchange Commission (the "SEC").

Use of Estimates

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.

The company evaluates its estimates continually to determine their appropriateness, including determination of the recoverability of indefinite-lived and long-lived assets, the estimated useful lives of the company's intangible assets, determination of the fair value of stock options, income taxes, and allowances for sales returns and uncollectible accounts receivable. The company bases its estimates on historical experience and on various assumptions that are believed to be reasonable, the results of which form the basis for the amounts recorded within the consolidated financial statements.

There have been no changes to the company's significant accounting policies as described in the 2010 Annual Report except as disclosed in Recent Accounting Pronouncements in this note.

Performance-Based Restricted Stock Units

In 2011, the company began issuing performance-based restricted stock units ("RSUs") to certain company personnel. Performance-based RSUs vest subject to the achievement of certain predetermined performance goals and employment over the requisite service period. The amount of stock-based compensation expense recognized in any one period for such performance-based RSUs is derived from the fair value of the RSU and can vary based on the achievement or anticipated achievement of these goals. The fair value of each RSU is based on the closing price of the company's common stock on the date of grant. If a performance goal is not met or is not expected to be met, no compensation expense is recognized on the underlying RSUs, and any previously recognized compensation expense on those RSUs is reversed in the period that expectations change.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued amended standards requiring comprehensive income to be presented as either a continuous statement of comprehensive income or two separate but consecutive statements. The amendments do not affect the disclosures required regarding comprehensive income. These amendments are to be applied retrospectively for interim and fiscal year periods beginning after December 15, 2011. The adoption of these standards will not impact the company's financial results or disclosures but will have an impact on the presentation of comprehensive income when adopted.

In May 2011, the FASB issued amended standards related to fair value measurements and disclosures that result in common fair value measurements and disclosures between GAAP and International Financial Reporting Standards. The standards include amendments that clarify the intent behind the application of existing fair value measurements and disclosures and other amendments which change principles or requirements for fair value measurements or disclosures. The requirements of these new standards are to be applied prospectively for interim or annual periods beginning after December 15, 2011. The adoption of these standards is not expected to have a material effect on the company's financial results or disclosures.

In October 2009, the 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. The requirements of these new standards are to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of these standards on January 1, 2011 did not have a material impact on the company's consolidated financial position, results of operations or cash flows.

2. CASH AND CASH EQUIVALENTS AND FAIR VALUE MEASUREMENTS

Cash and cash equivalents consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Cash	$ 24,237	$ 12,687
Cash equivalents:		
Money market funds	46,782	52,832
Total cash and cash equivalents	$ 71,019	$ 65,519

Cash equivalents 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.

The company's cash equivalents at June 30, 2011 and December 31, 2010 were all classified within Level 1. There were no movements between fair value measurement levels of the company's cash equivalents during the six months ended June 30, 2011.

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.

3. NET INCOME PER COMMON SHARE

Basic net income per common share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted net income per common share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist primarily of incremental shares issuable upon the assumed vesting and exercise of stock-based awards using the treasury stock method.

A reconciliation of the numerator and the denominator used in the calculation of basic and diluted net income per common share is as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Basic net income per common share:				
Net income	$ 16,557	$ 8,523	$ 25,528	$ 12,485
Shares used in computation:				
Weighted-average common shares outstanding	45,596	42,764	45,484	42,612
Basic net income per common share	$ 0.36	$ 0.20	$ 0.56	$ 0.29
Diluted net income per common share:				
Net income	$ 16,557	$ 8,523	$ 25,528	$ 12,485
Shares used in computation:				
Weighted-average common shares outstanding	45,596	42,764	45,484	42,612
Dilutive stock-based awards	4,297	5,251	4,598	5,142
Weighted-average number of diluted common shares	49,893	48,015	50,082	47,754
Diluted net income per common share	$ 0.33	$ 0.18	$ 0.51	$ 0.26

The computation of diluted net income per common share for the three and six months ended June 30, 2011 excluded 0.7 million shares as their impact was anti-dilutive. The computation of diluted net income per common share for the three and six months ended June 30, 2010 excluded 0.4 million shares as their impact was anti-dilutive.

4. COMPREHENSIVE INCOME

Comprehensive Income

The components of comprehensive income are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$ 16,557	$ 8,523	$ 25,528	$ 12,485
Changes in unrealized gain on available for sale securities, net	—	18	—	48
Foreign currency translation adjustment	(103)	—	382	—
Comprehensive income	$ 16,454	$ 8,541	$ 25,910	$ 12,533

5. CREDIT FACILITY

On September 9, 2010, the company entered into a three-year $100.0 million principal amount senior secured revolving credit facility with Bank of America, N.A., as administrative agent, and certain other financial institutions (the “Credit Facility”). Borrowings under the Credit Facility may be used to finance the on-going working capital needs of the company and its subsidiaries and for general corporate purposes, including permitted business acquisitions, capital expenditures and authorized share repurchases. As of June 30, 2011, no borrowings were outstanding under the Credit Facility. The Credit Facility contains financial and other covenants, and the company was in compliance with all of these covenants at June 30, 2011.

6. STOCKHOLDERS' EQUITY

On April 28, 2011, the company's board of directors authorized the repurchase of up to $125.0 million in shares of the company's outstanding common stock. The shares may be repurchased from time to time through April 30, 2012 in the open market or in privately negotiated transactions. Any share repurchases are expected to be funded using cash on hand and the company's existing credit facility. During the six months ended June 30, 2011, the company repurchased approximately 1.2 million shares in a private, non-underwritten transaction with selling stockholders, comprised of the company's chief executive officer and affiliates of Spectrum Equity V, L.P., for $50.0 million, and repurchased approximately 0.8 million shares in the open market for $28.1 million. These shares were recorded as treasury stock at cost. At June 30, 2011, $46.9 million remained available for repurchases of common stock under this authorization.

7. STOCK-BASED AWARD PLANS

The company grants stock options and other stock-based awards, including RSUs, to employees, directors and consultants under the 2009 Stock Incentive Plan (the "2009 Plan"). The 2009 Plan is subject to an automatic annual increase provision on the first day of each fiscal year. On January 1, 2011, the number of shares available for stock-based awards under the 2009 Plan increased by 1.8 million shares. As of June 30, 2011, 3.8 million shares were available for stock-based awards under the 2009 Plan.

Stock Options

Stock options granted generally vest over four years. A summary of stock option activity for the six months ended June 30, 2011 is as follows (shares in thousands):

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	7,792	$ 6.07
Granted	315	38.96
Exercised	(1,967)	5.09
Canceled	(119)	6.14
Outstanding at June 30, 2011	6,021	8.10
Exercisable at June 30, 2011	4,060	5.37
Vested and expected to vest	5,856	8.11

As of June 30, 2011, the company had $9.4 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 3.4 years. The weighted average remaining contractual life of stock options outstanding at June 30, 2011 was 6.3 years. The total intrinsic values of stock options outstanding and stock options exercisable as of June 30, 2011 were $200.4 million and $146.2 million, respectively. The total intrinsic value of stock options exercised during the six months ended June 30, 2011 was $65.0 million.

The company estimates the fair value of each stock option on the date of grant using the Black-Scholes option-pricing model. The weighted average grant date fair values of stock options granted during the six months ended June 30, 2011 and 2010 were $15.24 and $5.43, respectively. The following weighted average assumptions were used in the calculations for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30,	
	2011	2010
Expected volatility	42.0%	40%
Expected term (in years)	5.0	4.0
Weighted average risk-free interest rate	1.8%	1.9%
Weighted average fair value of the underlying common stock	$ 38.96	$ 16.07
Expected dividends	—	—

Restricted Stock Units

During the six months ended June 30, 2011, the company also granted time-based and performance-based RSUs representing the right to receive one share of the company's common stock under the 2009 Plan. Time-based RSUs generally vest over three to four years. Performance-based RSUs vest subject to the achievement of certain predetermined performance goals and employment over the requisite service period. For the six months ended June 30, 2011, the number of shares of performance-based RSUs granted was de minimis.

