RIGHTSIDE GROUP, LTD.

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

or

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

For the transition period from to

Commission file number 001-36262

RIGHTSIDE GROUP, LTD.

(Exact name of registrant as specified in its charter)

Delaware	**32-0415537**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5808 Lake Washington Blvd. NE, Suite 300
Kirkland, WA 98033
(Address of principal executive offices and zip code)

(425) 298-2500
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	The NASDAQ Stock Market LLC

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

None.

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

As of June 30, 2016, the aggregate market value of the registrant's common stock, $0.0001 par value, held by non-affiliates of the registrant was approximately $205.3 million based upon the closing sale price of the common stock on that date on The NASDAQ Stock Market LLC.

As of March 2, 2017, there were 19,639,505 shares of the common stock, $0.0001 par value, outstanding.

Documents Incorporated by Reference

Part III of this Annual Report on Form 10-K incorporates by reference portions of the registrant's Proxy Statement for its 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

RIGHTSIDE GROUP, LTD.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, are forward-looking statements. Forward-looking statements are identified by words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “will,” “may,” and other similar expressions. These forward-looking statements include, but are not limited to:

- our future operating results, including our expectations regarding total revenue, operating margins and net loss;
- trends in sales, marketing, technology, development and general and administrative expenses as a percentage of our revenue;
- our ability to develop, maintain and grow significant market share for our generic Top Level Domains (“gTLDs”) in a competitive environment;
- our ability to attract new customers and to retain existing customers;
- the implementation of our business model and strategic plans for our business, including our ability to improve margin structure through pricing optimization and cost reduction initiatives;
- our expectations regarding the level of consumer demand for new gTLDs and our ability to capitalize on this demand;
- the possibility that acquisitions and divestitures may not achieve their intended benefits, and involve unexpected costs or delays;
- our ability to generate sufficient cash flows to implement our business strategy;
- legal, regulatory, accounting and tax developments, including additional requirements imposed by changes in federal, state or foreign laws and regulations;
- our strategic relationships, including with the Internet Corporation for Assigned Names and Numbers (“ICANN”);
- our ability, or our third party advertising partners’ ability, to adapt to policy changes by online networks;
- our ability to enter into and maintain agreements on favorable terms with commercial partners, including with registry operators, registrars, service providers and distributors;
- our ability to effectively manage our growth;
- our ability to enhance our existing products and services and introduce new products and services;
- our ability to evaluate and respond to unsolicited proposals to acquire certain of our assets;
- our ability to adequately protect our intellectual property rights;
- the impact of our share repurchase program;
- our ability to timely and effectively maintain, scale and adapt our existing technology and network infrastructure and security;
- our ability to hire and retain key personnel, and attract qualified officers and directors; and
- the impact of actions by stockholder activists.

You shoul d not rely upon forward-looking statements as guarantees of future performance. We have based these forward-looking statements largely on our estimates of our financial results and our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncert ainties and assumptions, including those described in the section entitled “Item 1A. Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to pr edict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the f orward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason after the date of this Annual Report on Form 10-K, except as required by law.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the U.S. Securities and Exchange Commission (the “SEC”) with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

As used in this report, “Rightside,” the “Company,” “our,” “we,” or “us” and similar terms include Rightside Group, Ltd. and its subsidiaries, unless the context indicates otherwise. “Rightside” and our other trademarks appearing in this report are our property. This report contains additional tradenames and trademarks of other companies. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

Item 1. Business

Our Mission

Our mission is to advance the way businesses and consumers define and present themselves online.

Overview

We are a Delaware corporation headquartered in Kirkland, Washington. Prior to August 1, 2014, we were a wholly-owned subsidiary of Demand Media, Inc., now known as Leaf Group Ltd (“Demand Media”). On August 1, 2014, Demand Media separated into two independent companies: Demand Media and Rightside (the “Separation”). Upon completion of the Separation, Rightside became an independent, publicly-traded company on the NASDAQ Global Select Market (“NASDAQ”) under the symbol “NAME.”

On January 20, 2017, we completed the divestiture (the “eNom Divestiture”) of eNom, Incorporated (“eNom”), our wholly-owned registrar services business, to Tucows Inc. (“Tucows”). eNom’s registrar services business provides infrastructure services that enable a network of active resellers to offer domain name registration services to their customers. As part of the eNom Divestiture, Tucows also acquired eNom’s interest in its joint venture with Web.com for NameJet, LLC (“NameJet”), which offers domain name auction services to consumers. All references made to financial data, non-financial metrics and our business in this Annual Report on Form 10-K are to the Company’s continuing operations (after giving effect to the eNom Divestiture), unless specifically noted. eNom’s revenue was $155.8 million for 2016. See Note 3—Business Divestiture within the accompanying consolidated financial statements for additional information.

Our Company

As a leading provider of domain name services, we enable businesses and consumers to find, establish, and maintain their digital address—the starting point for connecting with their online audience. Millions of digital destinations, and businesses and consumers rely upon our comprehensive platform for the discovery, registration, usage and monetization of domain names. As a result, we are a leader in the multi-billion dollar domain name services industry, with a complete suite of services that our customers use as the foundation to build their entire online presence.

We are a leading domain name registry with a portfolio of 40 gTLDs acquired through ICANN's expansion of new gTLDs (the "New gTLD Program"). To date, we have launched all 40 of our gTLDs into the market, including .LIVE, .NEWS, and .ROCKS. Our registry services business continues to build a diverse distribution network of over 135 ICANN accredited registrars, including Name.com, eNom and GoDaddy, as well as other complementary distribution partners such as website builders and email service providers that offer our gTLD domain names to businesses and consumers. Furthermore, our distribution network includes registrars and other partners in international markets, positioning our company to capture additional sales on a global scale. In addition to operating our own registry, we provide technical back-end infrastructure services to Donuts Inc. ("Donuts"), a third-party operator of new gTLDs.

Our retail registrar, Name.com, directly offers domain name registration services to more than 248,000 consumers and businesses worldwide. As of December 31, 2016, we had approximately 2.1 million domain names under management. Our domain name registration and related services, as well as our developed proprietary tools and services enable us to identify and acquire, as well as monetize and sell, domain names, both for our own portfolio of domain names as well as for our customers' domain names.

The combination of our registry and registrar services businesses makes us a leading provider of end-to-end domain name services. This uniquely positions us to capitalize on the New gTLD Program because we can distribute owned and third-party gTLDs through our retail registrar brand, Name.com, and our third-party registrar distribution channel.

We generate the majority of our revenue through domain name registration subscriptions, including registrations of domain names for our owned gTLDs, and related value-added services. We also generate revenue from advertising on, and from the sale of, domain names that are registered to our customers or ourselves. Our business model is characterized by non-refundable, up-front payments, which lead to recurring revenue and positive operating cash flows. We had revenue of $62.1 million, net loss of $33.7 million and adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") of $9.2 million for 2016. See the section entitled "Item 6. Selected Financial Data" for a reconciliation of Adjusted EBITDA to the closest comparable measure calculated in accordance with generally accepted accounting principles in the United States ("GAAP").

Where You Can Find More Information

We make available, free of charge, through our investor relations website, *www.rightside.market* , our annual reports, quarterly reports, current reports, proxy statements and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the SEC. These reports may also be obtained without charge by contacting Investor Relations, Rightside Group, Ltd., 5808 Lake Washington Blvd. NE, Suite 300, Kirkland, WA 98033. Our internet website and the information contained therein or incorporated therein are not intended to be incorporated into this report. In addition, the public may read and copy any materials we file or furnish with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549 or may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Moreover, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding reports that we file or furnish electronically with them at *www.sec.gov.*

Industry Overview

The starting point for any online presence is a web address, or domain name. This address is the digital destination for a business or consumer to connect with its intended audience online. As internet usage has grown, more businesses and consumers are registering and renewing unique domain names. These customers are served by four distinct industry segments, as discussed more fully below, that cover the entire life cycle of a domain name: Domain Name Registries, Domain Name Registrars, Premium Domain Name Service Providers and Domain Name Technology Service Providers.

Internet Usage and Domain Name Services Industry Growth

People around the world rely upon the internet in nearly all aspects of their lives, from education to news to entertainment to commerce. The vast online audience and the utility afforded by the internet means that finding and establishing a relevant online presence is more important than ever. In order to establish an online presence, a business or consumer must first find and register a domain name, such as " *www.rightside.co* ."

According to VeriSign's Domain Name Industry Brief published in February 2017, as of December 31, 2016, more than 329 million total domain names were registered worldwide, of which approximately 142 million end in either .COM or .NET gTLD suffixes. As of December 31, 2016, the total number of registered domain names increased more than 6% over the same period in the prior year with approximately half of the growth driven by new gTLDs. In addition, .COM and .NET renewal rates averaged approximately 73% as of December 31, 2016. For the year ended December 31, 2016, we estimate that more than 108 million new domain name registrations occurred.

Market research suggests there is significant growth potential remaining in domain name registrations, even in developed markets like the United States where there is a high penetration rate of broadband access and many businesses have been online for well over a decade. For example, according to a small business survey issued by Capital One in December 2016, 44% of small businesses in the United States still do not have a website for their business. In addition, many regions of the world lag significantly behind in the availability and adoption of the internet, making the international marketplace a large potential opportunity for domain name registrations as consumers and businesses establish an online presence. For example, according to a report issued in July 2016 by the China Internet Network Information Center, China had the largest number of internet users in the world, with 710 million as of June 2016, representing only 51.7% of the country's population. The market potential is apparent, and more recently, China has become a significant source of domain name registration growth.

Over the past few years, consumers and businesses have found it increasingly difficult to find an available domain name that accurately reflects their brand and identity. Recognizing this, ICANN unveiled a plan to greatly expand the internet namespace with the New gTLD Program, designed to increase choice and innovation in the domain name services industry. This is a significant opportunity for new growth from businesses and consumers who desire relevant domain names that best represent their online endeavors.

New gTLD Opportunity

In 2011, ICANN unveiled the New gTLD Program to significantly expand the universe of gTLDs that are available for businesses and consumers to register as part of a domain name. Since October 2013, over 820 new gTLDs have been launched and more than 27.8 million domain names have been registered under the New gTLD Program. Of those domain names registered, more than 2.7 million operate on Rightside's registry platform. Our registrar platform offers over 430 of the new gTLDs launched in the market to date. The expanded internet domain namespace provides a number of benefits to both the domain name registrant and its target audience. First, descriptive gTLDs, such as .LAWYER or .CONSULTING, create a more natural categorization scheme that makes it easier for websites to convey their topic area or purpose and better connect with their intended audience. Second, the growing number of available domain extensions allows brands and individuals to create more memorable calls to action, drive more traffic to their website and microsites, and deliver a better user experience with a website name that is more in line with their brand presence. Third, the introduction of Internationalized Domain Names has enabled registrants to register domain names in languages other than English, including Chinese and German, and the registrants' audiences are finally able to navigate to these sites using their native languages. Lastly, these versatile tech tools are ushering in a new wave of creativity as new business models are developed that capitalize on the opportunities presented by an expanded namespace and the internet.

Although the market for new gTLDs is still in its early stage, we are positioning ourselves as market leaders in driving new gTLD growth. We view this challenge as a tremendous opportunity to continue to fuel our performance within the industry, focusing our marketing efforts to increase awareness of our new gTLDs specifically, as well as new gTLDs in general.

Domain Name Services Industry Segments

Four distinct industry segments serve the needs of domain name customers (i.e., resellers and domain name registrants). Many industry participants operate primarily within just one of these segments while Rightside operates across all four segments. The four primary domain name services industry segments are:

- *Domain Name Registries* : Registries maintain the system of record for the registration of domain names associated with a given Top Level Domain ("TLD") (such as .COM, .ORG, or .DE), set wholesale pricing and establish key policies for the eligibility for registering a domain name for the applicable TLD. Examples of registries include Rightside Registry, the registry for our new gTLDs like .LIVE and .NEWS, and VeriSign, the registry for .COM, .NET, and .NAME.

- *Domain Name Registrars* : Registrars register domain names on behalf of customers with the relevant registry. Registrars set wholesale and retail prices and maintain the ongoing business relationships with resellers and registrants, but pay fees to the relevant registry, as well as to ICANN for the TLDs administered by ICANN, for each domain name registered. Examples of domain name registrars include Rightside's Name.com and GoDaddy.

- *Premium Domain Name Service Providers* : These companies specialize in the sale or ongoing monetization of higher-value domain names through auctions, domain name brokerage networks and advertising services. Companies providing premium domain name services include Rightside, NameJet, as well as Sedo.

- *Domain Name Technology Service Providers* : These companies provide specialized solutions to registrars and registries that enable them to deliver the complex and high-availability services required to satisfy the requirements of registrants, ICANN and the ecosystem of industry participants. Examples of such service providers include Rightside and Neustar.

Our Services

Registry Services

Our registry, Rightside Registry, is one of the largest new gTLD registries with a portfolio of 40 gTLDs that we acquired through the New gTLD Program. We also have an interest in active applications for 10 additional gTLD applications that have yet to be awarded to their ultimate registry operator under the New gTLD Program. The services that are provided by our registry include:

- *Domain name registration:* Each registry establishes wholesale pricing for its domain names, which are then priced by the registrar for sale to its customers. Domain names are registered to customers on a subscription basis, with initial registration terms lasting from one to ten years. The full cost of the registration fee is collected up front and recognized ratably over the life of the registration. At the end of the subscription term, renewals are typically sold for the same annual wholesale price as the initial registration. Select domain names have higher initial registration prices, which may be achieved through buy it now, auction or offer/counter offer pricing mechanisms. With the strategic focus on emphasizing revenue yield and usage of our new gTLDs, Rightside Registry has further developed a premium pricing program that includes direct sales by our company and our distribution partners, as well as efforts to identify, promote and find buyers for particularly valuable names at premium prices.

- *Domain name registry platform:* We have developed a proprietary technology platform that provides high availability services associated with the registration of domain names for each of our new gTLDs. The platform makes it easy for registrars to sell and service domain names associated with our gTLDs. We have also developed attractive and innovative services such as the Domain Protected Marks List ("DPML"), a trademark rights protection mechanism that prevents the registration of second-level domain names containing a string of letters matching a registered trademark. The DPML service or "block" feature works across multiple gTLDs of participating registries. Additionally, we license our registry platform and certain related services (referred to as our back-end registry platform) to Donuts in connection with our collaboration. To date, our back-end registry platform has powered the launch for over 235 new gTLDs and more than 2.5 million domain name registrations.

Registrar Services

Our registrar brand, Name.com, provides registration services to consumers and businesses around the world and is widely recognized for its outstanding customer support. Name.com has approximately 2.1 million domain names under management and more than 248,000 customers. The services that are provided on a monthly or annual subscription basis by Name.com include:

- *Domain name look-up and registration:* We offer our customers the ability to easily search for, pre-register, register and renew domain names. Users can search for and identify an available domain name that best fits their needs, and in just a few clicks claim and register the name. In addition, we offer customers the ability to transfer the registration of domain names to us from other registrars using our automated domain name transfer service. If a domain name is currently unavailable, customers can pre-order the domain name to the extent that it becomes available in the future.

- *Value-added services:* In addition to domain name registration services, we also offer a number of other products and services designed to help our customers easily develop, enhance and protect their domain names, including the following:

  - identification protection services that help keep domain owners' information private;

  - customizable email accounts that allow customers to set up and manage multiple mailboxes associated with a domain name;

  - website builder tools to help customers easily create a professional looking web presence;

- web -hosting plans for deploying and maintaining web applications;
- URL forwarding tools that make it easy to connect a domain name to an existing online presence, such as a specific page on an existing website or profile page on a third party platform, such as Facebook; and
- third-party website security services, such as Security Socket Layer (“SSL”) certificates.

On January 20, 2017, we completed the eNom Divestiture. See Note 3—Business Divestiture within the accompanying consolidated financial statements for additional information.

Aftermarket and Other Services

We have developed several proprietary service offerings designed for marketplace participants to buy, sell and monetize high-value domain names.

- *Domain name brokerage services:* Our domain name brokerage service acquires and sells high-value domain names on the open market. Utilizing our extensive marketplace experience and proprietary techniques for discovering, analyzing and marketing high-value domain names, our domain name brokerage service connects domain name buyers with domain name sellers and negotiates transactions on behalf of either party. Individual domain names and large domain name portfolios are sold through our direct sales organization providing these brokerage services, typically for a commission earned upon the successful completion of the transaction. Historically, these brokerage services have focused on acquiring and selling an owned portfolio of domain names that end in .COM or .NET. Since the launch of our registry services business, our brokerage services team is now also focusing on domain sales of our 40 owned and operated gTLDs.
- *Monetization:* Through our monetization service, we provide a solution for domain name owners who wish to monetize traffic to their websites or domain names through advertising related services. Using a series of sophisticated algorithms and proprietary methods, relevant links and advertisements are presented to site visitors that can be dynamically optimized to improve monetization performance. Configurable site templates, free site hosting and free DNS hosting is also included in this managed service offering that is licensed on a revenue sharing basis with no set-up fees. In addition to providing this service to our customers, we also use this solution on our portfolio of domain names.

Information Technology and Systems

Our technologies include software applications built to run on independent clusters of standard and commercially available servers located at co-location facilities throughout North America and Europe. We make substantial use of off-the-shelf available open-source technologies such as Linux, PHP, MySQL and Redis, in addition to commercial platforms such as Microsoft, including Windows Operating Systems, SQL Server, and .NET. These systems are connected to the internet via load balancers, firewalls, and routers installed in multiple redundant pairs. Virtualization is heavily deployed throughout our technology architecture, which affords scaling in an efficient and cost effective manner. Enterprise class storage systems provide redundancy in order to maintain continued and seamless system availability in the event of most component failures. Furthermore, some of our infrastructure is run from cloud-based services such as Amazon Web Services and Softlayer.

Our data centers host our various public-facing websites and applications, as well as many of our back-end business intelligence and financial systems. Each of our significant websites is designed to be fault-tolerant, with collections of application servers, typically configured in a load balanced state, in order to provide additional resiliency. The infrastructure is equipped with enterprise class security solutions to combat events such as large scale distributed denial of service attacks (“DDoS”). Our environment is staffed and equipped with a full scale monitoring solution.

International Operations

We have international operations in Dublin, Ireland; Ottawa, Canada; and George Town, Grand Cayman. Our operations in Dublin primarily consist of the customer and technical support, accounting, compliance, software quality assurance and marketing functions for our registry business. Additionally, we have a wholly foreign-owned entity in Beijing, China. For information regarding risks associated with our international operations, see the section entitled "Item 1A. Risk Factors."

Intellectual Property

Our intellectual property, which consists of trade secrets, trademarks, copyrights and patents, is, in the aggregate, important to our business. We rely on a combination of trade secret, trademark, copyright and patent laws in the United States and other jurisdictions, together with confidentiality and non-disclosure agreements and technical measures, to protect the confidentiality of our proprietary rights. As of December 31, 2016, we have been granted seven patents by the U.S. Patent and Trademark Office and have two patent applications pending in the United States and other jurisdictions. Our patents expire between July 2022 and February 2031. We also have a royalty-free license to utilize an additional 40 patents that were registered in the name of Demand Media. We rely more heavily on trade secret protection than patent protection. To protect our trade secrets, we control access to our proprietary systems and technology, including our platforms, and enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality and non-disclosure agreements with other third parties.

Customers

We currently provide our registrar services to a network of more than 248,000 customers. We also generate revenue from advertising links placed on domain names owned by us and certain of our customers with whom we have revenue sharing arrangements. Revenue generated through our advertising service contract with our advertising network partner accounted for approximately 30% of our total revenue for 2016, compared to 39% for 2015.

Competition

The markets for domain name registration and web-based services are intensely competitive. Our registry business competes with existing registry operators, including VeriSign, Afilias, the Public Interest Registry, country-code TLD operators, and other new gTLD registry operators. We compete with these existing and new registry operators on the basis of price, market relevance, availability of high-quality second-level domains, bundling with other TLDs, and availability of other registry-related services, such as the Domain Protected Marks List. For our registrar business, we compete on a number of factors including price, customer service, reliability, available TLDs, and value-added services, such as email and web hosting. Our principal competitors to our registrar business include existing registrars, such as GoDaddy, Web.com and 1 & 1, some of which have more extensive value-added service offerings than we do, as well as new registrars who may enter the domain name registration business in the future.

Industry Regulation

In the United States, federal, state and local governments have adopted legislation regulating aspects of the internet such as online content, intellectual property protection, user privacy, taxation, liability for third-party activities, bulk email or "spam" advertising and legal jurisdiction, including the Communications Decency Act, the Digital Millennium Copyright Act, the Lanham Act, the CAN-SPAM Act and the Anticybersquatting Consumer Protection Act. Foreign governments also have adopted legislation addressing many of these same matters, such as the Data Protection Directive in the European Union and the Canadian Anti-Spam Law in Canada. The federal, state, local and foreign laws and regulations that apply to our business are complex and change frequently, with new laws and regulations proposed frequently and existing laws and regulations subject to different and conflicting interpretations. For example, the European Union is considering adoption of a general data protection regulation that would supersede current EU data protection legislation, impose more stringent EU data protection requirements, and provide for greater penalties for noncompliance.

Additionally, federal, state, local and foreign governments are proposing rules and regulations that affect digital commerce, including with respect to t axation of goods and services made available online. It is impossible to predict whether new taxes will be imposed on our services, and depending upon the type of such taxes, whether and how we would be affected. Increased regulation of the internet both i n the United States and abroad may decrease its growth and hinder technological development, which may negatively impact the cost of doing business via the internet or otherwise materially adversely affect our business, financial condition or operational r esults.

Compliance with complex foreign and U.S. laws and regulations that apply to our international operations and/or international domain names increases our cost of doing business in international jurisdictions and could interfere with our ability to offer our products and services in one or more countries or expose us or our employees to fines and penalties. For example, as a U.S.-based entity, we are obligated to comply with the economic sanctions and regulations administered by the U.S. Treasury and the Office of Foreign Assets Control ("OFAC"). OFAC regulations prohibit U.S.-based entities from entering into or facilitating transactions with, for the benefit of, or in some cases involving the property of, persons, governments or countries designated by the U.S. government under one or more sanctions regimes, which could include transactions that provide a benefit that is received in an OFAC designated country. We may be subject to material fines, sanctions or other penalties if certain of our domain name customers register domain names in countries that are subject to U.S. sanctions and embargoes. Furthermore, the People's Republic of China (the "PRC") requires registry operators to, among other things, obtain a government-issued license in order to provide registry services to registrars located in the PRC. Additionally, some of the products and services we provide to customers globally may require approval under U.S. export law. As the list of products and countries requiring export approval expands or changes, government restrictions on the export of software and hardware products using encryption technology may grow and become an impediment to our growth in international markets. If we do not obtain required approvals or we violate applicable laws, we may not be able to provide some of our services in international markets and may be subject to fines and other penalties.

The registration of domain names generally is governed by rules and policies developed and implemented through ICANN. ICANN maintains contracts with domain name registrars and registries through which it enforces compliance with its Consensus Policies. While these policies do not constitute law in the United States or elsewhere, they have a significant influence on the operation and future of the domain name registration system, including the operations of both registrars and registries. The regulation of domain names in the United States and in foreign countries has evolved over the past two decades and may continue to change. ICANN and other quasi-regulatory bodies and institutions could modify existing, or establish additional, requirements and policies for the registration of domain names, including those for previously registered domain names. In addition, ICANN and other institutions could adopt or promote policies, or adopt unfavorable unilateral changes to the terms of the registry agreements for new gTLDs, including gTLDs that are or have been delegated to us, which could impact how we operate our registrar and registry businesses or affect our competitive position. For example, Specification 9 of the form registry agreement for new gTLDs currently sets forth the guidelines for a vertically integrated company operating one or more registrars and one or more registries, and ICANN may materially change these guidelines or prohibit such vertical integration in the future.

In the third quarter of 2016, the U.S. Department of Commerce's National Telecommunications and Information Agency ("NTIA"), which formerly oversaw ICANN's management of the DNS, completed its transition of the IANA function to ICANN and its multi-stakeholder, private sector-led internet governance community. The NTIA no longer manages any aspect of the internet's technical infrastructure.

Employees

As of December 31, 2016, we had approximately 250 employees. Following the eNom Divestiture, we had approximately 135 employees. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We believe that relations with our employees are good.

Item 1A. Ri sk Factors

You should carefully consider the following risk factors, in addition to the other information contained in this report, including the section of this report captioned "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. If any of the events described in the following risk factors and the risks described elsewhere in this report occurs, our business, operating results and financial condition could be seriously harmed. This report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risks Relating to Our Businesses

If we are unsuccessful in marketing and selling our gTLDs or there is insufficient consumer demand for our gTLDs, our future business and results of operations would be materially and adversely affected.

Our registry services business, which derives most of its revenue from registration fees for domain names, generates a significant portion of our revenue and margin. It is unclear what the ultimate market size or demand is or will be for the new gTLDs that we offer to the market. There can be no guarantees that consumers will demand or accept new gTLDs in general or our new gTLDs in particular.

We face significant competition to our registry services business and we may not be able to develop or maintain significant market share.

Prior to the launch of the New gTLD Program, there were over 20 gTLD registries and over 290 ccTLD registries. We face competition in the registry services space from other established and more experienced operators in these service offerings, including other gTLD and ccTLD registries, as well as new entrants into the domain name services industry, some of which have greater financial, marketing and other resources. In particular, we face direct competition with other new gTLD registries offering gTLDs similar to our offerings. For example, our .DENTIST domain names compete directly with a competing registry's .DENTAL domain names.

Other registries with more experience or with greater resources may launch marketing campaigns for new or existing TLDs, which result in registrars or their resellers giving other gTLDs greater prominence on their websites, advertising or marketing materials. In addition, such registries could offer aggressive price discounts on the gTLDs they offer or bundle gTLDs as a loss leader with other services. If we are unable to match or beat such marketing and pricing initiatives, or are otherwise unable to successfully compete with other registries, we may not be able to develop, maintain and grow significant market share for our new gTLD offerings, and our business, financial condition and results of operation would be adversely affected.

Our registry services business is substantially dependent upon third-parties to market and distribute our gTLDs and we would be adversely affected if these relationships are terminated or diminished.

A large portion of our gTLD sales are made through third-party channels, including resellers currently on our platform and third-party registrars. Our distribution partners also offer our competitors' gTLDs. The extent to which our third-party distribution partners sell our gTLDs is partly a function of pricing, terms and special marketing promotions offered by us and our competitors. Our agreements with our third-party distribution partners are generally nonexclusive and may be terminated by them without cause. Our business would be adversely affected if such distribution partners chose not to offer our gTLDs in the future or chose to sell or offer greater amounts of competitive gTLDs relative to the amount of our gTLDs they sell or offer.

Our marketing efforts may not be successful or may become more expensive, either of which could increase our costs and materially and adverse ly affect our business, financial condition, results of operations, and cash flows.

We spend significant resources marketing our brands, services and new gTLDs. We rely on relationships with a wide variety of third parties, including registrars, resellers and other partners, to source new customers and to promote our new gTLDs and domain name services. In addition, from time to time, we may spend a significant amount on marketing, including through bundling, price promotions and online advertising . With any of our brands, services and new gTLDs, if our marketing activities are inefficient or unsuccessful, if important third-party relationships or marketing strategies become more expensive or unavailable, or are suspended or terminated, for any reason, our business, financial condition, results of operations, and cash flows could be materially and adversely affected.

As a new gTLD registry, we are subject to ICANN's registry agreement and governing policies, which may change to our detriment.

We are required to enter into a registry agreement with ICANN (each, a "Registry Agreement") for each new gTLD that we operate. To date, we have entered into 40 Registry Agreements. Of the 40 new gTLDs for which we are the registry operator, all of them have been delegated to us and inserted into the authoritative database for the internet, known as the "Root Zone."

We face risks arising from our Registry Agreements with ICANN, including the following:

- ICANN could adopt or promote policies, procedures or programs that in each case are inconsistent with our current or future plans, or that affect our competitive position. For example, each of the Registry Agreements contains guidelines for the operation of vertically integrated enterprises operating both a registrar and a registry. If ICANN were to materially change those guidelines or prohibit such vertical integration, such a change would materially and adversely affect our future growth, business and results of operations;

- under certain circumstances, ICANN could terminate one or more of our Registry Agreements; and

- ICANN has the right to increase the fees due from the registry operator under the Registry Agreements. The increase in these fees with respect to any gTLDs for which we act as the registry either must be included in the prices we charge to registrars or absorbed by us. If we absorb such cost increases or if increased prices to registrars act as a deterrent to registration, our profits may be adversely impacted.

If our customers do not renew their domain name registrations or if they transfer their existing registrations to our competitors and we fail to replace their business, our business would be adversely affected.

Our success depends in large part on our registry and registrar customers' renewals of their domain name registrations. Our registry customer renewal rate for expiring domain name registrations was 56.3% and 58.6% for 2016 and 2015, respectively; 2014 was the year our registry services business launched. Our registrar customer renewal rate for expiring domain name registrations was 68.4%, 70.5% and 69.1% for 2016, 2015 and 2014, respectively. If we are unable to maintain our overall renewal rates for domain name registrations or if any decrease in our renewal rates, including due to transfers, is not offset by increases in new customer growth rates, our customer base and our revenue would likely decrease. This would also reduce the number of domain name registration customers to whom we could market our other higher margin services, which could further harm our revenue and profitability, drive up our customer acquisition costs and negatively impact our operating results. Any significant decline in renewals of domain name registrations not offset by new domain name registrations would likely have an adverse effect on our business, financial condition and results of operations.

Governmental and regulatory policies or claims concerning the domain name registration system, and industry reactions to those policies or claims, may cause instability in the indust ry and negatively impact our business.

ICANN is a private sector, not-for-profit corporation formed in 1998 for the express purpose of managing a number of internet infrastructure related tasks previously performed directly by the U.S. Department of Commerce, including managing the domain name registration system ("DNS"). ICANN has been the subject of scrutiny by the public and by the United States and other governments around the world with many of those governments becoming increasingly interested in ICANN's role in internet governance. For example, the U.S. Congress held hearings to evaluate ICANN's selection process for new TLDs and its transition of the IANA functions from coordination by the U.S. Department of Commerce to ICANN. ICANN may continue to evolve both its long-term structure and mission to address perceived shortcomings such as a lack of accountability to the public and a failure to maintain a strong, effective multi-stakeholder internet governance institution.

As a key participant in the DNS, we continue to face the following risks:

- the U.S. or any other government may seek to influence ICANN's role in overseeing the security and stability of the DNS;
- the internet community, the U.S. or other governments may (1) refuse to recognize ICANN's authority or support its policies, (2) attempt to exert pressure on ICANN to implement policies favorable to certain national interests, or (3) enact laws that conflict with ICANN's policies, each of which could create challenges for companies dependent on smooth operation of the DNS;
- some of ICANN's policies and practices, and the policies and practices adopted by registries and registrars, could be found to conflict with the laws of one or more jurisdictions;
- the terms of the Registrar Accreditation Agreement (the "RAA"), under which we are accredited as a registrar, could change in ways that are disadvantageous to us or under certain circumstances could be terminated by ICANN preventing us from operating our registrar service, or ICANN could adopt unilateral changes to the RAA that are unfavorable to us, that are inconsistent with our current or future plans, or that affect our competitive position;
- international regulatory or governing bodies, such as the International Telecommunications Union or the European Union, may gain increased influence over management and regulation of certain aspects of the internet, such as data security, taxation, intellectual property rights, privacy and data protection;
- ICANN or any third-party registries may implement contract or policy changes that would impact our ability to run our current business practices throughout the various stages of the life cycle of a domain name;
- legal, regulatory or other challenges could be brought, including challenges to the agreements governing our relationship with ICANN, or to the legal authority underlying the roles and actions of ICANN or us; and
- the U.S. Congress or other legislative bodies in the United States could take action that is unfavorable to us or that influences customers to move their business from our services to those located outside the United States.

Additionally, some governments and governmental authorities outside the United States have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. government and registries relating to the DNS. The Affirmation of Commitments established several multi-party review panels and contemplates a greater involvement by foreign governments and governmental authorities in the oversight and review of ICANN. These periodic review panels may recommend changes to ICANN that are unfavorable to our business.

The occurrence of any of these events could create instability in the DNS and may make it difficult for us to introduce n ew services in our registrar and registry services business. These events could also disrupt or suspend portions of our domain name registration solution and subject us to additional restrictions on how the registrar and registry services businesses are co nducted, which would result in reduced revenue.

We may not be able to maintain our strategic relationships with third parties.

We have formed strategic alliances with certain business partners. For example, the gTLD acquisition process requires us to rely upon or negotiate and collaborate with independent third parties, including Donuts. We have also contracted to provide Donuts with registry back end infrastructure services.

There can be no assurance that these strategic partners will continue their relationships with us in the future or that we will be able to pursue our stated strategies with respect to these arrangements. Furthermore, our partners may (1) have economic or business interests or goals that are inconsistent with ours; (2) take actions contrary to our policies or objectives; (3) undergo a change of control; (4) experience financial and other difficulties; or (5) be unable or unwilling to fulfill their obligations under our agreements, which may affect our financial condition or results of operations.

In addition, we have or intend to enter into agreements with service providers or distribution partners who may partner with us in one area of our business and compete with us in other areas of our business. There can be no assurance that we will be successful in establishing or maintaining these relationships or that these relationships will be successful.

We face significant competition to our registrar service offering, which we expect will continue to intensify. We may not be able to maintain or improve our competitive position or market share.

We face significant competition from existing registrars and from new registrars that continue to enter the market. ICANN currently has over 2,900 registrars to register domain names in one or more of the gTLDs that it oversees. There are relatively few barriers to entry in this market, so as this market continues to develop we expect the number of competitors to increase. The continued entry into the domain name registration market by competitive registrars and unaccredited entities that act as resellers for registrars, and the rapid growth of some competitive registrars and resellers that have entered the market, may make it difficult for us to maintain our current market share.

The market for domain name registration and other related value-added web-based services is highly competitive and rapidly evolving. We expect competition to increase from existing competitors, as well as from new market entrants. These competitors include, among others, domain name registrars, website design firms, website hosting companies, internet service providers, internet portals and search engine companies, and include companies such as GoDaddy, Web.com, Microsoft, and Google. Some of these competitors have traditionally offered more robust value-added services, and some have greater resources, more brand recognition and consumer awareness, greater international scope and larger bases of existing customers. As a result, we may not be able to compete successfully against them in future periods.

In addition, these and other large competitors, in an attempt to gain market share, may offer aggressive price discounts on the services they offer. These pricing pressures may require us to match these discounts in order to remain competitive, which would reduce our margins, or cause us to lose customers who decide to purchase our competitors’ discounted service offerings. In light of these factors, it may become increasingly difficult for us to compete successfully.

The relevant domain name registry and the ICANN regulatory body impose a charge upon each registrar for the administration of each domain name registration. If these fees increase, it could have a significant impact upon our operating results.

Each registry typically imposes a fee in association with the registration of each domain name. We have no control over these agencies and cannot predict when they may increase their respective fees. In addition, pricing of new gTLDs is generally not set or controlled by ICANN, which could result in aggressive price increases on any particularly successful new gTLDs. The increase in these fees with respect to any gTLDs for which we do not act as the registry either must be included in the prices we charge to our service providers, imposed as a surcharge or absorbed by us. Our profits may be adversely impacted if we absorb such cost increases or if surcharges deter registration.

Our failure to register, maintain, secure, transfer or renew the domain names that we process on behalf of our customers or to provide our other services to our customers without interruption could subject us to additional expenses, claims of loss or negative publicity that would materially and adversely affect our business.

Clerical errors and system and process failures made by us may result in inaccurate and incomplete information in our database of domain names and in our failure to properly register or to maintain, secure, transfer or renew the registration of domain names that we process on behalf of our customers. In addition, any errors of this type might result in the interruption of our other services. Failure to properly register or to maintain, secure, transfer or renew the registration of our customers' domain names or to provide our other services without interruption, even if we are not at fault, may result in our incurring significant expenses and may subject us to claims of loss or to negative publicity, which could harm our business, revenue, financial condition and results of operations.

We could face liability, or our corporate image might be impaired, as a result of the activities of our customers or the content of their websites.

Our role as a registry and as a registrar of domain names and a provider of website hosting and other value-added services may subject us to potential liability for illegal activities by domain name registrants on their websites. For example, allegations of liability have been made based on domain name registrants' alleged violations of copyrights or trademarks of third parties. Plaintiffs may argue that we are responsible because we benefited from or participated in the infringing conduct. In addition, we may be embroiled in complaints and lawsuits which, even if ultimately resolved in our favor, add to our costs of doing business and may divert management's time and attention.

We provide an automated service that enables a user to register a domain name and publish its content on a website hosted on that domain name. Our registrars do not monitor or review, nor do our registrar agreements with ICANN require that we monitor or review, the appropriateness of the domain names registered by domain name registrants or the content of registrant websites, and we have no control over the activities in which our domain name registrants engage. While we have policies in place to terminate domain name registrations or to take other appropriate action if presented with a court order, governmental injunction or evidence of illegal conduct from law enforcement or a trusted industry partner, we have in the past been publicly criticized for not being more proactive in certain areas, such as policing online pharmacies acting in violation of U.S. law by consumer watchdogs, and we may encounter similar criticism in the future. This criticism could harm our reputation. Conversely, were we to terminate a domain name registration in the absence of legal compulsion or clear evidence of illegal conduct from a legitimate source, we could be criticized for prematurely and improperly terminating a domain name registered by a customer. In addition, despite the policies we have in place to terminate domain name registrations or to take other appropriate actions, customers could nonetheless engage in prohibited activities.

Finally, existing bodies of law, including the criminal laws of various states, may be deemed to apply or new statutes or regulations may be adopted in the future, impacting domain name registrants or their websites, any of which could expose us to further liability and increase our costs of doing business.

We may face liability or become involved in disputes over registration of domain names and control over websites.

As a domain name registrar, we regularly become involved in disputes over registration of domain names and we may become involved in similar disputes with our registry services business. Most of these disputes arise as a result of a third-party registering a domain name that is identical or similar to another party's trademark or the name of a living person. These disputes are typically resolved through the Uniform Domain‑Name Dispute‑Resolution Policy (the "UDRP") or the Uniform Rapid Suspension (the "URS"), ICANN's administrative processes for domain name dispute resolution, or less frequently through litigation under the Anticybersquatting Consumer Protection Act ("ACPA") or under general theories of trademark infringement or dilution. Therefore, we may face an increased volume of domain name registration disputes in the future as the overall number of registered domain names increases.

Domain name registrars also face potential tort law liability for their role in wrongful transfers of domain names. The safeguards and procedures we have adopted may not be successful in insulating us against liability from such claims in the future. In addition, we face potential liability for other forms of "domain name hijacking," including misappropriation by third parties of our network of customer domain names and attempts by third parties to operate websites on these domain names or to extort the customer whose domain name and website were misappropriated. Furthermore, our risk of incurring liability for a security breach on a customer website would increase if the security breach were to occur following our sale to a customer of a Secure Socket Layer certificate that proved ineffective in preventing the security breach. Finally, we are exposed to potential liability as a result of our private domain name registration service, wherein we become the domain name registrant, on a proxy basis, on behalf of our customers. While we have a policy of providing the underlying Whois information and reserve the right to cancel privacy services on domain names giving rise to domain name disputes, including when we receive reasonable evidence of an actionable harm, the safeguards we have in place may not be sufficient to avoid liability in the future, which could increase our costs of doing business.

As the number of available domain names with commercial value in existing TLDs diminishes over time, our domain name registration revenue and our overall business could be adversely impacted.

As the number of domain name registrations increases and the number of available domain names with commercial value in existing TLDs diminishes over time and if it is perceived that the more desirable domain names are generally unavailable (and new gTLDs are not seen as a viable alternative), fewer internet users may register domain names with us. If this occurs, our domain name registration revenue and our overall business could be adversely affected.

Changes in internet user behavior, either as a result of evolving technologies or user practices, may impact the demand for domain names.