The following table summarizes RSU activity for the six months ended June 30, 2011 (RSUs in thousands):

	Number of RSUs	Weighted Average Grant Date Fair Value
Restricted stock units outstanding at December 31, 2010	677	$ 20.75
Granted	483	37.05
Vested	(41)	16.63
Forfeited	(33)	22.49
Restricted stock units outstanding at June 30, 2011	1,086	28.10

As of June 30, 2011 the company had $23.4 million of total unrecognized compensation expense, net of estimated forfeitures, related to RSUs. The unrecognized compensation expense is expected to be recognized over a weighted average period of 3.7 years.

Summary of Stock-Based Compensation Expense

Stock-based compensation expense was included in the following statements of income captions (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Cost of subscription revenues	$ 85	$ 49	$ 147	$ 77
Technology and development	911	490	1,687	887
Marketing and advertising	383	118	708	186
General and administrative	822	605	1,384	1,116
Total stock-based compensation expense	$ 2,201	$ 1,262	$ 3,926	$ 2,266

8. INCOME TAXES

The company is subject to income taxes in U.S. and foreign jurisdictions and to continual examination by tax authorities. 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 June 30, 2011 and December 31, 2010 were $1.0 million and $0.9 million, respectively. The gross uncertain tax positions, if recognized, would result in the reduction of tax expense.

9. COMMITMENTS AND CONTINGENCIES

From time to time, the company is a party to or otherwise involved in legal proceedings or other legal matters that arise in the ordinary course of business or otherwise. 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 and expense growth;
- the pool of our potential subscribers;
- our ability to attract and retain subscribers and their choices of subscription package;
- our ability to manage growth, including adding employees and facilities;
- our ability to generate additional revenues on a cost-effective basis;
- our ability to acquire content and make it available online;
- our ability to enhance the subscribers' experience with added tools and features and provide value;
- our success with respect to any future or recent acquisitions;
- our international expansion plans;
- our ability to adequately manage costs and control margins and trends;
- our investments in content and technology and the success of our promotional programs and new products;
- our development of brand awareness;
- our competitive position;
- our liquidity and working capital requirements and the availability of cash and credit;
- our plans to repurchase shares of our common stock;
- fluctuations in our business, including the impact of the television show "Who Do You Think You Are?;"
- the impact of external market forces;
- the impact of claims or litigation; and
- the impact of potential legislation and regulatory changes on privacy, subscription renewal or other aspects of our business.

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. 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 nearly 1.7 million paying subscribers around the world as of June 30, 2011. We offer access on a subscription basis to an extensive collection of billions of historical records that we have digitized, indexed and made available online over the past 14 years. 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. These subscribers are our primary source of revenues. We believe 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 by offering a superior value proposition to anyone interested in learning more about their family history.

The following discussion and analysis is based on 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, 2010 (the "2010 Annual Report").

Recent Developments

Share Repurchase Program

On April 28, 2011, our board of directors authorized the repurchase of up to $125.0 million in shares of our outstanding common stock. The shares may be repurchased from time to time through April 30, 2012 in the open market or in privately negotiated transactions. Any share repurchases are expected to be funded using cash on hand and our existing credit facility. During the six months ended June 30 2011, we repurchased approximately 1.2 million shares in a private, non-underwritten transaction with selling stockholders, comprised of our chief executive officer and affiliates of Spectrum Equity V, L.P., for $50.0 million, and we repurchased approximately 0.8 million shares in the open market for $28.1 million. These shares were recorded as treasury stock at cost. At June 30, 2011, $46.9 million remained available for repurchases of common stock under this authorization.

Key Business Metrics

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

- *Total subscribers.* A subscriber is an individual who pays for renewable access or redeems a gift subscription to one of our Ancestry.com Web sites. Total subscribers is defined as the number of subscribers at the end of the quarter.
- *Gross subscriber additions.* A gross subscriber addition is a new customer who purchases a subscription or redeems a gift subscription to one of our Ancestry.com Web sites, net of subscriber returns.
- *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 gross 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 gross subscriber additions in the quarter. 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 quarter from subscriptions to one of the Ancestry.com Web sites divided by the average number of subscribers in the quarter, divided by three. The average number of subscribers for the quarter is calculated by taking the average of the beginning and ending number of subscribers for the quarter.

Our key business metrics are presented for the three months ended June 30, 2011, March 31, 2011 and June 30, 2010:

	Three Months Ended		
	June 30, 2011	March 31, 2011	June 30, 2010
Total subscribers at end of quarter	1,672,319	1,615,169	1,310,562
Gross subscriber additions	321,687	424,531	290,589
Monthly churn	4.6%	3.7%	4.3%
Subscriber acquisition cost	$ 81.23	$ 69.56	$ 74.04
Average monthly revenue per subscriber	$ 18.88	$ 18.05	$ 18.02

Components of Condensed Consolidated Statements of Income

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 and consist primarily of annual and monthly subscriptions, net of estimated cancellations. We typically charge our subscribers' credit cards for their subscriptions at the commencement of the subscription period and at each renewal date (whether annual, monthly or other), unless they cancel their subscription before the renewal date. The amount of unrecognized revenues is recorded in deferred revenues. Subscription revenues also include revenues related to subscriptions to our non-Ancestry.com Web sites.

A majority of our subscription revenues is 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 revenues by geographic region:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
United States	$ 73,296	$ 54,110	$ 136,970	$ 98,514
United Kingdom	11,722	9,965	22,918	19,682
All other countries	11,689	6,469	22,002	11,908
Total subscription revenues	$ 96,707	$ 70,544	$ 181,890	$ 130,104

Product and other revenues. Product and other revenues include sales of desktop software (Family Tree Maker), physical delivery of copies of historical vital records (birth, marriage and death certificates), DNA testing (Ancestry.com DNA), advertising, digitization services, genealogical research services and other products and services. Revenues related to these products are recognized upon shipment of product or fulfillment of services, as applicable.

Expenses

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.

Costs of Revenues

Cost of subscription revenues. Cost of subscription revenues consists of Web server operating costs, including depreciation and software licensing on Web servers and related equipment and Web hosting costs, personnel-related costs for Web hosting and subscriber services personnel, amortization of our content database costs, credit card processing fees and royalty costs on certain content licensed from others.

Cost of product and other revenues. Cost of product and other revenues consists of our direct costs to purchase products, shipping costs, personnel-related costs of digitization services and genealogical research personnel and credit card processing fees.

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 have hired and plan to hire a significant number of technology and development employees during 2011. In many cases, we have been filling open positions with individuals with more specialized experience than in the past, and we have found that competition for qualified technology and development personnel has increased during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. Due to these factors, we have experienced increases in technology and development personnel-related expenses, and we expect these expenses to continue to increase for the remainder of 2011.

Marketing and advertising. Marketing and advertising expenses consist primarily of direct expenses related to television and online advertising and personnel-related expenses. Marketing and advertising costs are principally incurred in the United States, United Kingdom, Australia and Canada. Media rates increased in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, and we expect to continue to see increases in these rates. NBC has announced that they have renewed a third season of the television show “Who Do You Think You Are?,” and we have signed an agreement to continue our involvement in the show, including production research. We currently expect the third season of the show will begin to air in the first quarter of 2012. Nevertheless, we can provide no assurance that NBC will air a third season of the show. NBC began re-airing episodes of the second season in July 2011. We do not expect the repeated episodes will have a significant impact on our quarterly or full year results of operations.

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 outside services costs, consisting primarily of consultant, legal and accounting fees, and other general corporate expenses. Due to our continued business growth, we have hired additional personnel to support the expansion. As a result, we expect general and administrative personnel-related expenses to continue to increase for the remainder of 2011.

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, resulting from business acquisitions.

Interest and Other Expense, Net and Income Tax Expense

Interest and other expense, net. Interest and other expense, net includes interest expense associated with the amortization of deferred financing costs related to our credit facility and other financing liabilities and, in 2010, the interest expense associated with our long-term debt. Also included are interest income earned on cash and cash equivalents, any short-term investments, and other income and expenses, including foreign currency exchange gains and losses.