Currently, internet users often navigate to a website either by directly typing its domain name into a web browser or through the use of a search engine. If (1) web browser or internet search technologies were to change significantly; (2) internet search engines were to change the value of their algorithms on the use of a domain name for finding a website; (3) internet users' preferences or practices were to shift away from direct navigation; (4) internet users were to significantly increase the use of web and mobile device applications to locate and access content; or (5) internet users were to increasingly use third level domains or alternate identifiers, such as social networking and microblogging sites, then in each case, the demand for domain names could decrease.

We may experience unforeseen liabilities in connection with our acquisitions of internet domain names or arising out of domain names included in our portfolio of domain names that are monetized via advertising, which could negatively impact our financial results.

Certain of our acquisitions involve the acquisition of a large portfolio of previously registered domain names. Furthermore, we have separately acquired, and may acquire in the future, additional previously registered domain names. In some cases, these acquired names may have trademark significance that is not readily apparent to us or is not identified by us in the bulk purchasing process. As a result we may face demands by third-party trademark owners asserting infringement or dilution of their rights and seeking transfer of acquired domain names under the UDRP, URS or actions under the ACPA. The potential violation of third-party intellectual property rights and potential causes of action under consumer protection laws may subject us to unforeseen liabilities including injunctions and judgments for money damages.

We depend upon the quality of traffic to our portfolio of domain names and the domain names of third parties to provide value to online advertisers who advertise on those domain names, and any failure in our quality control could materially and adversely affect the value of such domain names to our third-party advertisement distribution providers and online advertisers and thereby adversely affect our revenue.

We use technology and processes to monitor the quality of, and to identify any anomalous metrics associated with, the internet traffic that we deliver to online advertisers and to our network of customer domain names. These metrics may be indicative of low quality clicks such as non-human processes, including robots, spiders or other software, the mechanical automation of clicking, and other types of invalid clicks or click fraud. Even with such monitoring in place, there is a risk that a certain amount of low-quality traffic, or traffic that is deemed to be invalid by online advertisers, will be delivered to such online advertisers. As a result, we may be required to credit future amounts owed to us by our advertisers. Furthermore, low-quality or invalid traffic may be detrimental to our relationships with third-party advertisement distribution providers and online advertisers, and could adversely affect our revenue.

If, due to new regulations or otherwise, we are unable to acquire, renew or sell domain names, we may not be able to maintain our domain name aftermarket and advertising business.

Maintaining our domain name aftermarket and advertising services business depends on our ability to acquire domain names from a variety of sources. These sources include previously registered domain names that are not renewed at the domain name registry by the current owner, private sales of domain names, participation in domain name auctions and registering new domain names identified by us. The acquisition and renewal of domain names generally are governed by regulatory bodies. These regulatory bodies could establish additional requirements for previously registered domain names or modify the requirements for holding domain names. Any changes in the way expired registrations of domain names are made available for acquisition could make it more difficult to acquire domain names. Similarly, increasing competition from other potential buyers could make it more difficult for us to acquire domain names on a cost-effective basis. Any such adverse change in our ability to acquire high quality, previously registered domain names, as well as any increase in competition in the domain name reseller market, could materially and adversely affect our ability to maintain our domain name aftermarket and advertising business, which could adversely affect our business, financial condition and results of operations. In addition, our failure to renew our domain name registrations or any increase in the cost of renewal could materially and adversely affect our revenue and profitability.

Changes in the level of spending on online advertising a nd/or the way that online networks compensate owners of websites could impact the demand for domain names.

Many domain name registrants seek to generate revenue through advertising on their websites. Changes in the way these registrants are compensated or changes in the way the revenue share is retained (including in each case, changes in methodologies and metrics) by advertisers and advertisement placement networks, such as Google, Yahoo! and Bing, have, and may continue to, adversely affect the market for those domain names favored by such registrants. These changes have resulted in, and may continue to result in, a decrease in demand and/or the renewal rate for those domain names. For example, Google has in the past changed, and may in the future change, its search algorithm and pay-per-click advertising policies to provide less compensation for certain types of websites. This has made such websites less profitable, which has resulted in, and may continue to result in, fewer domain name registrations and renewals, which could adversely affect our revenue. In addition, as a result of the general economic environment, spending on online advertising and marketing may not increase as projected or may be reduced, which in turn, may result in a further decline in the demand for those domain names, which could adversely affect our revenue.

If the security measures for our systems are breached, or if our products or services are subject to attacks that degrade or deny the ability of users and customers to maintain or access them, our reputation and business may be harmed and we may incur significant legal and financial exposure.

Some of our systems, products and services, including through third-party service providers – some of which provide cloud-based offerings – store, process and transmit user, customers', and our own information. Therefore, the secure maintenance and transmission of customer information is an important element of our operations. Our information technology and other systems that maintain and transmit customer information, including location or personal information, or those of our service providers, may be compromised by a malicious third-party penetration of our network security, or that of a third-party service provider, or impacted by intentional or inadvertent actions or inactions by our employees, or those of a third-party service provider. Cyber-attacks, which include the use of malware, computer viruses, phishing attacks, social engineering and other means for disruption or unauthorized access, have increased in frequency, scope and potential harm in recent years. While, to date, we have not been the subject of cyber-attacks or other cyber incidents which, individually or in the aggregate, have been material to our operations or financial condition, the preventive actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber-attack in the future. As a result, our users' and customers' information may be lost, disclosed, accessed, used, corrupted, destroyed or taken without their consent.

In addition, we and our third-party service providers process and maintain our proprietary business information, employee information and data related to our business-to-business customers or suppliers. Our information technology and other systems that maintain and transmit this information, or those of our service providers, may also be compromised by cyber-attacks or other malicious third-party penetration of our network security or that of a third-party service provider, or impacted by intentional or inadvertent actions or inactions by our employees or those of a third-party service provider. We also purchase equipment from third parties that could contain software defects, Trojan horses, malware, or other means by which third parties could access our network or the information stored or transmitted on such networks or equipment. As a result, our business information, employee information or customer or supplier data may be lost, disclosed, accessed, used, corrupted, destroyed or taken without consent. Any security breach involving the misappropriation, loss or other unauthorized disclosure of proprietary business information or personal information of employees, consumers or others could damage our reputation, expose us to the risk of litigation and liability, disrupt our operations and have a materially adverse effect on our business.

We are required to comply with guidelines issued under the Federal Trade Commission Act, whi ch governs the collection, use and storage of consumer information, and establishes principles relating to notice, consent, access and data integrity and security. Several states have adopted legislation that requires businesses to implement and maintain r easonable security procedures and practices to protect sensitive personal information and to provide notice to consumers in the event of a security breach. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data -related consent orders, Federal Trade Commission requirements or orders or other federal, state or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in claims, proceedings or actions against us by governmental entities or others, or other liabilities, which could adversely affect our business.

Any major compromise of our data or network security, failure to prevent or mitigate the loss of our services or information and delays in detecting any such compromise or loss could disrupt our operations, impact our reputation and customers' willingness to purchase our services and subject us to additional costs and liabilities, including litigation and regulatory investigations, which could be material. A determination by the Federal Trade Commission that we did not maintain "reasonable security" for our customer and/or employee information could also impact our reputation and customers' willingness to purchase our services and subject us to additional costs and liabilities, including litigation and regulatory investigations, which could be material.

We face a number of operational challenges to our business, which may make it difficult to predict our future performance.

Our revenue and operating results could fail to meet expectations if we are unable to adequately address a number of operational challenges, some of which are outside of our control, including:

- a reduction in the number of domain names under management or in the rate at which this number grows, due to slow growth or market contraction, lower renewal rates or other factors;
- reductions in the percentage of our domain name registration customers who purchase additional services from us;
- changes in our pricing policies, including our pricing optimization efforts, pricing policy changes of our competitors, changes in domain name fees charged to us by internet registries or ICANN, or other competitive pressures on our prices;
- changes in the way in which third parties compensate us for advertising placements on our owned and operated, as well as third-party websites;
- our ability to identify, develop and successfully launch and market new products and services, including new gTLDs, as well as our ability to introduce new opportunities or retire older existing products and services;
- the timing and success of new services and technology enhancements introduced by our competitors, which could impact both new customer growth and renewal rates;
- the entry of new competitors in our markets;
- our ability to keep our registrar and registry platforms and our domain name registration services operational at a reasonable cost and without service interruptions;
- increased development expenses relating to new services;
- the amount and timing of operating costs and capital expenditures related to the maintenance and changes to our services, operations and infrastructure;

- our ability to identify acquisition targets and successfully integrate acquired businesses into our operations or our ability to efficiently scale our operations upon strategic divestitures;

- our focus on long-term goals over short-term results;

- any negative publicity or other actions which harm our brand;

- federal, state or foreign regulation or legislation affecting our business; and

- weakness or uncertainty in general political, economic or industry conditions.

It is possible that in one or more future quarters, due to any of the factors listed above, a combination of those factors or other reasons, our operating results may be below our expectations and the expectations of public market analysts and investors. Such an event could have a material adverse impact on the price of our shares.

Difficult political, economic and financial conditions could materially and adversely affect us.

The financial results of our business are both directly and indirectly dependent upon political and economic conditions throughout the world, which in turn can be impacted by conditions in the global financial markets. Uncertainty about global political or economic conditions may lead businesses to postpone spending in response to tighter credit and reductions in income or asset values. Factors such as interest rates, availability of credit, inflation rates, changes in laws (including laws relating to taxation), trade barriers, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) could materially and adversely affect our business and investments, which could reduce our revenue, profitability and value of our assets. These factors may also adversely affect the business, liquidity and financial condition of our customers. In addition, periods of poor economic conditions could increase our ongoing exposure to credit risks on our accounts receivable balances. This could materially and adversely affect our business, financial condition and results of operations.

If we do not effectively manage our growth, our operating performance will suffer and we may lose customers.

Overall growth will place significant demands on our management and our operational and financial infrastructure. In particular, continued growth may make it more difficult for us to accomplish the following:

- successfully scale our technology and infrastructure to support a larger business;

- maintain our customer service standards;

- develop and improve our operational, financial and management controls and maintain adequate reporting systems and procedures;

- acquire and integrate businesses; and

- respond effectively to competition and potential negative effects of competition on profit margins.

In addition, our personnel, systems, procedures and controls may be inadequate to support our current and future operations. The improvements required to manage our growth will require us to make significant expenditures, expand, train and manage our employee base and allocate valuable management resources. If we fail to effectively manage our growth, our operating performance will suffer and we may lose our customers and key personnel.

We may undertake acquisitions and divestitures that could entail significant execution, integration and operational risks.

From time to time, we may acquire other businesses and, based on an evaluation of our business portfolio, divest existing businesses. Any acquisitions and divestitures may present financial, managerial and operational challenges, including diversion of management attention from existing businesses, difficulty with integrating or separating personnel and financial and other systems, increased expenses and costs, assumptions of unknown liabilities and indemnities, and potential disputes with the buyers or sellers. If we are unable to consummate such transactions, or successfully integrate and grow acquisitions and achieve contemplated revenue synergies and cost savings, our financial results could be adversely affected.

On January 20, 2017, we completed the eNom Divestiture. There is no assurance that we will be able to realize the intended benefits of the transaction. The eNom Divestiture could also cause disruptions in our business, including potential adverse reactions or changes to business relationships and competitive responses to the transaction. Declines in our sales, earnings and cash flows as a result of the divestiture could also result in future asset impairments (including goodwill) and we also may be unable to fully recover the corporate overhead costs previously allocated to the eNom business through the pricing of our products and services in future periods. The anticipated benefits of the transaction may also be reduced by potential liabilities related to post-closing adjustments and indemnities. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Restructuring and streamlining our business, including implementing reductions in workforce, discretionary spending, and other expense reductions, may materially harm our businesses.

We have in the past found and may in the future find it advisable to take measures to streamline operations and reduce expenses, including, without limitation, reducing our workforce or discontinuing or divesting products or businesses. For example, we effected a reduction in force in connection with the eNom Divestiture resulting in pre-tax restructuring costs of approximately $0.5 million to $0.6 million for employee termination benefits and related costs and between $0.1 million and $0.2 million in other pre-tax restructuring charges. We may also incur liabilities from these measures, including liabilities from termination or assignment of contracts, potential failure to meet obligations due to loss of employees or resources, and resulting litigation. Such effects from restructuring and streamlining could have a materially negative impact on our business, financial condition and financial results.

The historical financial information presented in this annual report may not be a reliable indicator of our future results.

The historical financial data that we have included in this annual report may not necessarily reflect what our financial position, results of operations or cash flows will be in the future, even taking into account that our historical eNom registrar business is reported in this annual report as discontinued operations. The historical financial statements included in this annual report were prepared on the basis of assumptions derived from available information that we believed to be reasonable. However, these assumptions may change or may be incorrect, and actual results may significantly differ. Significant changes have and will continue to occur in our cost structure, financing and business operations following the eNom Divestiture.

We and Tucows provide one another with certain services under a transition services agreement that may require us to divert resources from our business, which in turn may negatively impact our business, financial condition and results of operations.

In connection with the eNom Divestiture, we and Tucows entered into a transition services agreement under which each party will compensate the other for the provision of various services to the other party for specified periods beginning on January 20, 2017. For services on which we rely upon Tucows, including services relating to information technology, we cannot assure you that these services will be performed as efficiently or proficiently as they were prior to the eNom Divestiture. When Tucows ceases to provide services pursuant to the transition services agreement, our costs of procuring those services from third parties may increase. In addition, we may not be able to replace these services in a timely manner or enter into appropriate third-party agreements on terms and conditions, including cost, comparable to those under the transition services agreement. Furthermore, the personnel performing services for Tucows under the transition services agreement are employees and/or independent contractors of ours. In the course of performing our obligations under the transition services agreement, we will allocate certain of our resources, including assets and attention of our management and personnel for the benefit of Tucows' business, which may negatively impact our business, financial condition and results of operations.

We are obligated to indemnify Tucows for specified matters related to the eNom Divestiture and maintain unrestricted cash to cover our indemnification obligations.

Under the stock purchase agreement related to the eNom Divestiture, we will indemnify Tucows against losses arising from, among ot her things, breaches of representations and warranties, breaches of covenants, any pre-closing taxes, any unpaid debt or transaction expenses and certain other specified matters. In addition, we are required to maintain unrestricted cash and cash equivalents of at least $8,350,000 until September 20, 2017, which amount will be reduced to $6,350,000 thereafter until January 20, 2018, and further reduced to $5,350,000 thereafter until April 20, 2018, subject to certain conditions set forth in the stock purchase agreement. Accordingly, these indemnification obligations could be substantial and could have an adverse effect on our results of operations, cash flows and financial position.

We are bound by covenants contained in our credit facility that may restrict our ability to pursue our business strategies, and the financing incurred under our credit facility could adversely affect our liquidity and financial condition.

On January 20, 2017, we fully paid off the outstanding draw on our revolving line of credit with Silicon Valley Bank in connection with the eNom Divestiture. The availability period for revolving loans under our credit facility is currently suspended until we satisfy certain conditions, including delivery of financial projections after giving effect to the eNom Divestiture. During this period of suspension, we are still required to comply with the covenants, other than certain liquidity financial covenants, under our credit facility.

Our credit facility requires us to comply with various covenants that limit our ability, among other things, to:

- incur additional indebtedness;
- grant additional liens;
- make investments;
- complete mergers or acquisitions;
- dispose of assets;
- pay dividends, redeem or repurchase stock; and
- engage in transactions with our affiliates.

These restrictions could inhibit our ability to pursue our business strategies. In addition, our credit facility includes financial covenants. Our revolving credit facility with Silicon Valley Bank ("SVB Credit Facilit y") currently requires us to maintain a minimum liquidity ratio. Once the lending commitments are reinstated, we will also be required to maintain a minimum consolidated EBITDA and a maximum consolidated net leverage ratio. Our failure to comply with any c ovenants in the SVB Credit Facility, including any of the financial covenants, could result in an event of default. Our ability to satisfy our financial covenants under our credit facility depends upon our ability to generate cash flows. Our ability to gen erate cash flows, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors that are beyond our control. There is no assurance that our business will generate sufficient cash flows from operations in an amou nt sufficient to enable us to meet our and financial covenants under our credit facility. If we are not able to generate sufficient cash flows from operations to service our obligations under our credit facility, we may need to refinance or restructure our credit facility, sell assets, reduce or delay capital investments, or seek to raise additional capital.

If an event of default occurs, and such event of default is not cured or waived, our lender could:

- terminate its lending commitments;
- accelerate all outstanding obligations under the credit facility and demand that all outstanding obligations be due and payable immediately; and
- exercise its remedies as a secured creditor with respect to all of the collateral that is securing the outstanding obligations under our credit facility.

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

The availability of our revolving line of credit is currently suspended. We may need additional funding to meet our obligations and to pursue our business strategy. Additional funding may not be available to us and our financial condition could therefore be adversely affected.

The availability of borrowings under our credit facility is currently suspended following the divestiture of eNom until we satisfy certain conditions, including delivery of financial projections after giving effect to the eNom Divestiture. We may be unable to meet such conditions or satisfy them in a timely fashion to permit us to pursue certain opportunities. To the extent we do not maintain a sufficient amount of cash received from the eNom Divestiture or generate sufficient cash from operations, we will need to raise additional funds through public or private debt or equity financings to meet our ongoing obligations and to execute our growth strategy, which may include the selective acquisition of additional new gTLDs, domain names and technologies as well as other registry and registrar services providers. Adequate sources of capital funding may not be available when needed, or may not be available on favorable terms. If we raise additional funds by issuing equity or certain types of convertible debt securities, dilution to the holdings of our existing stockholders may result. If we raise debt financing, we will incur interest expense and the terms of such debt may be at unfavorable rates and could require the pledge of assets as security or subject us to financial and/or operating covenants that affect our ability to conduct our business.

If funding is insufficient at any time in the future, we will be required to delay, reduce the scope of, or eliminate material parts of the implementation of our business strategy, including potential additional acquisitions or internally developed business, and we may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could harm our business, financial condition and results of operations.

We have received unsolicited, non-binding proposals to acquire c ertain assets of our business, which proposals may be disruptive to our business and threaten to adversely affect our business, financial condition and results of operations.

We have received and rejected unsolicited, non-binding proposals to purchase certain of our new gTLD assets, including from entities associated with our activist stockholders and other entities in the domain name industry. For example, on June 24, 2016, Donuts sent us a letter containing an unsolicited proposal to acquire our registry business for $70 million in an all-cash transaction, which Donuts made public on the same day. After comprehensive evaluation and review, our board of directors rejected the proposal, concluding that it substantially undervalued our registry business and our future growth prospects and was not in the best interests of Rightside's stockholders. In addition, we have received and rejected various other unsolicited, non-binding proposals to purchase certain of our new gTLD assets. The uncertainty regarding future actions of these and other third parties may disrupt our business, having a negative effect on our business operations, financial condition, or results of operations. Responding to these offers has been, and may continue to be, a distraction for management and employees, and has required and may continue to require, us to incur additional expenses and costs.

If we do not continue to innovate and provide products and services that are useful to our customers, we may not remain competitive, and our revenue and operating results could suffer.

Our success depends on our ability to innovate and provide products and services useful to our customers in our registrar and registry service offerings. Our competitors are constantly developing innovations in domain name registration and related services, such as web hosting, email and website creation solutions. As a result, we must continue to invest significant resources in product development in order to maintain and enhance our existing products and services and introduce new products and services that deliver a sufficient return on investment and that our customers can easily and effectively use. If we are unable to provide quality products and services, we may lose customers, and our revenue and operating results would suffer.

We may have difficulty scaling and adapting our existing technology and network infrastructure to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of consumers, and cause us to incur expenses to make architectural changes.

To be successful, our network infrastructure has to perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more computing power we will need. In the future, we may spend substantial amounts to purchase or lease data centers and equipment, upgrade our technology and network infrastructure to handle increased traffic on our owned and operated websites and roll out new products and services. This expansion could be expensive and complex and could result in inefficiencies or operational failures. If we do not implement this expansion successfully, or if we experience inefficiencies and operational failures during its implementation, the quality of our products and services and our customers' experience could decline. This could damage our reputation and lead us to lose current and potential customers. The costs associated with these adjustments to our architecture could harm our operating results. Cost increases, failure to accommodate new technologies or changing business requirements could harm our business, revenue and financial condition.