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 income as a percentage of revenues for the three and six months ended June 30, 2011 and 2010. 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		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues:				
Subscription revenues	95.5%	94.7%	94.6%	93.7%
Product and other revenues	4.5	5.3	5.4	6.3
Total revenues	100.0	100.0	100.0	100.0
Costs of revenues:				
Cost of subscription revenues	13.9	15.1	14.6	16.4
Cost of product and other revenues	1.8	1.7	1.9	2.0
Total cost of revenues	15.7	16.8	16.5	18.4
Gross profit	84.3	83.2	83.5	81.6
Operating expenses:				
Technology and development	14.1	13.4	14.5	14.3
Marketing and advertising	29.9	32.9	33.3	33.8
General and administrative	10.0	10.8	10.1	11.4
Amortization of acquired intangible assets	4.2	4.9	4.5	5.3
Total operating expenses	58.2	62.0	62.4	64.8
Income from operations	26.1	21.2	21.1	16.8
Interest and other expense, net	(0.4)	(2.0)	(0.2)	(1.8)
Income before income taxes	25.7	19.2	20.9	15.0
Income tax expense	(9.4)	(7.8)	(7.6)	(6.0)
Net income	16.3	11.4	13.3	9.0

Revenues, Cost of Revenues and Gross Profit

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
	(In thousands)			(In thousands)		
Revenues:						
Subscription revenues	$ 96,707	$ 70,544	37.1%	$ 181,890	$ 130,104	39.8%
Product and other revenues	4,601	3,916	17.5	10,446	8,777	19.0
Total revenues	101,308	74,460	36.1	192,336	138,881	38.5
Cost of revenues:						
Cost of subscription revenues	14,111	11,228	25.7	27,998	22,729	23.2
Cost of product and other revenues	1,841	1,280	43.8	3,669	2,774	32.3
Total cost of revenues	15,952	12,508	27.5	31,667	25,503	24.2
Gross profit	$ 85,356	$ 61,952	37.8	$ 160,669	$ 113,378	41.7
Gross profit percentage	84.3%	83.2%		83.5%	81.6%	

Subscription revenues

For the three months ended June 30, 2011, our subscription revenues increased $26.2 million compared to the three months ended June 30, 2010. The increase 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. Net subscriber additions increased due in part to continued marketing efforts, including the airing of NBC's television show "Who Do You Think You Are?," offset by the impact of monthly churn. Average monthly revenue per subscriber increased in the three months ended June 30, 2011 primarily due to both increases in the percentage of overall subscribers that are monthly subscribers and the percentage of overall subscribers' packages that are premium packages, both of which provide greater monthly revenues than other subscriptions. The percentage of overall subscribers that are monthly subscribers increased to 33% at June 30, 2011 from 30% at June 30, 2010. The percentage of overall subscribers' packages that are premium packages increased to 46% at June 30, 2011 from 43% at June 30, 2010.

For the six months ended June 30, 2011, our subscription revenues increased $51.8 million compared to the six months ended June 30, 2010. The increase was driven by the same factors that influenced the three-month results.

Product and other revenues

For the three months ended June 30, 2011, our product and other revenues increased $0.7 million compared to the three months ended June 30, 2010. The increase was primarily due to $0.5 million of digitization services revenue from iArchives, which we acquired in the fourth quarter of 2010, and a $0.3 million increase in revenues related to our Family Tree Maker desktop software.

For the six months ended June 30, 2011, our product and other revenues increased $1.7 million compared to the six months ended June 30, 2010. The increase was primarily due to $1.3 million of digitization services revenue from iArchives, which we acquired in the fourth quarter of 2010.

Cost of subscription revenues

For the three months ended June 30, 2011, our cost of subscription revenues increased $2.9 million compared to the three months ended June 30, 2010. The increase was primarily due to an increase of $0.8 million in Web server operating costs partly attributable to greater user traffic volumes, an increase of $0.7 million in our credit card processing fees reflecting higher transaction volumes as a result of growth in total subscribers, an increase of $0.6 million in our personnel-related costs reflecting additional Web hosting support personnel and an increase of $0.4 million in content database amortization due to continued investment in content database costs.

For the six months ended June 30, 2011, our cost of subscription revenues increased $5.3 million compared to the six months ended June 30, 2010. The increase was primarily due to an increase of $1.6 million in our credit card processing fees reflecting higher transaction volumes as a result of growth in total subscribers, an increase of $1.5 million in Web server operating costs partly attributable to greater user traffic volumes, an increase of $1.0 million in our personnel-related costs reflecting additional Web hosting support personnel and an increase of $0.8 million in content database amortization due to continued investment in content database costs.

Cost of product and other revenues

For the three months ended June 30, 2011, our cost of product and other revenues increased $0.6 million compared to the three months ended June 30, 2010. For the six months ended June 30, 2011, our cost of product and other revenues increased $0.9 million compared to the six months ended June 30, 2010. These increases were primarily due to the costs associated with iArchives' digitization services and ProGenealogists' genealogical research, both of which businesses were acquired in the second half of 2010.

Operating Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
	(In thousands)			(In thousands)		
Operating expenses:						
Technology and development	$ 14,242	$ 9,992	42.5%	$ 27,910	$ 19,919	40.1%
Marketing and advertising	30,250	24,490	23.5	64,058	46,936	36.5
General and administrative	10,111	8,032	25.9	19,468	15,774	23.4
Amortization of acquired intangible assets	4,297	3,679	16.8	8,567	7,358	16.4
Total operating expenses	$ 58,900	$ 46,193	27.5	$ 120,003	$ 89,987	33.4

Technology and development

For the three months ended June 30, 2011, our technology and development expenses increased $4.3 million compared to the three months ended June 30, 2010. The increase was primarily the result of an increase in personnel-related expenses of $3.1 million primarily resulting from a 20% increase in the average number of technology and development personnel during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. In many cases, we have been filling open positions with individuals with more specialized experience than in the past, and have found that competition for qualified technology and development personnel has increased during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. In addition, costs of third-party service providers increased $0.8 million primarily due to incremental outsourced product quality assurance services and research and development costs for new products and features.

For the six months ended June 30, 2011, our technology and development expenses increased $8.0 million compared to the six months ended June 30, 2010. The increase was primarily the result of an increase in personnel-related expenses of $6.2 million resulting from a 21% increase in the average number of technology and development personnel during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. In many cases, we have been filling open positions with individuals with more experience than in the past, and have found that competition for qualified technology and development personnel has increased during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. Further, costs of third-party service providers increased $1.1 million primarily due to incremental outsourced product quality assurance services and research and development costs for new products and features. In addition, depreciation expense related to technology and development increased $0.3 million.

Marketing and advertising

For the three months ended June 30, 2011, our marketing and advertising expenses increased $5.8 million compared to the three months ended June 30, 2010. The increase was primarily due to an increase of $5.5 million in television ad campaigns primarily resulting from our expanded marketing efforts in both domestic and international markets and increased advertising and product integration costs incurred in connection with the second season of "Who Do You Think You Are?," which reflected higher rates compared to the first season of the show. In addition, paid search increased $1.0 million and personnel-related costs increased $1.0 million primarily due to a 17% increase in the average number of marketing and advertising personnel during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. These increases were partially offset by reductions of $1.7 million in online display advertising and affiliate expenses.

For the six months ended June 30, 2011, our marketing and advertising expenses increased $17.1 million compared to the six months ended June 30, 2010. The increase was primarily due to an increase of $13.5 million in television ad campaigns, an increase of $3.6 million in paid search, an increase of $1.7 million in sponsorship expense and an increase of $0.7 million in print advertising. These increases primarily resulted from our expanded marketing efforts in both domestic and international markets and increased advertising and product integration costs incurred in connection with the second season of "Who Do You Think You Are?," which reflected higher rates compared to the first season of the show. In addition, personnel-related costs increased $2.2 million primarily due to a 16% increase in the average number of marketing and advertising personnel during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. These increases were partially offset by reductions of $4.7 million in online display advertising and affiliate expenses.

General and administrative

For the three months ended June 30, 2011, our general and administrative expenses increased $2.1 million compared to the three months ended June 30, 2010. The increase was primarily the result of an increase of $1.4 million in personnel-related costs resulting from a 15% increase in the average number of general and administrative personnel during the three months ended June 30, 2011 as compared the three months ended June 30, 2010. In addition, we incurred $0.4 million in costs related to the registration of securities in an underwritten secondary offering of our common stock on behalf of certain existing stockholders.

For the six months ended June 30, 2011, our general and administrative expenses increased $3.7 million compared to the six months ended June 30, 2010. The increase was primarily the result of an increase of $1.8 million in personnel-related costs resulting from a 14% increase in the average number of general and administrative personnel during the six months June 30, 2011 as compared to the six months ended June 30, 2010. In addition, certain administrative expenses increased $1.5 million and we incurred $0.4 million in costs related to the registration of securities in the underwritten secondary offering of our common stock on behalf of certain existing stockholders.

Amortization of acquired intangible assets

For the three months ended June 30, 2011, our amortization of acquired intangible assets increased $0.6 million compared to the three months ended June 30, 2010. For the six months ended June 30, 2011, our amortization of acquired intangible assets increased $1.2 million compared to the six months ended June 30, 2010. These increases were primarily due to the amortization of intangible assets acquired as part of business acquisitions in the second half of 2010. Certain intangible assets are amortized on an accelerated basis resulting in higher amortization expense earlier in the intangible assets' useful lives.

Interest and Other Expense, Net and Income Tax Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
	(In thousands)			(In thousands)		
Interest and other expense, net	$ (429)	$ (1,429)	(70.0)%	$ (536)	$ (2,573)	(79.2)%
Income tax expense	(9,470)	(5,807)	63.1	(14,602)	(8,333)	75.2
Other data:						
Effective tax rate	36.4%	40.5%		36.4%	40.0%	

Interest and other expense, net

For the three months ended June 30, 2011, our interest and other expense, net decreased $1.0 million compared to the three months ended June 30, 2010. For the six months ended June 30, 2011, our interest and other expense, net decreased $2.0 million compared to the six months ended June 30, 2010. These decreases were primarily due to a decrease in interest expense reflecting our having no long-term debt outstanding at June 30, 2011.

Income tax expense

Our effective income tax rate decreased by 4.1 percentage points for the three months ended June 30, 2011 compared to the three months ended June 30, 2010. Our effective income tax rate decreased by 3.6 percentage points for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The decreases were primarily due to our recognizing research and development tax credits and tax benefits resulting from stock-based compensation expense related to disqualifying dispositions of incentive stock options in the three and six months ended June 30, 2011. In addition, state effective income tax rates decreased in the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 primarily due to changes in the state tax apportionment factors resulting from recently legislated changes.

Other Financial Data

In addition to our results discussed above determined under accounting principles generally accepted in the United States of America ("GAAP"), 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 and six months ended June 30, 2011 and 2010, our net income, adjusted EBITDA and free cash flow were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
	(In thousands)			(In thousands)		
Net income	$ 16,557	$ 8,523	94.3%	$ 25,528	$ 12,485	104.5%
Adjusted EBITDA(1)	38,421	25,270	52.0	64,026	42,283	51.4
Free cash flow(2)	27,131	14,446	87.8	45,874	25,856	77.4

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

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

Adjusted EBITDA and free cash flow are financial data that are not calculated in accordance with GAAP. The table below 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; and in communications with our board of directors concerning our financial performance. Adjusted EBITDA together with revenues has also been used as a financial performance objective in determining the bonus pool under our recent performance incentive programs. 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, impairment of intangible assets and stock-based compensation expense 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.

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 content database costs, property and equipment;
- 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, amortization and impairment of intangible assets and acquired in-process research and development are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for these replacements; and
- 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 the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
Reconciliation of adjusted EBITDA and free cash flow to net income:				
Net income	$ 16,557	$ 8,523	$ 25,528	$ 12,485
Interest and other expense, net	429	1,429	536	2,573
Income tax expense	9,470	5,807	14,602	8,333
Depreciation	3,188	2,740	6,452	5,604
Amortization	6,576	5,509	12,982	11,022
Stock-based compensation expense	2,201	1,262	3,926	2,266
Adjusted EBITDA	$ 38,421	$ 25,270	$ 64,026	$ 42,283
Capitalization of content database costs	(4,204)	(2,349)	(9,951)	(5,141)
Purchases of property and equipment	(3,693)	(2,221)	(4,418)	(3,628)
Cash paid for interest	(111)	(476)	(226)	(1,477)
Cash paid for income taxes	(3,282)	(5,778)	(3,557)	(6,181)
Free cash flow	$ 27,131	$ 14,446	$ 45,874	$ 25,856

Liquidity and Capital Resources

As of June 30, 2011, we had $171.0 million of total liquidity, comprised of $71.0 million in cash and cash equivalents and the ability to borrow $100.0 million under a three-year $100 million principal amount senior secured revolving credit facility with Bank of America, N.A., as administrative agent, and certain other financial institutions. Cash and cash equivalents are comprised of high quality investments including money market funds. Note 2 of the accompanying Notes to our Condensed Consolidated Financial Statements in this Quarterly Report describes further the composition of our cash and cash equivalents. Note 6 to the Consolidated Financial Statements included in our 2010 Annual Report describes further the terms of our revolving credit facility. Our primary source of cash in the periods presented in this Quarterly Report (described in further detail below) was net cash provided by operating activities.

Our primary uses of cash include operating costs such as personnel-related expenses, marketing and advertising, capital expenditures related to content databases, property and equipment and Web hosting costs. We also use cash for other purposes including repurchases of shares of our common stock, business acquisitions and expansion of new markets and businesses. During 2010, we used cash to repay our prior credit facility. Our future capital requirements may vary significantly from those now planned and will depend on many factors, including:

- the levels of advertising and promotion required to retain and acquire subscribers;
- the development of new services;
- market acceptance of our services;
- the launch of additional services and improvement of our competitive position in the marketplace;
- the level of new content acquisition required to retain and acquire subscribers;
- the expansion of our development and marketing organizations;
- our engaging in future business acquisitions;

- amounts we must spend to integrate and operate acquired businesses;
- future stock repurchases by us (including under our current $125.0 million stock repurchase authorization, of which $46.9 million remains available for repurchases);
- the building of infrastructure necessary to support our growth; and
- our relationships with subscribers and vendors.

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 have also increased our investments in content databases and property and equipment in the first half of 2011 compared to the first half of 2010, and we expect to continue to increase our investments in these categories in the remainder of 2011 compared to 2010. We expect cash on hand, cash provided by operating activities and available credit from our credit facility will provide adequate funds for operating and recurring cash needs (*e.g.*, working capital and capital expenditures) for at least the next 12 months.