We rely on technology infrastructure and a failure to update or maintain this technology infrastructure c ould adversely affect our business.

Significant portions of our products and services, as well as internal processes and systems, are dependent on technology infrastructure that was developed over multiple years. Updating and replacing our technology infrastructure may be challenging to implement and manage, may take time to test and deploy, may cause us to incur substantial costs and may cause us to suffer data loss or delays or interruptions in service. For example, we have suffered a number of server outages at our data center facilities, which resulted from certain failures that triggered data center wide outages and disrupted critical technology and infrastructure service capabilities. These events impacted service to some of our customers. As a result of these data center outages, we have developed initiatives to create automatic backup capacity at an alternate facility for our top revenue generating services to address similar scenarios in the future. However, we cannot guarantee that our backup systems, regular data backups, security protocols, network protection mechanisms and other procedures currently in place, or that may be in place in the future will be adequate to prevent similar network and service interruption, system failure, damage to one or more of our systems or data loss. Such delays or interruptions in our service may cause our consumers to become dissatisfied with our offerings and could adversely affect our business. Failure to update our technology infrastructure as new technologies become available may also put us in a weaker position relative to a number of our key competitors. Competitors with newer technology infrastructure may have greater flexibility and be in a position to respond more quickly to new opportunities, which may impact our competitive position in certain markets and adversely affect our business.

The interruption or failure of our information technology and communications systems, or those of third parties that we rely upon, could adversely affect our business, financial condition and results of operations.

The availability of our products and services depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems, or those of third parties that we rely upon (e.g., co-location providers for data servers, storage devices, including cloud-based storage, or our registry DNS services provider for our registry and network access) could result in interruptions in our service, which could reduce our revenue and profits, and damage our brand. Our systems are also vulnerable to damage or interruption from natural disasters, power loss, telecommunications failures, computer viruses or other attempts to harm our systems. We have experienced a number of computer distributed denial of service attacks which have forced us to shut down certain of our websites, including *www.name.com* , and future denial of service attacks may cause all or portions of our websites to become unavailable. In addition, some of our data centers are located in areas with a high risk of major earthquakes. Our data centers are also subject to break-ins, sabotage and intentional acts of vandalism, and to potential disruptions if the operators of these facilities have financial difficulties. Some of our systems are not fully redundant, and our disaster recovery planning is currently underdeveloped and does not account for all eventualities. The occurrence of a natural disaster, a decision to close a facility we are using without adequate notice for financial reasons or other unanticipated problems at our data centers could result in lengthy interruptions in our service. In addition to dedicated data centers, certain of our products are also cloud-based, and the amount of customer data stored on our servers has increased as our business has grown. Despite implementing security measures, our infrastructure may be vulnerable to computer viruses, worms, other malicious software programs, illegal or abusive content or similar disruptive problems caused by our customers, employees, consultants or other internet users who attempt to invade or disrupt public and private data networks.

Furthermore, third-party service providers may experience an interruption in operations or cease operations for any reason. For example, Root Zone servers are administered and operated by a number of independent operators on a non-regulated basis. Root Zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and data needed to locate name servers that contain authoritative data for the TLDs. These Root Zone servers are critical to the functioning of the internet. Consequently, our registry services business could be harmed if any of the independent operators fails to include or provide accessibility to the data that it maintains in the Root Zone servers that it controls, or if it or any of the third parties routing internet communications presents inconsistent data for the TLDs or DNS generally. We may also be limited in our remedies against these providers in the event of a failure of service. We also rely on third-party providers for components of our technology platform, such as hardware and software providers and DNS services. A failure or limitation of service or available capacity by any of these third-party providers could adversely affect our business, financial condition and results of operations.

We depend on key personnel to operate our business, and if we are unable to retain our current personne l or hire additional personnel, our ability to develop and successfully market our business could be harmed.

We believe that our future success is highly dependent on the contributions of our executive officers as well as our ability to attract and retain highly skilled managerial, sales, technical, engineering and finance personnel. We do not maintain "key person" life insurance policies for any of our executive officers. Qualified individuals, including engineers, are in high demand, and we may incur significant costs to attract and retain them. All of our officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. If we are unable to attract and retain our executive officers and key employees, our business, operating results and financial condition will be harmed.

Volatility or lack of performance in our stock price may also affect our ability to attract employees and retain our key employees, due to the impact of our stock price on the value of our equity incentive awards. Employees may be more likely to leave us if the equity incentive awards they are granted significantly appreciate in value and create a perceived windfall. In addition, employees may be more inclined to leave us if the value of their equity incentive awards declines with our stock price and these awards fail to provide appropriate incentives.

Our business could be negatively affected as a result of actions by activist stockholders.

Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value through various corporate actions such as proxy contests, financial or operational restructuring, or sales of assets or the entire company. We have recently seen some investors increase their ownership positions in our common stock and initiate communications with us. For example, J. Carlo Cannell, the managing member of Cannell Capital LLC and the general partner of Tonga Partners, L.P. (collectively, "Cannell"), filed a Schedule 13D in February 2017 reporting ownership of approximately 8.78% of our common stock. Cannell has engaged in discussions with our management, our board of directors and others, and publicly filed communications relating to strategic and operational opportunities for us, including discussion regarding potential director candidates for director elections.

Actions by stockholder activists, including proxy contests for director elections, could adversely affect our business because:

- Responding to a proxy contest and other actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees;

- Perceived uncertainties as to our future direction caused by activist activities may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and

- If individuals are elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our business strategy and create stockholder value.

If we are unable to obtain and maintain adequate insurance, our financial condition could be adversely affected in the event of uninsured or inadequately insured loss or damage. Our ability to effectively recruit and retain qualified officers and directors may also be adversely affected if we experience difficulty in maintaining adequate directors' and officers' liability insurance.

While we currently have insurance for our business and property, we may not be able to obtain and maintain insurance policies on terms affordable to us that would adequately insure our business and property against damage, loss or claims by third parties. To the extent our business or property suffers any damages, losses or claims by third parties that are not covered or adequately covered by insurance, our financial condition may be materially adversely affected.

We currently have directors' and officers' liability insurance. If we are unable to maintain sufficient insurance to cover liability claims made against our officers and directors, we may not be able to retain or recruit qualified officers and directors to manage our company, which could materially and adversely affect our operations.

It may be difficult for us to retain or attract qualified officers and directors, which would adversely affect our business and our ability to maintain the listing of our common stock on NASDAQ.

We may be unable to attract and retain qualified officers, directors and members of board committees required to effectively manage our business as a result of changes in the rules and regulations which govern public companies, including, but not limited to, certifications from executive officers and requirements for financial experts on boards of directors. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting these roles. Further, applicable rules and regulations of the SEC and NASDAQ heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, our business and our ability to maintain the listing of our shares of common stock on NASDAQ would be adversely affected.

If we do not adequately protect our intellectual property rights, our competitive position and business may suffer.

Our intellectual property, consisting of trade secrets, trademarks, copyrights and patents, is, in the aggregate, important to our business. We rely on a combination of trade secret, trademark, copyright and patent laws in the United States and other jurisdictions together with confidentiality agreements and technical measures to protect our proprietary rights. We rely more heavily on trade secret protection than patent protection. To protect our trade secrets, we control access to our proprietary systems and technology and enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third parties. Effective trade secret, copyright, trademark and patent protection may not be available in all countries where we currently operate or in which we may operate in the future. We face risks related to our intellectual property including that:

- our intellectual property rights may not provide competitive advantages to us;
- our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes may be limited by our agreements with third parties;
- our intellectual property rights may not be enforced in jurisdictions where competition is intense or where legal protection is weak;
- any of the patents, trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business could lapse or be invalidated, circumvented, challenged or abandoned;
- competitors could design around our protected systems and technology; or
- we could lose the ability to assert our intellectual property rights against others.

Policing unauthorized use of our proprietary rights can be difficult and costly. In addition, it may be necessary to enforce or protect our intellectual property rights through litigation or to defend litigation brought against us, which could result in substantial costs and diversion of resources and management attention and could adversely affect our business, even if we are successful on the merits.

Thi rd parties may sue us for intellectual property infringement or misappropriation, which, if successful, could require us to pay significant damages or curtail our offerings.

We cannot be certain that our internally developed or acquired systems and technologies do not and will not infringe the intellectual property rights of others. In addition, we license content, software and other intellectual property rights from third parties and may be subject to claims of infringement or misappropriation if such parties do not possess the necessary intellectual property rights to the products or services they license to us. We have in the past received threats from non-practicing patent holders. We may in the future be subject to legal proceedings and claims that we have infringed the patent or other intellectual property rights of a third-party. These claims sometimes involve patent holding companies or other patent owners who have no relevant product revenue and against whom our own patents may provide little or no deterrence. In addition, third parties may in the future assert intellectual property infringement claims against our customers, which we have agreed in certain circumstances to indemnify and defend against such claims. Any intellectual property-related infringement or misappropriation claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement or misappropriation, we may be required to seek to enter into licensing agreements, which may not be available on acceptable terms or at all, pay substantial damages or limit or curtail our systems and technologies. Any successful lawsuit against us could also subject us to the invalidation of our proprietary rights. Moreover, we may need to redesign some of our systems and technologies to avoid future infringement liability. Any of the foregoing could prevent us from competing effectively and increase our costs.

The use of open source software in our products and services may expose us to additional risks and negatively affect our intellectual property rights.

Some of our products and services use or incorporate software that is subject to one or more open source licenses. Open source software is typically freely accessible, usable, and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on potentially unfavorable terms or at no cost.

The terms of many open source licenses have not been interpreted by U.S. or foreign courts. Accordingly, there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products. In that event, we could be required to seek licenses from third parties in order to continue offering our products or services, to re-develop our products or services, to discontinue sales of our products or services, or to release our proprietary software code under the terms of an open source license, any of which could harm our business. Further, given the nature of open source software, it may be more likely that third parties might assert copyright and other intellectual property infringement claims against us based on our use of these open source software programs.

While we monitor the use of all open source software in our products, solutions, processes, and technology and try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product or solution when we do not wish to do so, it is possible that such use may have inadvertently occurred in deploying our proprietary solutions. In addition, if a third-party software provider has incorporated certain types of open source software into software we license from such third-party for our products and services without our knowledge, we could, under certain circumstances, be required to disclose the source code to our products and services. This could negatively affect our intellectual property position and our business, results of operations, and financial condition.

Adverse results of legal proceedings could materially and adversely affect us.

We are subject to, and may in the future be subject to, a variety of legal proceedings and claims that arise out of the ordinary conduct of our business. Results of legal proceedings cannot be predicted with certainty. Irrespective of their merits, legal proceedings may be both lengthy and disruptive to our operations and may cause significant expenditure and diversion of management attention. We may be faced with significant monetary damages or injunctive relief against us that could materially and adversely affect all or a portion of our business operations or materially and adversely affect our financial condition and results of operations.

Certain U.S. and foreign laws could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in the U.S. and abroad that may subject us to claims or other remedies. Our failure to comply with applicable laws may subject us to additional liabilities, which could adversely affect our business, financial condition and results of operations. Laws and regulations that are particularly relevant to our business address:

- domain name registration;
- information security and privacy;
- pricing, fees and taxes; and
- intellectual property rights, including secondary liability for infringement by others.

The costs of complying or failing to comply with existing and new laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation. For example, the government of the PRC has announced that it will begin enforcing regulations that require registry operators to, among other things, obtain a government-issued license in order to provide registry services to registrars located in the PRC. These new regulations will likely impose additional costs on our provision of registry services in the PRC and could impact the growth or renewal rates of domain name registrations in the PRC. While we have been granted a business license and may be required to apply for additional required licenses under these new regulations, there can be no assurance that we will obtain any additional required licenses in a timely manner or at all. If we fail to obtain the necessary licenses, we could be restricted or prohibited from providing registry services to registrars located in the PRC. We anticipate that these new regulations will also require registrars in the PRC to obtain a government-issued license to sell domain names directly to registrants. Any failure by registrars to obtain these licenses could also impact the expansion of our business into the PRC.

Claims have been either threatened or filed against us under both U.S. and foreign laws for defamation, copyright infringement, patent infringement, privacy violations, cybersquatting and trademark infringement. In the future, claims may also be brought against us based on tort law liability and other theories based on our products and services.

Our business operations in countries outside the U.S. are subject to a number of U.S. federal laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions administered by the Office of Foreign Assets Control ("OFAC") and the U.S. Department of Commerce. The FCPA is intended to prohibit bribery of foreign officials or parties and requires U.S. public companies to keep books and records that accurately and fairly reflect their transactions. OFAC and the U.S. Department of Commerce administer and enforce economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals.

If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of our employees or restrictions on our operations, which could increase our costs of operations, reduce our profits or cause us to forgo opportunities that would otherwise support our growth.

With regard to transfers of personal data, as such term is used in the European Union, or EU Data Pr otection Directive and applicable EU member state legislation, from European customers to the U.S., we historically have relied upon adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU and U.S.-Swis s Safe Harbor Frameworks agreed to by the U.S. Department of Commerce and the European Union and Switzerland. The U.S.-EU Safe Harbor Framework, which, together, with the U.S.-Swiss Safe Harbor Framework, established the means for legitimizing the transfer of personal data by U.S. companies from the European Economic Area, or EEA, to the U.S., was invalidated in October 2015 by the ECJ Ruling. As a result of the ECJ Ruling, the Swiss data protection regulator has questioned the status of the U.S.-Swiss Safe Harbor Framework. U.S. and EU authorities reached a political agreement on February 2, 2016 regarding a new means for legitimizing personal data transfers from the EEA to the United States, the EU-U.S. Privacy Shield, which was formally adopted on July 12 , 2016. We have completed all necessary steps to self-certify to the EU-U.S. Privacy Shield and our registry and registrar privacy policies have been updated to reflect the changes mandated by the EU-US Privacy Shield regulations.

Additionally, the federal, state, local and foreign laws and regulations that apply to our business are complex and change frequently, with new laws and regulations proposed frequently and existing laws and regulations subject to different and conflicting interpretations. For example, the European Union is considering adoption of a general data protection regulation that would supersede current EU data protection legislation, impose more stringent EU data protection requirements, and provide for greater penalties for noncompliance. Complying with the laws and regulations applicable to us may require us to incur additional costs and restrict our business operations, and in the event we fail to comply with these laws and regulations, or new or differing interpretations of them, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a loss of business. Any of these matters could materially adversely affect our business, financial condition or operational results.

Economic and other risks associated with international operations could impede our international expansion, which could limit our future growth.

We currently operate in the U.S. and through foreign subsidiaries in Dublin, Ireland; Ottawa, Canada; George Town, Grand Cayman; and Beijing, China and we may continue to expand into additional international markets. Our limited experience operating internationally exposes us to additional risks and operating costs. We cannot be certain that we will be successful in introducing or marketing our services internationally or that our services will gain market acceptance or that growth in commercial use of the internet internationally will continue. There are risks inherent in conducting business in international markets, including the need to localize our products and services to foreign customers' preferences and customs, difficulties in managing operations due to language barriers, distance, staffing and cultural differences, application of foreign laws and regulations, tariffs and other trade barriers, fluctuations in currency exchange rates, establishing management systems and infrastructures, reduced protection for intellectual property rights in some countries, changes in foreign political and economic conditions, and potentially adverse tax consequences. Our inability to expand and market our products and services internationally could have a negative effect on our business, revenue, financial condition and results of operations.

In addition, we expect that a substantial amount of our cash will be generated by our foreign subsidiaries and repatriation of that cash to the U.S. may be inefficient from a tax perspective. Any payment of distributions, loans or advances to us by our foreign subsidiaries could be subject to restrictions on, or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate. These restrictions on our investment or repatriation of cash may have a negative effect on our business, revenue, financial condition and results of operations.

If we fail to comply with applicable payment card rules and regulations, we may incur additional fees, fines and ultimately th e revocation of the right to accept payment card payments, which could materially and adversely affect our business, financial condition and results of operations.

Many of our customers pay amounts owed to us using a credit card or debit card. For credit and debit card payments, we pay interchange and other fees, which may increase over time and raise our expenses and adversely affect our net income. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or with the terms of our agreements with our merchant banks and card issuers, we could be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers. We have experienced non-compliance with certain payment card association operating rules and information security standards, and may experience such failures in the future as such rules and standards evolve and our business changes and expands. Any failure to adequately secure payment card information or to appropriately control fraudulent payment card transactions would result in significantly higher payment card-related costs, fines or fees from card issuers, and expenses related to remediation of non-compliance, and could materially and adversely affect our business, financial condition and results of operations.

We are subject to a number of state, federal or international taxation laws and regulations and will become subject to additional taxation laws and regulations as we continue to expand our operations into new jurisdictions. Changes to taxation laws and regulations may adversely affect our business.

Due to the global nature of the internet, it is possible that, although our services and the internet transmissions related to them typically originate in California, Nevada, and Washington, governments of other states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in internet commerce. New or revised international, federal, state or local tax regulations may subject our customers or us to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the internet. New or revised taxes and, in particular, sales taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the internet. New taxes could also create significant increases in internal costs necessary to capture data, and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations and discourage the registration or renewal of domain names for e-commerce.

We may in the future record further significant valuation allowances on our deferred tax assets, which may have a material impact on our results of operations and cause fluctuations in such results.

The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable; such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified. Based on our assessment, we recorded a valuation allowance against our domestic deferred tax assets for the year ended December 31, 2016. The eNom Divestiture removed a large portion of our deferred tax liabilities resulting in the need for a larger valuation allowance from continuing operations than would have been required on a consolidated basis. We will continue to assess the need for an additional valuation allowance in the future, which could have a material adverse impact on our financial condition and results of operations.

Risks Relating to the Separation

We are bound by a number of agreements, including the Employee Matters Agreement, Separation and Distribution Agreement and the Tax Matters Agreement, that we entered into with Demand Media in connection with the Separation.

In connection with our August 2014 separation (the “Separation”) from Demand Media, Inc., now known as Leaf Group Ltd (“Demand Media”), we entered into a number of agreements with Demand Media that govern our ongoing relationships.

The Employee Matters Agreement allocated certain liabilities and responsibilities between us and Demand Media relating to employee compensation and benefit plans and programs.

The Separation and Distribution Agreement governs certain aspects of our relationship with Demand Media, including providing information to the other party on the conduct of its business prior to the Separation reasonably necessary to prepare any reports or filings to be made with any governmental authority. In addition, each party is required to indemnify the other for certain liabilities in connection with the Separation, all liabilities to the extent relating to or arising out of our or their respective business as conducted at any time, and any breach by either party of this agreement.

The Tax Matters Agreement governs our and Demand Media's respective rights, responsibilities and obligations with respect to taxes. Taxes relating to or arising out of the failure of the Separation to qualify as a tax-free transaction for U.S. federal income tax purposes will be borne by Demand Media and us in proportion to Demand Media's and our respective fair market values as of the date of the Separation, except, in general, if such failure is attributable to our action or Demand Media's action, as the case may be, or certain transactions involving our stock or the stock of Demand Media, as the case may be, in which event the resulting liability will be borne in full by us or Demand Media, respectively.

If we are required to indemnify Demand Media for certain liabilities and related losses arising in connection with any of these agreements, or if Demand Media is required to indemnify us for certain liabilities and related losses arising in connection with any of these agreements and Demand Media does not fulfill its obligations to us, we may be subject to substantial liabilities, which could materially adversely affect our financial position.

If the Separation and related distribution of Rightside stock fails to qualify as a tax-free transaction for U.S. federal income tax purposes, then the distribution could result in significant tax liabilities.

Demand Media received a private letter ruling from the Internal Revenue Service ("IRS") and an opinion of tax counsel, each substantially to the effect that for U.S. federal income tax purposes, the Separation and the distribution of shares of Rightside common stock qualifies as a transaction that was tax-free for purposes of income, gain or loss by Demand Media or its stockholders. The IRS ruling and the tax opinion, rely on certain facts, assumptions, and undertakings, and certain representations from Demand Media and us, regarding the past and future conduct of both respective businesses and other matters, and the tax opinion relies on the IRS ruling. Notwithstanding the IRS ruling and the tax opinion, the IRS could determine that the distribution should be treated as a taxable transaction if it determines that any of these facts, assumptions, representations, or undertakings are not correct, or that the distribution should be taxable for other reasons, including if the IRS were to agree with the conclusions in the tax opinion that are not covered by the IRS ruling.

If the distribution ultimately were to be determined to be taxable, Demand Media would be subject to tax as if it had sold our common stock in a taxable sale for its fair market value, and our initial public stockholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of our common stock that was distributed to them. Under the Tax Matters Agreement, we may be required to indemnify Demand Media against all or a portion of the taxes incurred by Demand Media and us in the event the Separation were to fail to qualify for tax-free treatment under the Internal Revenue Code of 1986, as amended (the "Code"). Further, even if we are not responsible for tax liabilities of Demand Media and its subsidiaries under the Tax Matters Agreement, we nonetheless could be liable under applicable tax law for such liabilities if Demand Media were to fail to pay them. The amounts, if we are required to pay any liabilities under the circumstances set forth in the Tax Matters Agreement or pursuant to applicable tax law, may be significant.

We are subject to continuing contingent liabilities of Demand Media following the Separation.

There are several significant areas where the liabilities of Demand Media may become our obligations. For example, under the Code and the related rules and regulations, each corporation that was a member of the Demand Media combined tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the Separation is jointly and severally liable for the U.S. federal income tax liability of the entire Demand Media combined tax reporting group for such taxable period. In connection with the Separation, we entered into a Tax Matters Agreement with Demand Media that allocates the responsibility for prior period taxes of the Demand Media combined tax reporting group between us and Demand Media. If Demand Media were unable to pay any prior period taxes for which it is responsible, however, we could be required to pay the entire amount of such taxes, and such amounts could be significant. Other provisions of federal, state, local, or foreign law may establish similar liability for other matters, including laws governing tax-qualified pension plans, as well as other contingent liabilities.

Certain of our directors and officers and entities related to them continue to own a substantial amount of Demand Media common stock and options to purchase Demand Media stock, and we have overlapping board membership with Demand Media, which may lead to conflicting interests.

One of our board members serves as a board member of Demand Media. Neither we nor Demand Media have any ownership interest in the other. Our executive officers and members of our board of directors have fiduciary duties to our stockholders. Likewise, any director who serves in a similar capacity at Demand Media has fiduciary duties to Demand Media's stockholders. Therefore, the overlapping director may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting more than one of the companies to which he owes fiduciary duties. In addition, certain of our directors and officers and entities related to them continue to own a substantial amount of Demand Media common stock and options to purchase Demand Media stock. The direct interests of our directors and officers and related entities in common stock of Demand Media could create, or appear to create, potential conflicts of interest with respect to matters involving both Demand Media and us that could have different implications for Demand Media than they do for us.

As a result of the foregoing, there may be the potential for a conflict of interest when we or Demand Media consider acquisitions and other corporate opportunities that may be suitable for each of them. In addition, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between Demand Media and us regarding the terms of the agreements governing the internal reorganization, the Separation and the ongoing relationship between the companies, including with respect to the indemnification of certain matters. From time to time, we may enter into transactions with Demand Media and/or its subsidiaries or other affiliates. There can be no assurance that the terms of any such transactions will be as favorable to us as would be the case where there is no overlapping director or ownership of both companies.

Our overlapping director with Demand Media may result in the diversion of corporate opportunities to and other conflicts with Demand Media and provisions in our certificate of incorporation may provide us no remedy in that circumstance.

Our certificate of incorporation acknowledges that our directors and officers may also be serving as directors, officers, employees or agents of Demand Media and its subsidiaries and that we may engage in business transactions with such entities. We will renounce our rights to business opportunities offered to overlapping officers and/or directors in which we or any of our subsidiaries could have an interest or expectancy (other than business opportunities that (1) are expressly presented or offered to an overlapping officer or director in his or her capacity as a director or officer of our company, and (2) the overlapping officer or director believes we have, or could reasonably be expected to have, the resources necessary to exploit). In addition, our certificate of incorporation provides that none of our directors or officers who is also serving as a director, officer, employee or agent of Demand Media and its subsidiaries will be liable to us or our stockholders for breach of any fiduciary duty that would otherwise exist by reason of the fact that any such individual directs a corporate opportunity to Demand Media or any of its subsidiaries instead of us, or does not refer or communicate information regarding such corporate opportunities to us. These provisions in our certificate of incorporation also expressly validate certain contracts, agreements, assignments and transactions (and amendments, modifications or terminations thereof) between us and Demand Media or any of its subsidiaries and, to the fullest extent permitted by law, provide that the actions of the overlapping directors or officers in connection therewith are not breaches of fiduciary duties owed to us, any of our subsidiaries or our or their respective stockholders.

Our historical financial information may not be representative of the results we would have achieved as a stand-alone public company during the periods presented and may not be a reliable indicator of our future results.

The historical financial data that we have included in this annual report may not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the periods prior to the Separation on August 1, 2014, or those that we will achieve in the future. The costs and expenses reflected in our historical financial data include an allocation for certain corporate functions historically provided by Demand Media, including legal, information technology, financial systems, human resources, accounting and equity administration services, that may be different from the comparable expenses that we would have incurred had we operated as a stand-alone company prior to August 1, 2014. Our historical financial data does not reflect changes that occurred in our cost structure and operations as a result of our transition to becoming a stand-alone public company, including changes in our employee base, potential increased costs associated with reduced economies of scale and increased costs associated with SEC reporting and requirements. Accordingly, the historical financial data presented in this report should not be assumed to be indicative of what our financial condition or results of operations actually would have been as an independent, publicly-traded company nor to be a reliable indicator of what our financial condition or results of operations actually may be in the future.

We rely on Demand Media to provide certain information to incorporate into our financial statements, and we cannot assure you that such information will be timely or sufficient for our needs.

Our financial results reflect periods during which we were part of Demand Media. Therefore, we will continue to rely on Demand Media to provide information that will be incorporated into our financial statements. We do not exercise any control over Demand Media’s accounting staff. If there is any delay in Demand Media providing us with information that will be incorporated in our financial statements, we may not be able to report our financial results on a timely basis. If there are any inaccuracies in such information, our reported financial results may also be inaccurate.

The Separation may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements.

The Separation is subject to review under various state and federal fraudulent conveyance laws. Fraudulent conveyance laws generally provide that an entity engages in a constructive fraudulent conveyance when (1) the entity transfers assets and does not receive fair consideration or reasonably equivalent value in return; and (2) the entity: (a) is insolvent at the time of the transfer or is rendered insolvent by the transfer; (b) has unreasonably small capital with which to carry on its business; or (c) intends to incur or believes it will incur debts beyond its ability to repay its debts as they mature. An unpaid creditor or entity acting on behalf of a creditor (including without limitation a trustee or debtor-in-possession in a bankruptcy by us or Demand Media or any of our respective subsidiaries) may bring an action alleging that the Separation or any of the related transactions constituted a constructive fraudulent conveyance. If a court accepts these allegations, it could impose a number of remedies, including without limitation, voiding our claims against Demand Media, requiring our stockholders to return to Demand Media some or all of the shares of our common stock issued in the Separation, or providing Demand Media with a claim for money damages against us in an amount equal to the difference between the consideration received by Demand Media and our fair market value at the time of the Separation.

The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction's law is applied. Generally, an entity would be considered insolvent if (1) the present fair saleable value of its assets is less than the amount of its liabilities (including contingent liabilities); (2) the present fair saleable value of its assets is less than its probable liabilities on its debts as such debts become absolute and matured; (3) it cannot pay its debts and other liabilities (including contingent liabilities and other commitments) as they mature; or (4) it has unreasonably small capital for the business in which it is engaged. We cannot assure you what standard a court would apply to determine insolvency or that a court would determine that we, Demand Media or any of our respective subsidiaries were solvent at the time of or after giving effect to the Separation.

The distribution of our common stock is also subject to review under state corporate distribution statutes. Under the General Corporation Law of the State of Delaware (the "DGCL"), a corporation may only pay dividends to its stockholders either (1) out of its surplus (net assets minus capital) or (2) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although Demand Media distributed our common stock entirely from surplus, we cannot assure you that a court will not later determine that some or all of the distribution to Demand Media stockholders was unlawful.

Risks Relating to Owning Our Common Stock

The market price of our common stock may fluctuate significantly.

We cannot predict the prices at which our common stock may trade in the future. The market price of our common stock may fluctuate significantly, depending on many factors, some of which are beyond our control, including but not limited to:

- actual or anticipated fluctuations in our quarterly or annual financial condition and operating performance;
- the operating and stock price performance of similar companies;
- conditions and trends in the domain name industry, or e-commerce markets;
- a shift in our investor base;
- introduction of new services by us or our competitors;
- success or failure of our business strategy;
- our ability to obtain financing as needed;

- changes in accounting standards, policies, guidance, interpretations, or principles;
- the overall performance of the equity markets;
- repurchases of our common stock pursuant to our share repurchase program;
- the number of shares of our common stock publicly owned and available for trading;
- threatened or actual litigation or governmental investigations;
- changes in laws or regulations affecting our business, including tax legislation;
- announcements of significant acquisitions or dispositions, impairment charges, changes in or loss of material contracts and relationships, or other business developments by us, our partners, or our competitors;
- any major change in our board of directors or management;
- changes in earnings estimates by securities analysts or our ability to meet earnings guidance;
- publication of research reports about us or our industry or changes in recommendations or withdrawal of research coverage by securities analysts;
- large volumes of sales of our shares of common stock by existing stockholders;
- announcements or actions by stockholder activists;
- investor perception of us and our industry; and
- general political and economic conditions, and other external factors.

In addition, the stock market in general, and the market for internet-related companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. This may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources, and harm our business, financial condition and results of operation.

Any impairment in the value of our goodwill will result in an accounting charge against our earnings, which could negatively impact our stock price.

As of December 31, 2016, we had $70.9 million of goodwill, representing approximately 23% of our total assets as of such date. In accordance with GAAP, we conduct an impairment analysis of our goodwill annually and at such other times when events or changes in circumstances occur, which would indicate potential impairment. Significant and sustained declines in our stock price and market capitalization relative to our book value or our inability to generate sufficient revenue or cash flows may result in us having to take impairment charges against goodwill. If we determine significant impairment of our goodwill, we would be required to record a corresponding non-cash impairment charge against our earnings that could negatively affect our stock price.

We cannot guar antee that purchases of our common stock pursuant to our share repurchase program will enhance stockholder value and share repurchases may affect the value of our common stock and diminish our cash reserves.

In February 2017, our board of directors authorized a share repurchase program. Under the program, we are authorized to repurchase up to $50 million of our outstanding common stock through February 2019.

The share repurchase program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases will depend upon several factors, including market and business conditions, the trading price of our common stock, the nature of other investment opportunities and other factors. The repurchase program may be limited, suspended or discontinued at any time without prior notice. Repurchases pursuant to the share repurchase program could affect the market price of our common stock at that time and could potentially reduce the market liquidity of our common stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness.

There can be no assurances that we will be successful in investing the proceeds of the eNom Divestiture.

We received approximately $76.7 million in cash from the eNom Divestiture. We are evaluating future investment opportunities and uses for our cash. We may in the future elect to acquire another entity or invest the net proceeds from the eNom Divestiture in such manner as is determined by our board of directors and management. We will incur operating expenses, resulting from overhead and professional fees, while we are searching for appropriate opportunities to invest the proceeds of the eNom Divestiture. In February 2017, we announced a share repurchase program to repurchase up to $50 million of our outstanding common stock through February 2019. We have not repurchased any shares pursuant to our share repurchase program, and there is no obligation to repurchase any specific dollar amount. These uses of proceeds could impair the Company's future financial growth. We may not be successful in these investments or any other use of proceeds that our board of directors may determine.

We may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock.

While we have no specific plan to issue preferred stock, our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more series of preferred stock having such designation, powers, privileges, preferences, including preferences over our common stock respecting dividends and distributions, terms of redemption and relative participation, optional, or other rights, if any, of the shares of each such series of preferred stock and any qualifications, limitations or restrictions thereof, as our board of directors may determine. The terms of one or more series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

The large number of shares eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, and the perception that these sales could occur may also depress the market price of our common stock. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

We also may issue our shares of common stock from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares that we may issue may in turn be significant. In addition, we may also grant registration rights covering those shares in connection with any such acquisitions and investments.

If securities or industry analysts do not continue to publish research about our business or if they p ublish inaccurate or unfavorable research about our business and our stock, our stock price and trading volume could decline.

We expect that the trading market for our common stock will be affected by research or reports that securities or industry analysts publish about us or our business. One analyst recently ceased coverage of us, leaving one analyst that currently covers us. If this analyst ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which may cause our stock price and trading volume to decline. If the analyst who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline.

We are an "Emerging Growth Company" and cannot be certain if reduced reporting requirements applicable to "Emerging Growth Companies" will make our common stock less attractive to investors.

The JOBS Act contains provisions that, among other things, relax certain reporting requirements for "Emerging Growth Companies," including certain requirements relating to accounting standards and compensation disclosure. We are classified as an "Emerging Growth Company," which is defined as a company with annual gross revenue of less than $1.0 billion, that has been a public reporting company for a period of less than five years, and that does not have a public float of $700.0 million or more in securities held by non-affiliated holders. We will remain an "Emerging Growth Company" until the earliest to occur of:

- the last day of the fiscal year during which our total annual revenue equals or exceeds $1.0 billion (subject to adjustment for inflation),
- the last day of the fiscal year in which we become a "large accelerated filer" under the Exchange Act, or
- the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt.

For as long as we are an "Emerging Growth Company," which may be up to five full fiscal years ending December 31, 2019, if we elect to take advantage of applicable JOBS Act provisions, unlike other public companies, we will not be required to (1) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (2) comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies under Section 102(b)(1) of the JOBS Act, (3) comply with any new requirements adopted by the Public Company Accounting Oversight Board (the "PCAOB"), such as requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (4) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise, (5) provide certain disclosure regarding executive compensation or (6) hold nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be materially and adversely affected and more volatile.

As noted above, under the JOBS Act, "Emerging Growth Companies" can delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We will not take advantage of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies. Our election not to take advantage of the extended transition period is irrevocable.

We are obligated to develop and maintain proper and effective internal control over financial reporting. We may not timely complete our analysis of our internal control over financial reporting, or these internal cont rols may be determined to be ineffective, which could adversely affect investor confidence in us and, as a result, the value of our common stock.

We are required to file with the SEC annual, quarterly and current reports that are specified in Section 13 of the Exchange Act. We are also required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. In addition, we are subject to other reporting and corporate governance requirements, including the requirements of NASDAQ, and certain provisions of the Sarbanes-Oxley Act and the regulations promulgated thereunder, which impose significant compliance obligations upon us. As a public company, we are required to:

- prepare and distribute periodic public reports and other stockholder communications in compliance with our obligations under the federal securities laws and the NASDAQ Listing Rules;
- create or expand the roles and duties of our board of directors and committees of the board of directors;
- institute more comprehensive financial reporting and disclosure compliance functions;
- supplement our internal accounting and auditing function, including retaining and hiring additional staff with expertise in accounting and financial reporting for a public company;
- formalize closing procedures at the end of our accounting periods;
- maintain an enhanced internal audit function;
- maintain an enhanced investor relations function;
- maintain and establish new internal policies, including those relating to disclosure controls and procedures; and
- involve and retain to a greater degree outside counsel and accountants in the activities listed above.

These obligations require a significant commitment of resources, and may require additional resources after we are no longer an "Emerging Growth Company." We may not be successful in implementing these requirements and implementing them could adversely affect our business or results of operations. In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired.

If we fail to implement and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud, which could harm our brand and operating results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We expect to devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act, including costs associated with auditing and legal fees and accounting and administrative staff. In addition, Section 404(a) under the Sarbanes-Oxley Act requires that we assess the effectiveness of our controls over financial reporting. Our compliance with the annual internal control report requirement will depend on the effectiveness of our financial reporting and data systems and controls across our operating subsidiaries. We expect these systems and controls to become increasingly complex to the extent that our business grows. To effectively manage this growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Implementing any changes to our internal controls may require compliance training of our directors, officers and employees, entail substantial costs to modify our accounting systems and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal control over financial reporting, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In addition, investors' perceptions that our internal control over financial reporting is inadequate or that we are unable to produce accurate financial statements may materially adversely affect our stock price.

Because we are an "Emerging Growth Company" under the JOBS Act, our independent auditors are not required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes Oxley Act. If, once we are no longer an "Emerging Growth Company," our independent registered public accounting firm cannot provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock, could decline.

Certain provisions in our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment and, therefore, may depress the trading price of our common stock.

Our certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors, including, among other things:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- limitations on the removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, the Chief Execu tive Officer, the president (in absence of a Chief Executive Officer) or our board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

- the requirement for the affirmative vote of holders of at least 66 2 / 3 % of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our certificate of incorporation relating to the issuance of preferred stock and management of our business or our bylaws, which may inhibit the ability of an acquiror from amending our certificate of incorporation or bylaws to facilitate a hostile acquisition;

- the ability of our board of directors, by majority vote, to amend the bylaws, which may allow our board of directors to take additional actions to prevent a hostile acquisition and inhibit the ability of an acquiror from amending the bylaws to facilitate a hostile acquisition; and

- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

We believe these provisions protect our stockholders from coercive or harmful takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with adequate time to assess any acquisition proposal, and are not intended to make our company immune from takeovers. These provisions in our certificate of incorporation and bylaws may discourage, delay or prevent a transaction involving a change in control of the company that is in the best interest of our stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging future takeover attempts.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, our board of directors has approved the transaction.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees or our stockholders; (3) any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws; or (4) any action asserting a claim governed by the internal affairs doctrine. Our certificate of incorporation further provides that any person or entity purchasing or acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions described above. This forum selection provision in our certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. P roperties

We do not own any real estate. We lease an approximate 41,000 square-foot facility for our headquarters in Kirkland, Washington, of which approximately 20,500 square feet is subleased to eNom in connection with the eNom Divestiture. In addition, we lease offices in Denver, Colorado, and offices for our international operations in Dublin, Ireland, Beijing, China and Ottawa, Canada. We also lease space in large data centers in other locations in North America and Europe. We believe our current and planned offices and data centers will be adequate for the foreseeable future.

Item 3. Legal Proceedings

There is no pending or threatened legal proceeding to which we are a party that, in our belief, could have a material adverse effect on our business, financial results and existing or future operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the NASDAQ Global Select Market under the symbol "NAME." Prior to the Separation from Demand Media, Rightside's common stock began trading on NASDAQ Global Select Market on a "when-issued" basis on July 25, 2014, and on a "regular way" basis on August 1, 2014, the Separation date. There was no public market for Rightside common stock prior to July 25, 2014.

	High	Low
Year Ended December 31, 2016		
First Quarter	$ 9.42	$ 7.16
Second Quarter	10.82	8.15
Third Quarter	12.85	7.80
Fourth Quarter	9.41	7.17
Year Ended December 31, 2015		
First Quarter	$ 10.38	$ 6.49
Second Quarter	10.27	6.52
Third Quarter	8.15	6.05
Fourth Quarter	8.91	7.14

Holders of Record

As of March 2, 2017, our common stock was held by 40 stockholders of record and there were 19,639,505 shares of common stock outstanding. Stockholders of record do not include a substantially greater number of "street name" holders or beneficial holders of our common stock whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future. Instead, we anticipate that all of our earnings will be used to provide working capital, to support our operations and to finance the growth and development of our business. Any future determination to declare cash dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. In addition, our credit facility includes covenants that restrict our ability to pay dividends, and any future debt instruments may similarly restrict our ability to pay dividends.