Summary cash flow information for cash and cash equivalents and short-term investments for the three and six months ended June 30, 2011 and 2010 is set forth below. For the purpose of this cash flow analysis, we have included highly liquid short-term investments, which we consider readily convertible to cash on a short-term basis. We consider cash, cash equivalents and short-term investments in evaluating our overall cash position.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
	(In thousands)			(In thousands)		
Net cash and cash equivalents and short-term investments provided by (used in):						
Operating activities	$ 31,584	$ 23,032	37%	$ 67,985	$ 57,554	18%
Investing activities	(7,897)	(4,552)	73	(14,369)	(8,721)	65
Financing activities	(54,927)	(12,509)	339	(48,139)	(15,153)	218
Effect of changes in foreign currency exchange rates on cash and cash equivalents and short-term investments	(4)	—	N/M	23	—	N/M
Increase (decrease) in cash and cash equivalents and short-term investments	$ (31,244)	$ 5,971	(623)	$ 5,500	$ 33,680	(84)

Cash Flow Analysis

Net cash provided by operating activities

For the three months ended June 30, 2011, net cash provided by operating activities was $31.6 million, an increase of $8.6 million compared to the three months ended June 30, 2010. 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 $16.6 million for the three months ended June 30, 2011, an increase of $8.0 million over the three months ended June 30, 2010. Our non-cash expenses, including depreciation, amortization of content database costs, amortization of acquired intangible assets, amortization of deferred financing costs, deferred income taxes and stock-based compensation expense totaled $10.0 million, an increase of $1.4 million over the three months ended June 30, 2010. Our net cash provided as a result of changes in accounts payable and other liabilities and excess tax benefits from stock-based compensation totaled $8.2 million, an increase of $7.5 million over the three months ended June 30, 2010 primarily due to the increase in employee payroll taxes that we withheld as a result of the net share settlement of stock-based awards and increased payables resulting from the increase in operating expenses in the three months ended June 30, 2011. Net cash used as a result of changes in income tax receivable increased $8.7 million primarily due to stock-based award benefits in the three months ended June 30, 2011, partially offset by income tax expense. The change in our deferred revenues, which represents cash received from subscribers but not yet recognized in revenues, totaled $5.1 million, an increase of $0.4 million over the three months ended June 30, 2010.

For the six months ended June 30, 2011, net cash provided by operating activities was $68.0 million, an increase of $10.4 million compared to the six months ended June 30, 2010. Net income was $25.5 million for the six months ended June 30, 2011, an increase of $13.0 million over the six months ended June 30, 2010. Our non-cash expenses, including depreciation, amortization of content database costs, amortization of acquired intangible assets, amortization of deferred financing costs, deferred income taxes and stock-based compensation expense totaled $20.5 million, an increase of $3.4 million over the six months ended June 30, 2010. Our net cash provided as a result of changes in accounts payable and other liabilities and excess tax benefits from stock-based compensation totaled $2.7 million, a decrease of $1.9 million from the six months ended June 30, 2010. Net cash used as a result of changes in income tax receivable increased $8.8 million primarily due to stock-based award benefits in the six months ended June 30, 2011, partially offset by income tax expense. Our net cash provided by the changes in other operating assets totaled $1.6 million, a decrease of $1.1 million from cash provided by changes in these assets of $2.7 million for the six months ended June 30, 2010. The change in our deferred revenues, which represents cash received from subscribers but not yet recognized in revenues, totaled $24.9 million, an increase of $5.8 million over the six months ended June 30, 2010. This increase primarily reflects subscriber growth and subscription package mix during the six months ended June 30, 2011. Subscriber growth increased deferred revenues due to the impact of overall subscription volume on revenues. The increase in the percentage of overall subscription packages that are premium packages also drove the increase as premium packages provide more revenue per subscription. The effect of these increases was partially offset by the increase in the percentage of overall subscribers that are monthly subscriptions, as monthly subscriptions provide less deferred revenues than annual subscriptions.

Net cash used in investing activities

For the three months ended June 30, 2011, net cash used in investing activities totaled $7.9 million, an increase of $3.3 million compared to the three months ended June 30, 2010. Net cash used in investing activities consisted of investments in content databases and property and equipment for both three month periods. For the three months ended June 30, 2011 compared to the three months ended June 30, 2010 investments in content databases and property and equipment increased $1.8 million and $1.5 million, respectively.

For the six months ended June 30, 2011, net cash used in investing activities totaled $14.4 million, an increase of $5.6 million compared to the six months ended June 30, 2010. Net cash used in investing activities consisted of investments in content databases and property and equipment for both six month periods. For the six months ended June 30, 2011 compared to the six months ended June 30, 2010 investments in content databases and property and equipment increased $4.8 million and $0.8 million, respectively. We increased our investment in content databases primarily through increased content acquisitions of our core content (*i.e.* , census and vital records) in the first half of 2011 and second half of 2010.

Net cash used in financing activities

For the three months ended June 30, 2011, net cash used in financing activities totaled $54.9 million, an increase of $42.4 million compared to $12.5 million in the three months ended June 30, 2010. Net cash used in financing activities consisted primarily of repurchases of shares of our common stock of $78.1 million, which was partially offset by an increase in proceeds from stock option exercises of $2.4 million and an increase in excess tax benefits from stock-based compensation of $12.8 million. In the three months ended June 30, 2010, net cash used in financing activities included $20.9 million of principal payments on long-term debt, which we did not have outstanding at June 30, 2011.

For the six months ended June 30, 2011, net cash used in financing activities totaled $48.1 million, an increase of $33.0 million compared to $15.2 million in the six months ended June 30, 2010. Net cash used in financing activities consisted primarily of repurchases of shares of our common stock of $78.1 million, which was partially offset by an increase in proceeds from stock option exercises of $5.0 million and an increase in excess tax benefits from stock-based compensation of $16.9 million. In the six months ended June 30, 2010, net cash used in financing activities included $23.8 million of principal payments on long-term debt, which we did not have outstanding at June 30, 2011.

Contractual Obligations

In June 2011, we entered into a lease to relocate our San Francisco, California office to a new office space beginning in 2012. The new space is significantly larger than our current office space in San Francisco and has rent payments totaling $15.6 million through 2019. The new lease will be accounted for as an operating lease and we will recognize rent expense on a straight line basis beginning with our occupation of the space, expected to begin in May 2012. This new lease will increase total minimum annual rental payments as disclosed in the December 31, 2010 Annual Report by the following amounts:

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Operating leases	$ 15,597	$ —	$ 2,839	$ 4,250	$ 8,508

There have been no other significant changes to our contractual obligations since December 31, 2010. While we also expect to enter into a short-term lease in order to accommodate our current office space requirements in San Francisco until our new San Francisco office discussed above is available for occupancy, we do not believe that this will have a significant impact on our contractual obligations.

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 GAAP. 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, expenses and related disclosures. These estimates and assumptions are often based on historical experience and judgments that we believe to be reasonable under the circumstances at the time made. However, all such estimates and assumptions are inherently uncertain and unpredictable and actual results may differ. 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. We consider the assumptions and estimates associated with recoverability of indefinite-lived and long-lived assets, the period of amortization of our content database 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 2010 Annual Report. There have been no changes to our significant accounting policies since December 31, 2010 except as discussed in Note 1 to the condensed consolidated financial statements of this Quarterly Report.

Performance-Based Restricted Stock Units

During 2011, we began issuing performance-based restricted stock units (“RSUs”) to certain company personnel. Performance-based RSUs vest subject to the achievement of certain predetermined performance goals and employment over the requisite service period. The amount of stock-based compensation expense recognized in any one period for such performance-based RSUs is derived from the fair value of the RSUs and can vary based on the achievement or anticipated achievement of these goals. The fair value of each RSU is based on the closing price of the company’s common stock on the date of grant. If a performance goal is not met or is not expected to be met, we recognize no compensation expense on the underlying RSUs, and any previously recognized compensation expense on those RSUs is reversed in the period that our expectations change. For the six months ended June 30, 2011, the number of performance-based RSUs granted was de minimis.

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

We are exposed to market risks in the ordinary course of our business which currently are comprised primarily of foreign currency exchange rate risks. For financial market risks related to foreign currency exchange rates, refer to Item 7A “Quantitative and Qualitative Disclosures about Market Risk” contained in Part II of our 2010 Annual Report. Our exposure to market risk has not changed significantly since December 31, 2010.

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 the company 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 June 30, 2011 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 revenues 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 to attract new 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 $150.6 million in 2006 to $300.9 million in 2010, representing a compound annual growth rate of 18.9%. In the three and six months ended June 30, 2011, our revenues grew 36% and 38% over the three and six months ended June 30, 2010. We may not be able to sustain our recent growth rate in future periods and you should not rely on the revenue growth of these periods or any prior period 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, 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 cancellation, or churn, our revenues and business may be harmed.