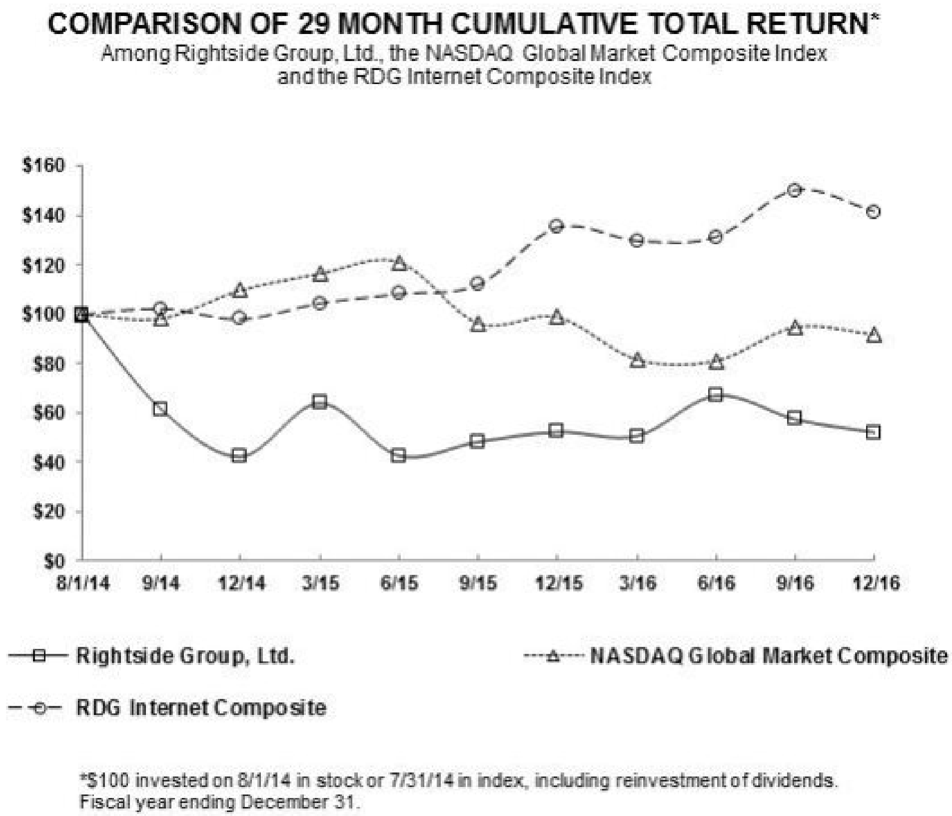
Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our common stock during the year and quarter ended December 31, 2016. In February 2017, we announced that our board of directors authorized a stock repurchase program of up to $50 million of the Company's outstanding common stock, effective immediately. The stock repurchase program will be in place for up to 24 months.

Stock Performance Graph

This following graph is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of Rightside Group, Ltd. under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The graph compares the cumulative total return of our common stock for the period starting on August 1, 2014, the date of our separation from Demand Media, and ending on December 31, 2016, with that of the NASDAQ Global Market Composite and RDG Internet Composite Index over the same period. The graph assumes that the value of the investment was $100 on August 1, 2014, and that all dividends and other distributions were reinvested. Such returns are based on historical results and are not intended to suggest future performance.



Recent Sales of Unregistered Equity

During 2016, we did not issue or sell any shares of our common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended.

Item 6. Selected Financial Data

The statements of operations data for 2016, 2015 and 2014, as well as the balance sheet data as of December 31, 2016 and 2015, are derived from our audited financial statements that are included elsewhere in this report. The statements of operations data for 2013 and 2012, as well as the balance sheet data as of December 31, 2014, 2013 and 2012, are derived from financial statements not included in this report. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

On January 20, 2017, we completed the divestiture (the “eNom Divestiture”) of eNom, Incorporated (“eNom”), our wholly-owned registrar, to Tucows Inc. The assets, liabilities and results of operations of eNom are reported as discontinued operations for all periods presented since the sale of eNom represents a strategic shift that had a major effect on Rightside’s operations and financial results. Accordingly, the operating results for eNom have been presented as discontinued operations for all periods presented in the statements of operations, and the related balance sheet data has been classified in its entirety within current assets and current liabilities for all periods presented .

On December 31, 2012, we completed the acquisition of the net assets of Name.com, a retail registrar company based in Denver, Colorado. The acquisition of Name.com is included in our selected financial data as of the date of the acquisition.

Prior to the Separation on August 1, 2014, our financial statements are presented on a combined basis as carve-out financial statements, as we were not a separate consolidated group. Our financial statements were derived from the financial statements and accounting records of Demand Media. After the Separation, our financial statements are presented on a consolidated basis.

The following selected financial data should be read in conjunction with the section entitled “Item 7. Mana gement’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this report (in thousands, except per share data).

	Year ended December 31,				
Statement of Operations Data	**2016**	**2015**	**2014**	**2013**	**2012**
Revenue	$ 62,124	$ 57,429	$ 43,042	$ 43,632	$ 33,321
Cost of revenue (excluding depreciation and amortization)	37,115	36,506	29,912	23,586	13,199
Sales and marketing	8,066	8,519	6,216	6,730	5,525
Technology and development	10,633	12,719	12,210	9,119	8,372
General and administrative	19,643	19,204	19,885	22,449	17,543
Depreciation and amortization	12,660	12,993	11,894	10,723	9,511
Gain on other assets, net	(853)	(9,403)	(22,103)	(4,232)	—
Interest expense	4,297	4,922	1,988	—	—
Loss on debt extinguishment	4,257	—	—	—	—
Other expense (income), net	12	18	(1,196)	58	64
Loss from continuing operations before income tax	(33,706)	(28,049)	(15,764)	(24,801)	(20,893)
Income tax expense (benefit)	7,345	(8,178)	(8,360)	(6,413)	(8,370)
Loss from continuing operations	$ (41,051)	$ (19,871)	$ (7,404)	$ (18,388)	$ (12,523)
Income from discontinued operations, net of income tax	7,401	8,547	5,546	$ 7,685	$ 11,534
Net loss	$ (33,650)	$ (11,324)	$ (1,858)	$ (10,703)	$ (989)
Basic (loss) income per share attributable to common stockholders:					
Continuing operations	$ (2.12)	$ (1.05)	$ (0.40)	$ (1.00)	$ (0.68)
Discontinued operations	$ 0.38	$ 0.45	$ 0.30	$ 0.42	$ 0.63
Basic (loss) income per share	$ (1.74)	$ (0.60)	$ (0.10)	$ (0.58)	$ (0.05)
Diluted (loss) income per share attributable to common stockholders:					
Continuing operations	$ (2.12)	$ (1.05)	$ (0.40)	$ (1.00)	$ (0.68)
Discontinued operations	$ 0.38	$ 0.45	$ 0.30	$ 0.42	$ 0.63
Diluted (loss) income per share	$ (1.74)	$ (0.60)	$ (0.10)	$ (0.58)	$ (0.05)
Weighted average number of shares outstanding:					
Basic	19,308	18,867	18,452	18,413	18,413
Diluted	19,308	18,867	18,452	18,413	18,413

	As of December 31,				
Balance Sheet Data	**2016**	**2015**	**2014**	**2013**	**2012**
Cash and cash equivalents	$ 31,922	$ 45,095	$ 49,743	$ 66,833	$ 40,593
Deferred registration costs	10,657	10,093	8,491	7,724	19
Total assets	304,188	337,931	334,851	315,207	276,312
Deferred revenue	23,904	20,895	16,512	9,457	522
Debt	12,800	23,201	25,105	—	—
Total liabilities	189,605	194,644	186,006	142,451	131,685
Total stockholders' equity	114,583	143,287	148,845	172,756	144,627

The following reconciliation of Net loss to Adjusted EBITDA should be read in conjunction with our discussion of Non-GAAP financial measures within the sec tion entitled "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" (in thousands):

	Year ended December 31,				
Net Loss to Adjusted EBITDA	**2016**	**2015**	**2014**	**2013**	**2012**
Net loss	$ (33,650)	$ (11,324)	$ (1,858)	$ (10,703)	$ (989)
Add (deduct):					
Income tax expense (benefit)	11,809	(2,314)	(1,328)	(944)	(162)
Gain on sale of marketable securities	—	—	(1,362)	—	—
Gain on other assets, net	(2,153)	(9,403)	(22,103)	(4,232)	—
Loss on debt extinguishment	4,257	—	—	—	—
Interest expense	4,297	4,922	1,988	—	—
Depreciation and amortization	16,023	16,428	15,441	14,382	13,495
Stock-based compensation expense	6,649	6,296	5,836	9,463	10,112
Acquisition and realignment costs	564	202	294	31	—
Transaction-related advisory and consulting fees	1,416	—	—	—	—
Adjusted EBITDA	$ 9,212	$ 4,807	$ (3,092)	$ 7,997	$ 22,456

The following reconciliation of Loss from continuing operations to Adjusted EBITDA from continuing operations should be read in conjunction with our discussion of Non-GAAP financial measures within the section entitled "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" (in thousands):

	Year ended December 31,				
Loss from Continuing Operations to Adjusted EBITDA from Continuing Operations	**2016**	**2015**	**2014**	**2013**	**2012**
Loss from continuing operations	$ (41,051)	$ (19,871)	$ (7,404)	$ (18,388)	$ (12,523)
Add (deduct):					
Income tax expense (benefit)	7,345	(8,178)	(8,360)	(6,413)	(8,370)
Gain on sale of marketable securities	—	—	(1,362)	—	—
Gain on other assets, net	(853)	(9,403)	(22,103)	(4,232)	—
Loss on debt extinguishment	4,257	—	—	—	—
Interest expense	4,297	4,922	1,988	—	—
Depreciation and amortization	12,660	12,993	11,894	10,723	9,511
Stock-based compensation expense	5,828	5,526	5,289	8,916	9,527
Acquisition and realignment costs	314	119	156	—	—
Adjusted EBITDA from continuing operations	$ (7,203)	$ (13,892)	$ (19,902)	$ (9,394)	$ (1,855)

Item 7. Management's Discussion and Analysis o f Financial Condition and Results of O perations

Forward-Looking Statements

This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth in the section of this report captioned "Item 1A. Risk Factors" and elsewhere in this report, our actual results may differ materially from those anticipated in these forward-looking statements. You should read the following discussion and analysis together with the audited financial statements and the related notes to those statements included elsewhere in this report. Throughout this discussion and analysis we refer to our years ended December 31, 2016, 2015, and 2014, as "2016," "2015" and "2014."

Overview

As a leading provider of domain name services, we enable businesses and consumers to find, establish, and maintain their digital address—the starting point for connecting with their online audience. Millions of digital destinations, and businesses and consumers rely upon our comprehensive platform for the discovery, registration, usage and monetization of domain names. As a result, we are a leader in the multi-billion dollar domain name services industry, with a complete suite of services that our customers use as the foundation to build their entire online presence.

On January 20, 2017, we completed the divestiture (the "eNom Divestiture") of eNom, Incorporated ("eNom"), our wholly-owned registrar services business, to Tucows Inc. ("Tucows"). eNom's registrar services business provides infrastructure services that enable a network of active resellers to offer domain name registration services to their customers. As part of the eNom Divestiture, Tucows also acquired eNom's interest in its joint venture with Web.com for NameJet, LLC ("NameJet"), which offers domain name auction services to consumers. All references made to financial data, non-financial metrics and our business in this Annual Report on Form 10-K are to the Company's continuing operations (after giving effect to the eNom Divestiture), unless specifically noted. eNom's revenue was $155.8 million for 2016. See Note 3—Business Divestiture within the accompanying consolidated financial statements for additional information.

We are a leading domain name registry with a portfolio of 40 gTLDs acquired from ICANN's New gTLD Program. To date, we have launched all 40 of our gTLDs into the market, including .LIVE, .NEWS, and .ROCKS. Our registry services business continues to build a diverse distribution network of over 135 ICANN accredited registrars, including Name.com, eNom and GoDaddy, as well as other complementary distribution partners such as website builders and email service providers that offer our gTLD domain names to businesses and consumers. Furthermore, our distribution network includes registrars and other partners in international markets, positioning our company to capture additional sales on a global scale. In addition to operating our own registry, we provide technical back-end infrastructure services to Donuts, a third-party operator of new gTLDs (collectively with the New gTLD Program, our "gTLD Initiative").

Our retail registrar, Name.com, directly offers domain name registration services to more than 248,000 consumers and businesses worldwide. As of December 31, 2016, we had approximately 2.1 million domain names under management. Our domain name registration and related services, as well as our developed proprietary tools and services enable us to identify and acquire, as well as monetize and sell, domain names, both for our own portfolio of domain names as well as for our customers' domain names.

The combination of our registry and registrar services businesses makes us a leading provider of end-to-end domain name services. This uniquely positions us to capitalize on the New gTLD Program because we can distribute owned and third-party gTLDs through our retail registrar brand, Name.com, and our third-party registrar distribution channel.

We generate revenue through domain name registration subscriptions, including registrations of domain names for our owned gTLDs, and related value-added services. We also generate revenue from advertising on, and from the sale of, domain names that are reg istered to our customers or ourselves. Our business model is characterized by non-refundable, up-front payments, which lead to recurring revenue and positive operating cash flow. We had revenue of $62.1 million, net loss of $33.7 million and Adjusted EBITD A of $9.2 million for 2016; compared to revenue of $57.4 million, net loss of $11.3 million and Adjusted EBITDA of $4.8 million for 2015.

Separation from Demand Media

Prior to August 1, 2014, Rightside was a wholly-owned subsidiary of Demand Media. On August 1, 2014, Demand Media completed a tax-free transaction involving the distribution of all outstanding shares of Rightside common stock to holders of Demand Media common stock as of the record date. Upon the Separation, holders of Demand Media common stock on the record date received one share of Rightside common stock for every five shares of Demand Media common stock. Rightside became an independent, publicly-traded company on the NASDAQ using the symbol: "NAME."

We had agreements with Demand Media that impacted our results of operations and financial condition. This included a Transition Services Agreement (the "TSA") and Tax Matters Agreement. Under the TSA, Demand Media provided us with certain financial, administrative, and accounting-related support and systems. The transition services were completed in February 2016.

Our ability to raise equity capital is subject to the restrictions in the Tax Matters Agreement, which requires us to comply with the representations made in the IRS private letter ruling or in materials submitted to the IRS and our tax counsel in connection with the Separation. These representations contain restrictions on our ability to take actions that could cause the Separation to fail to qualify as a tax-free transaction for U.S. federal income tax purposes, including entering into any transaction or series of transactions as a results of which any person or group of persons would acquire or have the right to acquire from us or stockholders our stock greater than certain threshold amounts, or issuing our stock in an offering in amounts greater than certain threshold amounts. Some of these restrictions will apply for the two-year period after the Separation. If the Separation fails to qualify as a tax-free transaction for U.S. federal income tax purposes, we could be responsible for taxes arising from the actions that cause the Separation to not qualify as tax-free.

Full Year 2016 Highlights

Below are our key highlights as of and for the year ended December 31, 2016. All comparisons are relative to the fiscal full year 2015.

- Total revenue was $62.1 million compared to $57.4 million.
- Registry services revenue increased 40% to $11.8 million from $8.4 million.
- Registrar services revenue increased 17% to $29.1 million from $24.9 million.
- Net loss was $33.7 million compared to $11.3 million.
- Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA"), a non-GAAP financial measure, was $9.2 million compared to $4.8 million.
- Cash and cash equivalents were $31.9 million.
- Fully repaid and extinguished our term loan credit facility with Tennenbaum Capital Partners LLC on November 7, 2016.
- $12.8 million draw on the revolving credit facility with Silicon Valley Bank on November 4, 2016.

Opportunities, Challenges and Risks

Our revenue is derived from domain name registrations and related value-added service subscriptions from our retail customers of our registrar platform, as well as from our Aftermarket and other services business. Over the past few years our revenue growth has been driven by strong growth in Name.com, our leading retail registrar, and significant growth from our Registry services business since launch in the first quarter of 2014. Going forward, we expect growth in our Registry services business as we narrow our focus on this faster growing, stronger margin and more profitable business.

Growth in revenue from our Registrar services business is dependent upon our ability to attract retail customers to our registrar platform, to sustain those recurring revenue relationships by maintaining consistent domain name registration and value-added service renewal rates and to grow those relationships through competitive pricing on domain name registrations, differentiated value-added services and customer service offerings. We also generate advertising revenue through our monetization platform for websites or domain names that we or our customers own. Going forward, we expect downward pressure on the revenue associated with these websites as we continue to see low traffic and advertising yields in the marketplace.

We received returns of deposits of $3.1 million, and made payments and deposits of $9.7 million and $32.0 million during 2016, 2015 and 2014, respectively, for gTLD applications under the New gTLD Program. These payments and deposits represent amounts paid directly to ICANN and third parties in the pursuit of certain exclusive gTLD operator rights. We capitalize payments made for gTLD applications and other acquisition related costs, and include them in other long-term assets and intangible assets on the balance sheets. As part of the New gTLD Program, we have received partial cash refunds for certain gTLD applications and to the extent we elect to sell or withdraw certain gTLD applications throughout the process, we will continue to incur gains or losses on amounts invested. Gains on the sale of our interest in gTLDs applications are recognized when realized, while losses are recognized when deemed probable. Upon the delegation of operator rights for each gTLD by ICANN, gTLD application fees and other acquisition-related costs are reclassified as finite-lived intangible assets and amortized on a straight-line basis over their estimated useful life. We expense as incurred other costs incurred as part of this gTLD Initiative and not directly attributable to the acquisition of gTLD operator rights.

Our cost of revenue, which is the largest component of our operating expenses, can vary from period to period, particularly as a percentage of revenue. With the recent revenue growth coming from the sales of our higher margin Registry services business and the realization of pricing optimization initiatives launched in early 2016, our cost of revenue as a percentage of revenue has decreased in 2016 compared to 2015.

Our marketing expense has grown in recent years as we have promoted our Name.com retail registrar and the New gTLD Program. Marketing activity primarily flows through our sales and marketing expense line item. Although to the extent that our registry offers performance incentive rebates or other business incentives to our partners, those incentives are recognized as a reduction to revenue.

Over the long term, we expect our overall revenue to increase as the Registry services business becomes a larger contributor to our overall revenue mix. In addition, we are driving initiatives in the area of price optimization and other operating cost reduction programs that we believe will further expand our direct profit in the Registrar services business.

Key Operating Metrics

We review a number of business metrics, including the following key metrics, to evaluate our Registry and Registrar services businesses, measure the performance of our business model, identify trends impacting our business, determine resource allocations, formulate financial projections and make strategic business decisions.

We believe the following measures are the primary indicators of our performance:

- **Domain** : We define a domain as an individual domain name registered by a third-party customer on Rightside's registry or registrar platform for which Rightside has begun to recognize revenue.

- **Average revenue per domain ("ARPD")** : We calculate Registry ARPD by dividing Registry services revenue for a period by the average number of domains registered on Rightside's registry platform in that period. We calculate Registrar ARPD by dividing Registrar services revenue for a period by the average number of domains registered on Rightside's registrar platform in that period. ARPD for partial year periods is annualized.

- **Renewal rate** : We define the renewal rate as the percentage of domain names on our registry or registrar platform that are renewed after their original term expires.

Registry Services Metrics

The following table sets forth performance highlights of key business metrics for our Registry services for the periods presented (in thousands, except for per domain and percentage data):

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
End of period domains	565	401	149	40.9 %	169.1 %
Average revenue per domain	$ 24.40	$ 30.69	$ 25.76	-20.5 %	19.1 %
Renewal rate	56.3 %	58.6 %	N/A		

Registrar Services Metrics

The following table sets forth performance highlights of key business metrics for our Registrar services for the periods presented (in millions, except for per domain and percentage data):

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
End of period domains	1.9	1.8	1.6	5.6 %	12.5 %
Average revenue per domain	$ 15.84	$ 14.46	$ 13.20	9.5 %	9.5 %
Renewal rate	68.4 %	70.5 %	69.1 %		

Average Revenue per Domain

The Registry average revenue per domain for 2016 decreased 20.5% to $24.40 from $30.69 in 2015. The Registry average revenue per domain for 2015 increased 19.1% to $30.69 from $25.76 in 2014. The increase in 2015 was driven primarily by premium sales and launch related fees.

The Registrar average revenue per domain for 2016 increased 9.5% to $15.84 from $14.46 in 2015. The Registrar average revenue per domain for 2015 increased 9.5% to $14.46 from $13.20 in 2014. The increase was primarily due to our profitability initiatives, as well as an increasing mix of higher margin new gTLDs, which have an average selling price approximately two to three times that of legacy gTLDs.

Renewal Rate

The Registry renewal rate for 2016 was 56.3% compared to 58.6% in 2015. The decrease was primarily due to promotional units renewing at a lower rate.

The Registrar renewal rate for 2016 was 68.4% compared to 70.5% in 2015. The decrease was primarily driven by churn of customers with higher domains under management.

Components of Results of Operations

Revenue

Our revenue is principally comprised of registration fees charged to businesses and consumers in connection with new, renewed and transferred domain name registrations, including registrations of domain names for our own gTLDs. In addition, our registrar also generates revenue from the sale of other value-added services that are designed to help our customers easily build, enhance and protect their domain names, including security services, email accounts and web hosting, and the performance of services for registries. Finally, we generate advertising and domain name sales revenue as part of our aftermarket service offering. We generate this aftermarket revenue on domain names that we own, as well as by providing these services to third parties. Our revenue varies based upon the number of domain names registered or utilizing our aftermarket service offerings, the rates we charge our customers, our ability to sell value-added services, our ability to sell domain names from our portfolio, and the monetization we are able to achieve through our aftermarket service offerings. Performance incentive rebates and certain other business incentives are recognized as a reduction in revenue. We primarily market our retail registration services under our Name.com brand.

Our revenue also includes registration fees from our portfolio of 40 gTLDs in general availability for which we are the exclusive registry operator, as part of the gTLD Initiative. The amount as well as the timing of revenue is uncertain and is dependent upon the demand and level of user adoption of new gTLDs, the timing and number of our back-end registry customers' launches of gTLDs, and the continued progress of the New gTLD Program. To the extent that our registry offers performance incentive rebates or certain other business incentives to our partners, those incentives are recognized as a reduction to revenue.

Costs and Expenses

Cost of Revenue

Cost of revenue consists primarily of direct costs we incur with selling an incremental product to our customers. Substantially all cost of revenue relates to domain name registration costs, payment processing fees, third-party commissions and customer care. Similar to our billing practices, we pay domain costs at the time of purchase, but recognize the costs of service ratably over the life of the registration. Customer care expense represents the costs to consult, advise and service our customers' needs. Customer care expenses primarily consist of personnel-related costs (including stock-based compensation expense) and are expensed as incurred. We expect cost of revenue to decrease in absolute dollars in future periods as we experience continued downward pressure on the revenue from our domain name monetization platform. Domain name costs include fees paid to the various domain registries and ICANN. We prepay these costs in advance for the life of the registration. The terms of registry pricing are established by an agreement between registries and registrars. Cost of revenue may increase or decrease as a percentage of total revenue, depending on the mix of products sold in a particular period and the sales and marketing channels used.

Sales and Marketing

Sales and marketing consists primarily of sales and marketing personnel-related costs (including stock-based compensation expense), sales support, advertising, marketing and general promotional expenditures. We anticipate that our sales and marketing expenses will decline in the near term as a percent of revenue as we realize the benefits of restructuring from the eNom Divestiture.

Technology and Development

Technology and development consists primarily of costs associated with creation, development and distribution of our products and websites. These expenses primarily consist of personnel-related costs (including stock-based compensation expense) associated with the design, development, deployment, testing, operation and enhancement of our products, as well as costs associated with the data centers and systems infrastructure supporting those products. Technology and development expenses may increase or decrease as a percentage of total revenue depending on our level of investment in future headcount and global infrastructure footprint. We anticipate that our technology and development expenses will decline in the near term as a percent of revenue as we realize the benefits of restructuring from the eNom Divestiture.

General and Administrative

General and administrative consists primarily of personnel-related costs (including stock-based compensation expense) from our executive, legal, finance, human resources and information technology organizations and facilities-related expenditures, as well as third-party professional fees, and insurance expenses. Professional fees are largely comprised of outside legal, audit and information technology consulting. We anticipate that our general and administrative expenses will decline in the near term as a percent of revenue as we realize the benefits of restructuring from the eNom Divestiture.

Depreciation and Amortization

Depreciation expense consists of charges relating to the depreciation of the property and equipment used in our business. Depreciation expense may increase or decrease in absolute dollars in future periods depending on the future level of capital investments in hardware and other equipment. We expect the depreciation of property and equipment to remain relatively flat in the near term.

Amortization expense consists of charges relating to the amortization of capitalized identifiable intangible assets from the acquisition of domain names, including initial registration costs, as well as costs to acquire gTLDs, and intangible assets acquired in connection with business combinations. We amortize these costs on a straight-line basis over the related expected useful lives of these assets. We determine the appropriate useful life of intangible assets by performing an analysis of expected cash flows based on its historical experience of intangible assets of similar quality and value. We capitalize gTLD assets once they become available for their intended use and amortize them on a straight-line basis over the remaining contractual period of the registry operator agreement, which is approximately 10 years. We expect the amortization of intangible assets to remain relatively flat in the near term.

(Gain) Loss on Other Assets, Net

(Gain) loss on other assets, net consists of gains and losses on withdrawals or settlement of costs related to our interest in certain gTLD applications, as well as other sales of assets. We expect our gains and losses will vary depending upon potential gains or losses resulting from our resolution of gTLD applications for which there were multiple bidders.

Interest Expense

Interest expense consists primarily of interest expense on our credit facilities. Interest expense includes amortization of deferred financing costs and debt discount. We expect interest expense to significantly decrease in the near term, as we extinguished our debt and reduced our outstanding letters of credit. Please refer to Note 9—Debt and Note 10—Commitments and Contingencies within the accompanying consolidated financial statements for information on the extinguishment of this debt.

Other (Income) Expense, Net

Other (income) expense, net, consists primarily of realized gains related to the sale of marketable securities, transaction gains and losses on foreign currency-denominated assets and liabilities and interest income.

Income Tax Expense (Benefit)

We are subject to income taxes principally in the United States, and certain other countries where we have a legal presence, including Ireland, Canada and Cayman Islands. We anticipate that as we expand our operations outside the United States, we will become subject to taxation based on foreign statutory rates, and our effective tax rate could fluctuate accordingly.

Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. We recognize the effect on deferred taxes of a change in tax rates on income in the period that includes the enactment date.

Basis of Presentation

Refer to Note 1—Company Background and Basis of Presentation within the accompanying consolidated financial statements for information on our basis of presentation.

Critical Accounting Policies and Estimates

Use of Estimates

Our discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances; such estimates and judgments are periodically reviewed. Actual results may differ materially from these estimates under different assumptions, judgments, or conditions.

The estimates and judgments noted above are affected by our application of accounting policies. Our critical accounting policies are those we consider the most important to the presentation of our financial condition and results of operations, including those that require the most difficult, subjective, or complex judgments. Our critical accounting policies include revenue recognition, intangible assets, goodwill, long-lived assets and income taxes.

Revenue Recognition

We recognize revenue when four basic criteria are met: (1) persuasive evidence of a sales arrangement exists; (2) performance of services has occurred; (3) the sales price is fixed or determinable; and (4) collectability is reasonably assured. We consider persuasive evidence of a sales arrangement to be the receipt of a signed contract. We assess collectability based on a number of factors, including transaction history and the credit worthiness of a customer. If we determine that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash. We recognize performance incentive rebates and certain other business incentives as a reduction in revenue. We record cash received in advance of revenue recognition as deferred revenue.

For arrangements with multiple deliverables, we allocate revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. We determine the fair value of the selling price for a deliverable using a hierarchy of (1) Company specific objective and reliable evidence, then (2) third-party evidence, then (3) best estimate of selling price. We allocate any arrangement fee to each of the elements based on their relative selling prices. To the extent that we offer performance incentive rebates or certain other business incentives to our partners, those incentives will be recognized as a reduction to revenue.

We eliminate all intercompany revenue and transactions in consolidation.

Domain Name Registration Fees

We recognize revenue from registration fees charged to third parties in connection with new, renewed and transferred domain name registrations on a straight-line basis over the registration term, which ranges from one to ten years. We record payments received in advance of the domain name registration term in deferred revenue in our balance sheets. The registration term and related revenue recognition commences once we confirm that the requested domain name has been recorded in the appropriate registry under accepted contractual performance standards. We defer the associated direct and incremental costs, which principally consist of registry and ICANN fees, and expense them as costs of revenue on a straight-line basis over the registration term. Deferred costs are recorded as assets on our consolidated balance sheets.

Our business includes Name.com, an ICANN accredited registrar. Thus, we are the primary obligor with our retail registrant customers and are responsible for the fulfillment of our registrar services to those parties. As a result, we report revenue in the amount of the fees we receive directly from our retail registrant customers.

Value-added Services

We recognize revenue from online registrar value-added services, which include, but are not limited to, security certificates, domain name identification protection, charges associated with alternative payment methodologies, web hosting services and email services on a straight-line basis over the period in which services are provided. We include payments received in advance of services being provided in deferred revenue.

Domain Name Monetization Services

Domain name monetization service revenue represents advertising revenue and primarily includes revenue derived from cost-per-click advertising links we place on websites owned by us, which we acquire and sell on a regular basis, and on websites owned by certain of our customers, with whom we have revenue sharing arrangements. Where we enter into revenue sharing arrangements with our customers, such as those relating to advertising on our customers' domains, and when we are considered the primary obligor, we report the underlying revenue on a gross basis in our statements of operations, and record these revenue-sharing payments to our customers as revenue-sharing expenses, which are included in cost of revenue.

Domain Name Sales

Domain name sales revenue represents proceeds received from selling domain names from our portfolio, as well as proceeds received from selling domain names that are not renewed by customers of our registrar platform. Domain name sales are primarily conducted through our direct sales efforts as well as through third-party auction platforms. While certain domain names sold are registered on our registrar platform upon sale, we have determined that sales revenue and related registration revenue represent separate units of accounting. Because the domain name has value to the customers on a stand-alone basis, where a customer could resell it separately, without the registration service, there is objective and reliable evidence of the fair value of the registration service and no general rights of return. We evaluated each deliverable, domain name sale and domain name registration, to determine whether vendor-specific objective evidence ("VSOE") or third-party evidence of selling price ("TPE") existed in order to determine the selling price for each unit of accounting.

We determined that there is VSOE for domain name registrations through analysis of histori cal stand -alone transactions sold by us, which have been consistently priced with limited discounts. For domain name sales, we have determined that TPE is not a practical alternative due to uniqueness of domain names compared to those sold by competitors a nd the availability of relevant third-party pricing information. We have not established VSOE for domain names due to the lack of pricing consistency and other factors. Accordingly, we allocate revenue to the domain name sale deliverable in the arrangement based on best estimate of the selling price ("BESP"). We determine BESP by reference to the total transaction price and an estimate of what a market participant would pay without the registration service. Based on the nature of the transaction and its ele ments, we believe that there are no meaningful discounts embedded in the overall arrangement. We recognize domain name sales revenue when title to the name is transferred to the buyer and the related registration fees are recognized on a straight -line basi s over the registration term. If we sell a domain name, we recognize any unamortized cost basis as a cost of revenue over the registration term.

For sales of domain names generated through third-party auction platforms, we recognize revenue net of auction service fee payments.

Intangible Assets

Registration and Acquisition Costs of Monetized Domains

We capitalize the initial registration and acquisition costs of our monetized domain names, and amortize these costs over the expected useful life of the underlying domain name on a straight-line basis, which approximates the estimated pattern in which the underlying economic benefits are consumed. The expected useful lives of the monetized domain names range from 12 months to 72 months. We determine the appropriate useful life by performing an annual analysis of expected cash flows based on historical experience with domain names of similar quality and value.

In order to maintain the rights to each monetized domain name acquired, we pay periodic renewal registration fees, which cover a minimum period of twelve months. We record renewal registration fees of domain name intangible assets in deferred registration costs and recognize the costs over the renewal registration period, which is included in cost of revenue.

Acquired in Business Combinations

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price of each acquired business to our respective net tangible and intangible assets. Acquired intangible assets include: trade names, non-compete agreements, owned website names, customer relationships, and technology. We determine the appropriate useful life by performing an analysis of expected cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives of three to 20 years, using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

gTLDs

We capitalize payments for gTLD applications and other costs directly attributable to the acquisition of gTLD registry operator rights and include them in other long-term assets. We have received and may continue to receive partial cash refunds for certain gTLD applications, and to the extent we elect to sell or withdraw certain gTLD applications throughout the process, we may also incur gains or losses on amounts invested. These gains have been recorded as gains on other assets, net, on the statements of operations. As gTLDs become available for their intended use, gTLD application fees and acquisition related costs are reclassified as finite lived intangible assets and amortized on a straight-line basis over an estimated useful life of 10 years, which approximates the pattern in which the economic benefits are consumed. Other costs incurred as part of the gTLD Initiative and not directly attributable to the acquisition of gTLD registry operator rights are expensed as incurred.

Impairment of Intangible Assets

We evaluate the recoverability of our finite‑lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. When such events or circumstances occur, an impairment test would be performed by comparing the estimated undiscounted future cash flows expected to result from the use of the asset group to the related asset group's carrying value. If an asset group is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. We have not recognized any such impairment loss associated with our finite‑lived intangible assets during 2016, 2015 or 2014.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net tangible and the identifiable intangible assets. Goodwill is not amortized; rather, goodwill is tested for impairment at the reporting unit level on an annual basis during the fourth quarter, as of October 1, or more frequently, if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. These events or circumstances could include a significant change in the Company's business outlook, legal factors, financial performance, industry environment, or a sale or disposition of a significant portion of a reporting unit. A triggering event occurred during the fourth quarter, and as such, an interim impairment test was performed (refer to Note 6—Goodwill within the accompanying consolidated financial statements for further information). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to the reporting units, assignment of goodwill to the reporting units and the determination of fair value of the reporting units. Management has determined that we have only one reporting unit.

Goodwill is tested annually for impairment using a two-step process. First, we determine if the carrying value of the reporting unit exceeds fair value, which would indicate that goodwill may be impaired. If the fair value of the reporting unit exceeds the carrying value, goodwill is not impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than carrying value, then goodwill may be impaired and we perform the second step of the test to determine if goodwill is impaired and to measure the amount of impairment loss, if any. In the second step, we compare the implied fair value of the goodwill to its carrying amount in order to determine if there is an impairment loss. If the carrying amount of goodwill exceeds its implied fair value, then an impairment loss is recognized in an amount equal to the excess.

We estimate the fair value of the reporting unit in step one using the market approach. The market approach utilizes the Company's number of outstanding shares and the share price on the date of the annual test to determine a market capitalization value. We estimate the implied fair value of goodwill using the discounted cash flows approach. The implied fair value is primarily based on an estimate of the cash flows expected to result from the reporting unit but may require valuations of certain internally generated and unrecognized intangible assets such as our software, technology, patents and trademarks, and then discounted using an estimated weighted-average cost of capital. These estimates and the resulting valuations require significant judgment.

There were no impairment charges recorded related to goodwill during 2016, 2015 and 2014.

Impairment of Long‑lived Assets

We evaluate the recoverability of our long‑lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. When such events or circumstances occur, an impairment test would be performed by comparing the estimated undiscounted future cash flows expected to result from the use of the asset group to the related asset group's carrying value. If an asset group is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. We have not recognized any such impairment loss associated with our long‑lived assets during 2016, 2015 or 2014.

Income Taxes

We account for our income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or in our tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Deferred income taxes are recognized for differences between financial reporting and tax bases of assets and liabilities at the enacted statutory tax rates in effect for the years in which the temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. We evaluate the realizability of our deferred tax assets and we provide valuation allowances when necessary to reduce deferred tax assets to the amounts expected to be realized.

We operate in various tax jurisdictions and are subject to audit by various tax authorities. We provide tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon technical merits, relevant tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

We recognize a tax benefit from an uncertain tax position only if we believe it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that we believe has a greater than 50% likelihood of being realized upon settlement. We recognize interest and penalties accrued related to unrecognized tax benefits in our income tax benefit in the accompanying statements of operations.

We allocate the total tax expense (or benefit) between continuing operations and discontinued operations utilizing the intraperiod allocation rules of ASC 740. These rules provide for allocation of total tax expense (or benefit) among the various financial statement components.

We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified. The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

Recent Accounting Pronouncements

Refer to Note 2—Summary of Significant Accounting Policies and Accounting Pronouncements within the notes to the consolidated financial statements for information on our recently adopted accounting guidance and accounting guidance not yet adopted.

Discontinued Operations

Subsequent to year-end, we completed the eNom Divestiture. eNom's wholesale and retail registrar provided infrastructure services that enabled a network of active resellers to offer domain name registration services and related value-added services to their customers. This revenue was previously included as part of the Registrar services revenue line item. Additionally, revenue and cost of revenue from NameJet related to eNom were included as part of the divestiture. This revenue was previously included as part of the Aftermarket and other services revenue line item.

Only those costs and expenses directly attributable to the eNom business were included in the results of discontinued operations. Additionally, transaction costs associated with the eNom Divestiture were included in the results of discontinued operations. Corporate overhead allocations were not included in discontinued operations.

The eNom Divestiture met the criteria of a "discontinued operation" as defined by ASC 205-20. eNom's assets and liabilities are classified as held for sale in the Company's balance sheet for all p eriods presented and eNom's results of operations are included in income from discontinued operations for all periods presented.

The following table sets forth our results of discontinued operations for the periods presented (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Revenue	$ 155,761	$ 156,408	$ 148,935
Cost of revenue (excluding depreciation and amortization)	127,823	127,297	120,028
Sales and marketing	2,408	2,048	3,245
Technology and development	9,085	8,343	8,265
General and administrative	2,517	874	1,272
Depreciation and amortization	3,363	3,435	3,547
Gain on other assets, net	(1,300)	—	—
Income from discontinued operations before income tax	11,865	14,411	12,578
Income tax expense	4,464	5,864	7,032
Income from discontinued operations, net of income tax	$ 7,401	$ 8,547	$ 5,546

Results of Continuing Operations

The following tables set forth our results of operations for the periods presented (in thousands). The following information has been adjusted to remove the impact of the eNom Divestiture. As such, our results of operations for the periods presented are shown on a continuing operations basis. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2016	2015	2014
Revenue	$ 62,124	$ 57,429	$ 43,042
Cost of revenue (excluding depreciation and amortization)	37,115	36,506	29,912
Sales and marketing	8,066	8,519	6,216
Technology and development	10,633	12,719	12,210
General and administrative	19,643	19,204	19,885
Depreciation and amortization	12,660	12,993	11,894
Gain on other assets, net	(853)	(9,403)	(22,103)
Interest expense	4,297	4,922	1,988
Loss on debt extinguishment	4,257	—	—
Other expense (income), net	12	18	(1,196)
Loss from continuing operations before income tax	(33,706)	(28,049)	(15,764)
Income tax expense (benefit)	7,345	(8,178)	(8,360)
Loss from continuing operations	$ (41,051)	$ (19,871)	$ (7,404)

The following table presents our stock-based compensation expense included in the above line items (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Cost of revenue	$ 62	$ 55	$ 296
Sales and marketing	700	775	1,040
Technology and development	870	825	716
General and administrative	4,196	3,871	3,237
Total stock-based compensation expense	$ 5,828	$ 5,526	$ 5,289

The following table presents our depreciation and amortization by expense classification (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Cost of revenue	$ 7,254	$ 8,102	$ 6,021
Sales and marketing	1,278	1,269	1,292
Technology and development	2,569	2,603	3,168
General and administrative	1,559	1,019	1,413
Total depreciation and amortization	$ 12,660	$ 12,993	$ 11,894

The following table presents our results of operations as a percentage of revenue (amounts may not total due to rounding):

	Year Ended December 31,		
	2016	2015	2014
Revenue	100 %	100 %	100 %
Cost of revenue (excluding depreciation and amortization)	60	64	69
Sales and marketing	13	15	14
Technology and development	17	22	28
General and administrative	32	33	46
Depreciation and amortization	20	23	28
Gain on other assets, net	(1)	(16)	(50)
Interest expense	7	9	5
Loss on debt extinguishment	7	—	—
Other expense (income), net	0	0	(3)
Loss from continuing operations before income tax	(54)	(49)	(37)
Income tax expense (benefit)	12	(14)	(19)
Loss from continuing operations	(66) %	(35) %	(17) %

Revenue

Revenue by service line was as follows (in thousands, except percentage data):

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Registrar services	$ 29,120	$ 24,852	$ 19,386	17 %	28 %
Registry services	11,785	8,438	1,917	40 %	340 %
Aftermarket and other	22,620	25,377	22,045	(11) %	15 %
Eliminations	(1,401)	(1,238)	(306)	13 %	305 %
Total revenue	$ 62,124	$ 57,429	$ 43,042	8 %	33 %

Amounts in the Eliminations line reflect the elimination of intercompany transactions between our Registrar and Registry services businesses.