We must continually add new subscribers both to replace subscribers who choose to cancel their subscriptions and to grow our business beyond our current subscriber base. Subscribers choose to cancel their subscriptions for many reasons, including a desire to reduce discretionary spending, a perception that they do not have sufficient time to use the service or otherwise 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 to cancel their subscription at any time prior to the renewal date. When we add subscribers as rapidly as we did in the first quarters of 2011 and 2010, which corresponded with the airing of seasons one and two of NBC's television show "Who Do You Think You Are?," the rate of subscriber cancellation, or churn, may also increase as it did in the second quarters of 2011 and 2010. In these periods, churn rose to 4.6% and 4.3%, respectively, from 3.7% and 3.3% in the first quarters of 2011 and 2010, respectively. 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 may 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 may 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 revenues, churn and revenue visibility.

A majority of our subscribers has annual subscriptions. At any point in time, however, the majority of new subscribers generally signs up for monthly subscriptions and may or may not choose to renew. We generally experience higher rates of churn for monthly subscribers than for annual subscribers. As of June 30, 2011, the percentage of overall subscribers that were monthly subscribers had increased by 3 percentage points to 33% at June 30, 2011 from 30% at June 30, 2010. If this trend continues, more of our revenues 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 revenues and churn.

Additionally, the largely annual commitments of our subscribers enhance our near-term visibility on our revenues, which we believe enables 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 revenues, 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 represent a majority of our subscriptions, a large portion of our revenues for each quarter reflects deferred revenues 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 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 fixed-cost and performance-based marketing and advertising programs to promote our products and services, and we periodically adjust our mix of marketing and advertising programs. We have 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 potentially less effective marketing and advertising channels. Television advertising comprises a large percentage of our marketing and advertising expense, 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 revenues associated with such expenses, as in the case of television programming, and our marketing and advertising expenditures may not continue to result in increased revenues 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, as 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 have begun to distribute free software applications as part of our marketing efforts to retain and attract new subscribers. If service providers involved in the distribution of our free applications were to impose fees or commissions upon us in connection with the applications, with or without our consent, we may be forced to cease distributing the applications through the service providers or have limited information about our customers, forcing us to incur additional expense to distribute our applications and obtain customer information, which could adversely affect our financial condition and results of operations.

We cannot predict whether the television show "Who Do You Think You Are?" will continue to have an impact on our business in the future .

We have purchased product integration in all three seasons of the television show "Who Do You Think You Are?" in the United States, including seasons one and two, which aired in 2010 and 2011 respectively, and season three, which NBC announced for the upcoming 2011-2012 television season. Although the airing of this series, together with our increased television advertising, caused increased interest in our core business that resulted in a greater number of subscribers, we cannot guarantee that the show will have a long-term favorable effect on our net income. We cannot assure you that NBC will air any future seasons of the show, including the third season or, if they do, that we will always participate. If we do not receive lasting benefits from "Who Do You Think You Are?," or if the show does not continue to be well received or cancelled, it could have a negative effect on our business and our stock price. If NBC were to air the third season of "Who Do You Think You Are?" late in 2011, instead of in 2012 as currently expected, we would likely incur expenses earlier than anticipated, which would likely have a negative impact on our 2011 results of operations.

Because we generate substantially all of our revenues 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 revenues to decline.

We generate substantially all of our revenues 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 revenues 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 revenues and net income. 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, including through the television show "Who Do You Think You Are?;"

- the appeal, reliability and performance 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, substantially all of our revenues are from subscribers in the United States, the United Kingdom, and to a lesser extent, Canada and Australia. Consequently, a decrease of interest in and demand for online family history services, or increased competition, in these countries could have a disproportionately greater impact on us than if our geographical mix of revenues were to be 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, cultural and commercial 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. 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 “vital records” content — namely, historical 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 some cases, we have to lobby for legislation to be changed or otherwise work to surmount administrative or other bureaucratic hurdles 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 the rights to digitize that content, even on a non-exclusive basis, they may 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. Conversely, the owners of historical records may allow more than one party to digitize those records and our competitors may digitize and make available the same content that we offer. In some cases, acquisition of content involves competitive bidding, and we may 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 these 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.

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 that begin expiring as soon as 2012, and which have varying automatic extension periods. 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 over $100 million to acquire and develop content, including content acquired through business acquisitions, and we 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 a substantial portion 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.

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 license or lend their content to us.

We face competition from a number of different sources, and our failure to compete effectively could adversely impact our revenues, results of operations and financial condition.

We face competition in our business from a variety of organizations, some of which provide genealogical records free of charge. We expect competition to increase in the future. Many external factors, including the cost of marketing, content acquisition and technology and our current and future competitors' pricing and marketing strategies, can significantly affect our competitive strategies, including pricing. Some of our competitors provide genealogical records free of charge. If we fail to meet our subscribers' expectations, we could fail to retain existing or attract new subscribers, either of which could harm our business and results of operations.

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 thousands of family history centers located throughout the world. FamilySearch is a well-funded organization and is undertaking a large-scale digitization project to make its collection available online. FamilySearch could partner with commercial entities to broaden the distribution of its records.

- 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 or that partner with commercial entities to make their records widely-available. For example, Yad Vashem, a Jerusalem-based archive devoted to the documentation, research, education and commemoration of the Holocaust, has partnered with Google to facilitate free online access to the world's largest historical collection on the Holocaust.

We expect our competition to grow, both through industry consolidation and the emergence of new participants. Our future competitors may include other Internet-based and offline businesses, governments and other entities. The market for Internet-based services evolves at a very rapid pace and our competitors may offer products and services that are superior to any of our products and services. In addition, Internet business models are constantly changing. The online family history market could move to an advertising-supported model to the detriment of our subscription-based model. Our competitors may have greater resources, more well-established brand recognition or more sophisticated technologies, such as search algorithms, than we do. Additionally, our competitors may more easily obtain relevant records in domestic and international markets or offer new categories of content, products or services before us, or at lower prices, which may give them a competitive advantage in attracting subscribers. 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. If we do not compete effectively, our ability to retain and expand our subscriber base, and our revenues, results of operations and financial condition, could be adversely affected.

Our failure to attract, integrate and retain highly qualified personnel in the future could harm our business.

To execute our growth plan, we must attract and retain 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-based awards they may receive in connection with their employment. Accounting principles generally accepted in the United States relating to the expensing of stock-based awards may discourage us from granting the size or type of awards that job candidates may require to join our company. If our stock price declines, we may face increased difficulty attracting and retaining personnel through the use of stock-based awards. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

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, will continue to place similar strains on our personnel, technology and infrastructure. Our full-time employee headcount increased 20% in 2010 and another 13% through the first half of 2011, and we plan to continue to hire aggressively in the remainder of 2011. Particularly when adding staff quickly, we may not make optimal hiring decisions or may not integrate personnel effectively. A sudden increase in the number of our 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 personnel and capital investments will increase our cost base, which, if we fall short of anticipated revenue growth, will make it more difficult to decrease expenses 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.

Subscribers 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 depend 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 subscribers from accessing our data and using our products and services. Problems with the reliability or security of our systems may harm our reputation and require disclosure to our lenders, 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 Salt Lake City, 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 subscribers, and a total failure of our systems at both sites could cause our Web sites to be inaccessible by our subscribers. 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.

Businesses or technologies we acquire 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, as we did in 2010. While we have engaged in acquisitions in the past, our experience with integrating and managing acquired businesses or assets is still limited. 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 recent or 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 or borrowings under our credit facility or otherwise to fund the acquisition or for unanticipated expenses;
- inability to effectively operate the new business;
- exposure to unknown liabilities, including litigation, against the companies we acquire;
- additional costs due to differences in culture, geographical locations and duplication of key talent;
- acquisition-related accounting charges affecting our balance sheet and results of operations;
- difficulty integrating the financial reports of the acquired business in our consolidated financial statements and implementing our internal controls in the acquired business;
- potential impairment of goodwill and acquired intangible assets;
- 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.

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, we have launched Web sites directed at Canada, Australia, Sweden, Germany, France, Italy and China and launched our global Mundia.com Web site. As of June 30, 2011, approximately 29% of subscribers to our Ancestry.com Web sites, and, for the six months ended June 30, 2011, approximately 25% of our subscription revenues were from locations outside the United States. We are subject to many of the risks of doing business internationally, including the following:

- exposure to foreign currency exchange rate fluctuations;
- compliance with changing tax laws and the interpretation of those laws;

- compliance with changing and conflicting legal and regulatory regimes;
- compliance with U.S. laws affecting operations outside of the U.S., including the Foreign Corrupt Practices Act;
- compliance with varying and conflicting intellectual property laws;
- difficulties in staffing and managing international operations;
- prevention of business or user fraud; and
- effective implementation of internal controls and processes across diverse operations and a dispersed employee base.

We anticipate that our continuing international expansion will 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 or achieve our subscriber acquisition or other goals. For some international markets, customer preferences and buying behaviors may be different than those in our current markets, and we may use business models that are different from our traditional subscription models. Our revenues from new foreign markets may not exceed the costs of acquiring, establishing, marketing and maintaining international offerings, and therefore may not be profitable on a sustained basis, if at all. The risks of international expansion include:

- difficulties in developing and marketing our offerings and brands as a result of distance, language and cultural differences;
- more stringent consumer and data protection laws;
- inability to effectively deal with local socio-economic and political conditions;
- technical difficulties and costs associated with the localization of our service offerings;
- strong local competitors; and
- lack of experience in certain geographical markets.

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

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 brand 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, which could harm our revenues, results of operations and financial condition.

Our future growth may differ materially from our historic growth rates and our projections, which could harm our results of operations and financial condition.

Online family history research is a relatively young industry. 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.

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, cross-platform compatibility, systems capacity and processing speed; 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, 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 an 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, almost all 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, cash flows 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 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 could have a severe, negative impact on our ability to collect revenues from subscribers.

Almost all 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 increase the prices we charge for our products and services or negatively impact 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 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 collect revenues from subscribers.

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

Our quarterly and annual 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 operating results as indicators of future performance. Our operating results depend on numerous factors, many of which are outside of our control. For the reasons set forth in this Risk Factors section 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 revenues and operating results in the future may differ materially from the expectations of management or investors.

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 or states or jurisdictions in which we already pay tax may increase the amount of taxes we are required to pay. 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, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage registered users from purchasing from us or otherwise substantially harm our business and results of operations.

Our credit facility contains a number of financial and operating covenants which could limit our flexibility in operating our business.

Our credit facility contains a number of financial and operating covenants that could limit our flexibility in operating our business, including a covenant to maintain a specified ratio of a measure of certain funded indebtedness (excluding subordinated indebtedness) to a measure of EBITDA (as EBITDA is defined in our credit facility) and a covenant to maintain a specified ratio of a measure of EBITDA to a measure of fixed charges.

As of June 30, 2011, we had no borrowings outstanding under our credit facility. Our future 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, if any; and
- make it more difficult to pursue strategic acquisitions, alliances and collaborations.

Any obligations under our credit facility are secured by collateral, which includes substantially all of our assets, including our intellectual property. If we draw funds under our credit facility and we are not able to satisfy our obligations under the credit facility, the lenders could exercise their rights under the credit facility, including taking control of the collateral, including our intellectual property, which would have a material adverse effect on our business. In addition, we cannot assure you that our lenders will have sufficient liquidity to provide funds to us if and when we seek to borrow under the credit facility.

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

For the six months ended June 30, 2011, approximately 22% of our total revenues were received, and approximately 17% 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 revenues and results of operations. If the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will result in decreased revenues, operating expenses and net income. We may not be able to offset adverse foreign currency impact with increased subscription pricing or volume. 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 revenues earned in foreign currencies. 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.

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 one we recently experienced. Although we did not experience a material increase in subscription cancellations or a material reduction in subscription renewals during that downturn, we may yet be impacted 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, we have already seen a rise in media prices, including television advertising, and prices may further increase if the economy continues to recover or grow, 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 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, product development or technology personnel could disrupt our operations and have an adverse effect on our ability to operate our business.

We have made significant estimates in calculating our income tax provision and other tax assets and liabilities. If these estimates are incorrect, our operating results and financial condition may be adversely affected.

We are subject to regular review and audit by both domestic and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our operating results and financial condition. In addition, the determination of our provision for income taxes and other tax assets and liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain at the present time. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may have an adverse effect on our operating results and financial condition.

Expenses or liabilities 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 revenues, 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. We cannot 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. Many of our trademarks contain words or terms having a somewhat common usage and, as a result, we may have difficulty registering them in certain jurisdictions. Although we possess intellectual property rights in some aspects of our digital content, search technology, software products and digitization and indexing processes, 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. However, 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 in all instances, 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, revenues, 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, revenues, 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, content indexes, 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 valid 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 may negatively impact our ability to compete.

We have registered domain names for Web site destinations that we use in our business, such as Ancestry.com, Ancestry.co.uk and iArchives. 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. Although 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 Common Stock and Corporate Structure

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 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 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.

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.

The market price of shares of our common stock could be subject to wide fluctuations in response to many risks listed herein and others beyond our control, including:

- actual or anticipated fluctuations in our key operating metrics, financial condition and operating results;
- a greater than expected gain or loss of existing subscribers;
- a 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 revenues 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 common stock by us or others; or market reaction to announced repurchases of common stock by us;
- announcements from, or operating results of, our competitors; or
- general economic and market conditions.

Furthermore, during the last few years, the stock markets have 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 may be affected by 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.

Financial forecasting by us and financial analysts who may publish estimates of our performance may differ materially from actual results.

Given the dynamic nature of our business, the current uncertain economic climate and the inherent limitations in predicting the future, forecasts of our revenues, gross margin, operating expenses, number of paying subscribers and other financial and operating data may differ materially from actual results. Such discrepancies could cause a decline in the trading price of our common stock.

Spectrum Equity Investors and its affiliates own a substantial portion 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 June 30, 2011, Spectrum Equity Investors V, L.P. and certain of its affiliates beneficially owned in the aggregate shares representing approximately 29% 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 could have influence over 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.

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

Share repurchase activity during the three months ended June 30, 2011 is summarized as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
	(In thousands, except per share data)			
April 1- 30, 2011	—	—	—	$ 125,000
May 1-31, 2011	1,322	$ 40.19	1,322	71,877
June 1-30, 2011	666	37.51	666	46,905
Total shares repurchased	1,988	39.29	1,988	

(1) On April 28, 2011, our board of directors authorized the repurchase of up to $125.0 million in shares of our outstanding common stock. The shares may be repurchased from time to time through April 30, 2012 in the open market or in privately negotiated transactions.

Item 6. ***Exhibits***

Exhibit Number	Exhibit Description
10.1*	First Amendment, dated as of April 8, 2011, to Credit Agreement, dated as of September 9, 2010, among Ancestry.com Operations Inc., certain domestic subsidiaries of Ancestry.com Operations Inc., Bank of America, N.A. and certain other lender parties thereto.
10.2	Second Amendment, dated as of June 10, 2011, to Credit Agreement, dated as of September 9, 2010, among Ancestry.com Operations Inc., certain domestic subsidiaries of Ancestry.com Operations Inc., Bank of America, N.A. and certain other lender parties thereto.
10.3	Joinder Agreement, dated as of April 28, 2011, by and between Ancestry.com DNA LLC and Bank of America, N.A.
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
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

* Incorporated by reference to exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on May 3, 2011 (File No. 001-34518).

** 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.

*** In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

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: August 2, 2011

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

Dated: August 2, 2011

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

EXHIBIT INDEX

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* Incorporated by reference to exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on May 3, 2011 (File No. 001-34518).

** 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.

*** In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

Exhibit 10.2

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT dated as of June 10, 2011 (the " Agreement ") is entered into among Ancestry.com Operations Inc., a Delaware corporation (the " Borrower "), the Guarantors, the Lenders party hereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrower, the Guarantors, the Lenders and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer entered into that certain Credit Agreement dated as of September 9, 2010 (as amended or modified from time to time, the " Credit Agreement "); and

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment . A new sentence is hereby added at the end of Section 8.17 of the Credit Agreement to read as follows:

Notwithstanding the foregoing prohibitions, it is understood and agreed that Holdings may Guarantee Indebtedness and other obligations of any other Loan Party so long as such Guarantee would otherwise be permitted by the terms of this Agreement and that Holdings may enter into any agreement evidencing any such Guarantee.

2. Conditions Precedent . This Agreement shall be effective upon the receipt by the Administrative Agent of counterparts of this Agreement duly executed by the Borrower, the Guarantors, the Required Lenders and Bank of America, N.A., as Administrative Agent.

3. Miscellaneous .

(a) The Credit Agreement, as modified hereby, and the obligations of the Loan Parties thereunder and under the other Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms.

(b) Each Guarantor (a) acknowledges and consents to all of the terms and conditions of this Agreement, (b) affirms all of its obligations under the Loan Documents as modified hereby and (c) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Credit Agreement or the other Loan Documents.

(c) The Borrower and the Guarantors hereby represent and warrant as follows:

(i) Each Loan Party has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(ii) This Agreement has been duly executed and delivered by the Loan Parties and constitutes each of the Loan Parties' legal, valid and binding obligations, enforceable in accordance with its terms.

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by any Loan Party of this Agreement.

(d) The Loan Parties represent and warrant to the Lenders that (i) the representations and warranties of the Loan Parties set forth in Article VI of the Credit Agreement and in each other Loan Document are true and correct in all material respects as of the date hereof with the same effect as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate solely to an earlier date and (ii) no event has occurred and is continuing which constitutes a Default or an Event of Default.

(e) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopy shall be effective as an original and shall constitute a representation that an executed original shall be delivered.

(f) **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

[Signature pages follow]

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER:

ANCESTRY.COM OPERATIONS INC.,
a Delaware corporation

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

HOLDINGS:

ANCESTRY.COM INC.,
a Delaware corporation

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

GUARANTORS:

TGN SERVICES, LLC,
a Delaware limited liability company

By: /s/ Howard Hochhauser
Name: Howard Hochhauser
Title: Manager

IARCHIVES, INC.,
a Utah corporation

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

ANCESTRY.COM DNA, LLC,
a Delaware limited liability company

By: /s/ Howard Hochhauser
Name: Howard Hochhauser
Title: Manager

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Brenda H. Little
Name: Brenda H. Little
Title: Vice President

LENDERS:

BANK OF AMERICA, N.A.,
as a Lender, Swing Line Lender and L/C Issuer

By: /s/ Tasneem A Ebrahim
Name: Tasneem A. Ebrahim
Title: Senior Vice President

ZIONS FIRST NATIONAL BANK,
as a Lender

By: /s/ Jim C. Stanchfield
Name: Jim C. Stanchfield
Title: Vice President

MORGAN STANLEY BANK,
as a Lender

By: /s/ Sharon Bazbaz
Name: Sharon Bazbaz
Title: Authorized Signatory

Exhibit 10.3

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (the " Agreement ") dated as of April 28, 2011 is by and between Ancestry.com DNA, LLC, a Delaware limited liability company (the " New Subsidiary "), and Bank of America, N.A., in its capacity as Administrative Agent under that certain Credit Agreement dated as of September 9, 2010 (as amended, modified, supplemented or extended from time to time, the " Credit Agreement ") among Ancestry.com Operations Inc., a Delaware corporation (the " Borrower "), the Guarantors, the Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Loan Parties are required by Section 7.12 of the Credit Agreement to cause the New Subsidiary to become a "Guarantor" thereunder. Accordingly, the New Subsidiary hereby agrees as follows with the Administrative Agent, for the benefit of the holders of the Obligations:

1. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Credit Agreement and a "Guarantor" for all purposes of the Credit Agreement, and shall have all of the obligations of a Guarantor thereunder as if it had executed the Credit Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Guarantors contained in the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, the New Subsidiary hereby jointly and severally together with the other Guarantors, guarantees to each Lender and the Administrative Agent, as provided in Article IV of the Credit Agreement, the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof.

2. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Security Agreement and a "Grantor" for all purposes of the Security Agreement, and shall have all the obligations of a Grantor thereunder as if it had executed the Security Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Security Agreement. Without limiting the generality of the foregoing terms of this paragraph 2, the New Subsidiary hereby grants to the Administrative Agent, for the benefit of the holders of the Obligations, a continuing security interest in, and a right of set off against, any and all right, title and interest of the New Subsidiary in and to the Collateral (as defined in the Security Agreement) of the New Subsidiary to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Secured Obligations (as defined in the Security Agreement).

3. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Pledge Agreement and a "Pledgor" for all purposes of the Pledge Agreement, and shall have all the obligations of a Pledgor thereunder as if it had executed the Pledge Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Pledge Agreement. Without limiting the generality of the foregoing terms of this paragraph 3, the New Subsidiary hereby grants, pledges and assigns to the Administrative Agent, for the benefit of the holders of the Obligations, a continuing security interest in any and all right, title and interest of the New Subsidiary in and to the Equity Interests identified on Schedule 6 hereto and all other Pledged Collateral (as defined in the Pledge Agreement) of the New Subsidiary to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Secured Obligations (as defined in the Pledge Agreement).

4. The New Subsidiary hereby represents and warrants to the Administrative Agent and the Lenders that:

(a) The New Subsidiary's exact legal name and state of formation are as set forth on the signature pages hereto.

(b) The New Subsidiary's taxpayer identification number and organization number are set forth on Schedule 1 hereto.

(c) Other than as set forth on Schedule 2 hereto, the New Subsidiary has not changed its legal name, changed its state of formation, been party to a merger, consolidation or other change in structure in the five years preceding the date hereof.

(d) Schedule 3 hereto includes all of the IP Rights registered or pending registration with the United States Copyright Office or the United States Patent and Trademark Office and owned by the New Subsidiary as of the date hereof. None of the IP Rights of the New Subsidiary set forth in Schedule 3 hereto is subject to any licensing agreement or similar arrangement, except as set forth on Schedule 3 hereto.

(e) Schedule 4 hereto includes all Commercial Tort Claims asserted in any judicial action before any Governmental Authority by or in favor of the New Subsidiary as of the date hereof.

(f) Schedule 5 hereto lists all real property located in the United States that is owned or leased by the New Subsidiary as of the date hereof.

(g) Schedule 6 hereto lists each Subsidiary of the New Subsidiary, together with (i) jurisdiction of formation, (ii) number of shares of each class of Equity Interests outstanding, (iii) the certificate number(s) of the certificates evidencing such Equity Interests and number and percentage of outstanding shares of each class owned by the New Subsidiary (directly or indirectly) of such Equity Interests and (iv) number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto.

5. The address of the New Subsidiary for purposes of all notices and other communications is the address designated for all Loan Parties on Schedule 11.02 to the Credit Agreement or such other address as the New Subsidiary may from time to time notify the Administrative Agent in writing.

6. This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

7. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the New Subsidiary has caused this Joinder Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the holders of the Obligations, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

ANCESTRY.COM DNA, LLC,
a Delaware limited liability company

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

Acknowledged and accepted:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Brenda H. Little
Name: Brenda H. Little
Title: Vice President

Schedule 1

Taxpayer Identification Number; Organizational Number

Federal Taxpayer Identification Number: 27-5466780
Delaware Organizational Number: 4946660

Schedule 2

Changes in Legal Name or State of Formation;
Mergers, Consolidations and other Changes in Structure

None.

Schedule 3

IP Rights

None.

Schedule 4

Commercial Tort Claims

None.

Schedule 5

Real Property Locations

None.

Schedule 6

Equity Interests

None.

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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: August 2, 2011

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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: August 2, 2011

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 June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ancestry.com Inc.

Dated: August 2, 2011

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 June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ancestry.com Inc.

Dated: August 2, 2011

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