Registrar Services

2016 compared to 2015 . Registrar services revenue for 2016 increased by $4.2 million, or 17%, to $29.1 million compared to $24.9 million in 2015. The increase was driven by an increase of $1.1 million from registrations of new gTLD domain names and an increase of $1.3 million from legacy domain names. Additionally, the increase was due to $1.8 million of growth from value-added services and other monetization efforts.

2015 compared to 2014 . Registrar services revenue for 2015 increased by $5.5 million, or 28%, to $24.9 million compared to $19.4 million in 2014. The increase was driven by an increase of $2.4 million from registrations of new gTLD domain names and an increase of $1.9 million from legacy domain names. Additionally, the increas e was due to $1.2 million of growth from value-added services and other monetization efforts.

Registry Services

2016 compared to 2015 . Registry services revenue for 2016 increased by $3.4 million, or 40%, to $11.8 million compared to $8.4 million in 2015. The increase was primarily driven by registrations of our owned and operated new gTLDs. As of December 31, 2016, our Registry services end of period domains increased 40% to 565,000 from 401,000 in 2015.

2015 compared to 2014 . Registry services revenue for 2015 increased by $6.5 million, to $8.4 million compared to $1.9 million in 2014. The increase was primarily driven by registrations of our owned and operated new gTLDs. Sales from the portfolio of new gTLDs we exclusively own and operate began in the first quarter of 2014. As of December 31, 2015, our Registry services end of period domains increased to 401,000 from 149,000 in 2014.

Aftermarket and Other

2016 compared to 2015 . Aftermarket and other revenue for 2016 decreased by $2.8 million, or 11%, to $22.6 million compared to $25.4 million in 2015. The decrease was primarily due to a decrease in our domain name monetization revenue of $3.9 million from a decrease in traffic on websites by lower margin third party advertising partners, partially offset by an increase in our domain sales of $1.1 million.

2015 compared to 2014 . Aftermarket and other revenue for 2015 increased by $3.4 million, or 15%, to $25.4 million compared to $22.0 million in 2014. The increase was primarily due to an increase in our domain name monetization revenue of $4.0 million from improved performance by third party advertising partners, partially offset by a $0.6 million decrease in our domain sales, driven by lower sales of domain names in our portfolio.

Cost and Expenses

Costs and expenses were as follows (in thousands, except percentage data):

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Cost of revenue (excluding depreciation and amortization)	$ 37,115	$ 36,506	$ 29,912	2 %	22 %
Sales and marketing	8,066	8,519	6,216	(5) %	37 %
Technology and development	10,633	12,719	12,210	(16) %	4 %
General and administrative	19,643	19,204	19,885	2 %	(3) %
Depreciation and amortization	12,660	12,993	11,894	(3) %	9 %
Gain on other assets, net	(853)	(9,403)	(22,103)	(91) %	(57) %
Interest expense	4,297	4,922	1,988	(13) %	148 %
Loss on debt extinguishment	4,257	—	—	N/A	N/A
Other expense (income), net	12	18	(1,196)	33 %	102 %
Income tax expense (benefit)	7,345	(8,178)	(8,360)	(190) %	(2) %

Cost of Revenue

2016 compared to 2015 . Cost of revenue for 2016 increased by $0.6 million, or 2%, to $37.1 million compared to $36.5 million in 2015. The increase was primarily due to a $2.9 million increase in domain name registration fees associated with our growth in registered domain names and related revenue, partially offset by a $2.3 million decrease in revenue sharing costs paid to our domain name monetization customers.

2015 com pared to 2014 . Cost of revenue for 2015 increased by $6.6 million, or 22%, to $36.5 million compared to $29.9 million in 2014. The increase was primarily due to a $4.5 million increase in revenue sharing costs paid to our domain name monetization customers and $2.7 million in domain name registration fees associated with our growth in registered domain names and related revenue, which was partially offset by a $0.5 million decline in personnel-related expenses.

Sales and Marketing

2016 compared to 2015 . Sales and marketing for 2016 decreased by $0.4 million, or 5%, to $8.1 million compared to $8.5 million in 2015. The decrease was primarily due to a $0.6 million decrease in advertising and marketing costs for marketing campaigns, partially offset by an increase in personnel-related costs of $0.2 million.

2015 compared to 2014 . Sales and marketing for 2015 increased by $2.3 million, or 37%, to $8.5 million compared to $6.2 million in 2014. The increase was primarily due to a $1.4 million increase in advertising and marketing costs for new marketing campaigns for our owned gTLDs, as well as an increase of $0.9 million in personnel-related costs.

Technology and Development

2016 compared to 2015 . Technology and development for 2016 decreased by $2.1 million, or 16%, to $10.6 million compared to $12.7 million in 2015. The decrease was primarily due to $1.5 million decrease in personnel-related costs and a $0.6 million decrease in infrastructure and technology costs.

2015 compared to 2014 . Technology and development for 2015 increased by $0.5 million, or 4%, to $12.7 million compared to $12.2 million in 2014. The increase was primarily due to a $1.4 million increase in infrastructure and technology costs to support our registry platform and our operations as a standalone company, partially offset by a $0.7 million decrease in personnel-related costs.

General and Administrative

2016 compared to 2015 . General and administrative for 2016 increased by $0.4 million, or 2%, to $19.6 million compared to $19.2 million in 2015. The increase was driven by a $0.2 million increase in personnel-related costs and a $0.2 million increase in facilities and infrastructure costs.

2015 compared to 2014 . General and administrative for 2015 decreased by $0.7 million, or 3%, to $19.2 million compared to $19.9 million in 2014. The decrease was primarily due to a $0.9 million decrease in infrastructure and technology costs, partially offset by an increase of $0.3 million of personnel-related costs.

Depreciation and Amortization

2016 compared to 2015 . Depreciation and amortization for 2016 decreased by $0.3 million, or 3%, to $12.7 million compared to $13.0 million in 2015. The decrease was primarily due to a decrease of $0.8 million in amortization expense due to the duration of useful life of purchased intangibles, partially offset by an increase of $0.5 million in depreciation expense on property and equipment.

2015 compared to 2014 . Depreciation and amortization for 2015 increased by $1.1 million, or 9%, to $13.0 million compared to $11.9 million in 2014. The increase was primarily due to an increase of $2.0 million in amortization expense due to an increase in intangible assets as we added new gTLDs to our portfolio, partially offset by a decrease of $0.9 million in depreciation expense on property and equipment.

Gain on Other Assets, Net

2016 compared to 2015 . Gain on other assets, net for 2016 decreased by $8.5 million, or 91%, to $0.9 million compared to $9.4 million in 2015. The decrease was due to fewer withdrawals of our interest in certain gTLD applications.

2015 compared to 2014 . Gain on other assets, net for 2015 decreased by $12.7 million, or 57%, to $9.4 million compared to $22.1 million in 2014. The decrease was due to fewer withdrawals of our interest in certain gTLD applications .

Interest Expense

2016 compared to 2015 . Interest expense for 2016 decreased by $0.6 million, or 13%, to $4.3 million compared to $4.9 million in 2015. The decrease was primarily due to the early payoff of the Tennenbaum Credit Facility in November 2016.

2015 compared to 2014 . Interest expense for 2015 increased by $2.9 million, to $4.9 million compared to $2.0 million in 2014. The increase was primarily driven by interest expense on our credit facilities.

Other (Income) Expense, Net

2016 compared to 2015 . Other expense for 2016 was $12 thousand compared to other expense of $18 thousand in 2015.

2015 compared to 2014 . Other expense for 2015 was $18 thousand compared to other income of $1.2 million in 2014. Other (income) expense, net in 2014 included a $1.4 million gain on the sale of marketable securities.

Income Tax Expense (Benefit)

2016 compared to 2015 . Income tax expense for 2016 was $7.3 million, compared to income tax benefit of $8.2 million in 2015. The increase was primarily due to implementation of a valuation allowance on our domestic deferred tax assets, a decrease in pre-tax book loss, and an increase in non-deductible warrant expense.

2015 compared to 2014 . Income tax benefit for 2015 was $8.2 million, compared to $8.4 million in 2014. The decrease was primarily due to an increase in non-deductible warrant expense and stock based compensation shortfalls, and a decrease in research and development credits.

Non-GAAP Financial Measures

To supplement our financial results presented in GAAP, we use Adjusted EBITDA and Adjusted EBITDA from continuing operations, non-GAAP financial measures, to evaluate our business. We define Adjusted EBITDA as net income (loss) adjusted for interest, income taxes, depreciation and amortization, stock-based compensation, and certain gains, losses, and expenses that we do not believe are indicative of ongoing core business operating results. We define Adjusted EBITDA from continuing operations as loss from continuing operations adjusted for interest, income taxes, depreciation and amortization, stock-based compensation, and certain gains, losses, and expenses that we do not believe are indicative of ongoing core business operating results.

We believe that Adjusted EBITDA and Adjusted EBITDA from continuing operations are helpful in understanding our financial performance and potential future results. These are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read in conjunction with the financial statements prepared in accordance with GAAP. Adjusted EBITDA and Adjusted EBITDA from continuing operations may differ from non-GAAP financial measures with the same or similar captions that are used by other companies and do not reflect a comprehensive system of accounting. We use Adjusted EBITDA and Adjusted EBITDA from continuing operations internally to understand, manage, and evaluate our business and make operating decisions. In addition, we believe that the presentation of Adjusted EBITDA and Adjusted EBITDA from continuing operations is useful to investors because they enhance the ability of investors to compare our results from period to period and allows for greater transparency with respect to key financial metrics we use in making operating decisions.

The following is a reconciliation of Net loss to Adjusted EBITDA (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net loss	$ (33,650)	$ (11,324)	$ (1,858)
Add (deduct):			
Income tax expense (benefit)	11,809	(2,314)	(1,328)
Gain on sale of marketable securities	—	—	(1,362)
Gain on other assets, net	(2,153)	(9,403)	(22,103)
Loss on debt extinguishment	4,257	—	—
Interest expense	4,297	4,922	1,988
Depreciation and amortization	16,023	16,428	15,441
Stock-based compensation expense	6,649	6,296	5,836
Acquisition and realignment costs	564	202	294
Transaction-related advisory and consulting fees	1,416	—	—
Adjusted EBITDA	$ 9,212	$ 4,807	$ (3,092)

Adjusted EBITDA for the year ended December 31, 2016, increased $4.4 million, to $9.2 million, compared to $4.8 million in 2015. The increase was primarily due to an increase in revenue of $3.2 million and a decrease of $0.9 million for other operating expenses, partially offset by an increase in cost of revenue of $0.3 million. The increase in cost of revenue consists primarily of direct costs we incur with selling an incremental product to our customers.

Adjusted EBITDA for the year ended December 31, 2015, increased $7.9 million, to $4.8 million, compared to $(3.1) million in 2014. The increase was primarily due to an increase in revenue of $20.8 million, a decrease of $0.9 million for personnel-related costs and a decrease of $0.6 million for other operating expenses, offset by an increase in cost of revenue of $12.8 million and an increase of $1.2 million in advertising and marketing costs.

The following is a reconciliation of Loss from continuing operations to Adjusted EBITDA from continuing operations (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Loss from continuing operations	$ (41,051)	$ (19,871)	$ (7,404)
Add (deduct):			
Income tax expense (benefit)	7,345	(8,178)	(8,360)
Gain on sale of marketable securities	—	—	(1,362)
Gain on other assets, net	(853)	(9,403)	(22,103)
Loss on debt extinguishment	4,257	—	—
Interest expense	4,297	4,922	1,988
Depreciation and amortization	12,660	12,993	11,894
Stock-based compensation expense	5,828	5,526	5,289
Acquisition and realignment costs	314	119	156
Adjusted EBITDA from continuing operations	$ (7,203)	$ (13,892)	$ (19,902)

Adjusted EBITDA from continuing operations for the year ended December 31, 2016, improved $6.7 million, to $(7.2) million, compared to $(13.9) million in 2015. The improvement was primarily due to an increase in revenue of $4.7 million, a decrease of $1.0 million for personnel-related costs, a decrease of $0.8 million for network infrastructure costs and a decrease of $1.1 million for other operating expenses, partially offset by an increase in cost of revenue of $0.9 million. The increase in cost of revenue consists primarily of direct costs we incur with selling an incremental product to our customers.

Adjusted EBITDA from continuing operations for the year ended December 31, 2015, improved $6.0 million, to $(13.9) million, compared to $(19.9) million in 2014. The improvement was primarily due to an increase in revenue of $14.4 million and a decrease of $0.8 million for other operating expenses, partially offset by an increase in cost of revenue of $6.5 million, an i ncrease of $1.1 million in advertising and marketing costs, an increase of $1.0 million for personnel-related costs and an increase of $0.6 million for network infrastructure costs.

Liquidity and Capital Resources

Historically, we have principally financed our operations from net cash provided by our operating activities. Our cash flows from operating activities are significantly affected by our cash based investments in operations, including working capital, and corporate infrastructure to support our ability to generate revenue and conduct operations through cost of revenue, technology and development, sales and marketing and general and administrative activities. Cash used in investing activities has historically been, and is expected to be, significantly impacted by our ongoing investments in our platform, company infrastructure, equipment and our investments in gTLD applications. Our capital expenditures and investments in gTLDs have to date been funded by cash flows from operations, as well as proceeds from our credit facility.

As of December 31, 2016, our principal sources of liquidity were our cash and cash equivalents in the amount of $31.9 million along with our $30.0 million revolving credit facility. Subsequent to year-end, in connection with the eNom Divestiture, we received proceeds of approximately $76.7 million, which is subject to customary adjustments following the closing, including a working capital adjustment to the extent such amount is greater or less than the estimated net working capital amount determined at closing.

In connection with the Stock Purchase Agreement related to the eNom Divestiture, we are required to maintain unrestricted cash and cash equivalents of at least $8.35 million until September 20, 2017, which amount will be reduced to $6.35 million thereafter until January 20, 2018, and further reduced to $5.35 million thereafter until April 20, 2018, subject to certain conditions set forth in the stock purchase agreement.

Credit Facilities

Silicon Valley Bank Credit Facility

In August 2014, we entered into a $30.0 million revolving credit facility ("SVB Credit Facility") with Silicon Valley Bank ("SVB"). Under this facility we may repay and reborrow until the maturity date in August 2017. The SVB Credit Facility includes a letter of credit sub-limit of up to $15.0 million.

The SVB Credit Facility provides us with the option to select the annual interest rate on borrowings in an amount equal to: (1) a base rate determined by reference to the highest of: (a) the prime rate; (b) 0.50% per annum above the federal funds effective rate; and (c) the Eurodollar base rate for an interest period of one month plus 1.00%, plus a margin ranging from 1.00% to 1.50%, depending on our consolidated senior leverage ratio (as determined under the SVB Credit Facility), or (2) a Eurodollar base rate determined by reference to LIBOR for the interest period equivalent to such borrowing adjusted for certain reserve requirements, plus a margin ranging from 2.00% to 2.50%, depending on our consolidated senior leverage ratio (as determined under the SVB Credit Facility). In addition, we pay a 2.00% fee for the balance of letters of credit issued under the SVB Credit Facility.

We pay fees on the portion of the facility that is not drawn. The unused fee is payable to SVB in arrears on a quarterly basis in an amount equal to 0.25% multiplied by the daily amount by which the aggregate commitments exceed the sum of the outstanding amount of loans and the outstanding amount of letter of credit obligations.

The SVB Credit Facility allows SVB to require mandatory prepayments of outstanding borrowings from amounts otherwise required to prepay the term loan under the Tennenbaum Credit Facility. In March 2016, we entered into Amendment No. 3 to Credit Agreement ("Amendment No. 3") with Silicon Valley Bank, which approves a one-time distribution of $10.0 million for the partial prepayment of our term loan under the Tennenbaum Credit Facility.

The SVB Credit Facility contains customary representations and warranti es, events of default and affirmative and negative covenants. This facility has financial covenants, including a requirement that we maintain a maximum consolidated net leverage ratio, minimum liquidity ratio, and minimum consolidated EBITDA. As of Decembe r 31, 2016, we were in compliance with the covenants under the SVB Credit Facility.

We incurred $0.6 million in fees to establish this facility that we have capitalized on our balance sheet as deferred financing costs, which we will amortize on a straight-line basis into interest expense over the term of the SVB Credit Facility.

As of December 31, 2016, we had letters of credit with a face amount of $10.7 million that were issued under the SVB Credit Facility. On February 27, 2017, we reduced our outstanding letters of credit to $2.8 million.

We also drew $12.8 million under the SVB Credit Facility in November 2016. On January 20, 2017, we fully paid off and extinguished the outstanding principal balance of $12.8 million of our SVB Credit Facility and entered into a Limited Consent and Amendment No. 4 to Credit Agreement ("Amendment No. 4") with Silicon Valley Bank to release eNom as a party to the SVB Credit Facility in connection with the eNom Divestiture. In addition, the availability period for revolving loans under our credit facility is currently suspended until we satisfy certain conditions, including delivery of financial projections after giving effect to the eNom Divestiture. During this period of suspension, we are not required to comply with certain liquidity financial covenants under our credit facility until the availability period for our revolving loan is reinstated.

Tennenbaum Credit Facility

In August 2014, we entered into a $30.0 million term loan credit facility with certain funds managed by Tennenbaum Capital Partners LLC ("Tennenbaum Credit Facility"). Under this facility interest is based on a rate per year equal to LIBOR plus 8.75% and is payable quarterly. Quarterly principal payments of $375,000 on the term loan began March 31, 2015.

In November 2016, we fully paid off and extinguished the aggregate outstanding principal balance of $27.4 million of our Tennenbaum Credit Facility, and recognized a loss of $4.3 million representing the difference between the reacquisition price and the net carrying amount of the extinguished debt.

In connection with the Tennenbaum Credit Facility, we issued warrants to Tennebaum Capital Partners LLC to purchase up to an aggregate of 997,710 shares of common stock. The warrants have an exercise price of $15.05 per share and will be exercisable in accordance with their terms at any time on or after February 6, 2015, through August 6, 2019. The warrants contain a "cashless exercise" feature that allows the warrant holders to exercise such warrants by surrendering a number of shares underlying the portion of the warrant being exercised with a fair market value equal to the aggregate exercise price payable to us.

We estimated the fair value of the warrants by using the Black-Scholes Option Pricing Method ("Black-Scholes"). Under the Black-Scholes approach our key assumptions included the following: Stock price of $14.49, strike price of $15.05, volatility of 42.44%, risk-free rate of 1.67%, dividend yield of 0% and 5 year term. We used the resulting fair value to allocate the proceeds from the Tennenbaum Credit Facility between liability and equity components.

Since the warrants are classified as equity, we allocated the proceeds from the debt and warrants using the relative fair value method. Under this method we allocated $4.4 million to the warrants which we recorded to equity, with the remaining portion assigned to the liability component. The excess of the principal amount of the credit facility over its carrying value of $25.6 million represents a note discount that we amortized to interest expense.

We incurred $3.2 million in fees to establish the Tennenbaum Credit Facility, which includes $2.3 million of deferred financing costs and $0.9 million of note discount. We capitalized these fees on our balance sheet and amortized the fees on an effective interest method into interest expense. In connection with the extinguishment in November 2016, we wrote-off the unamortized debt discount and deferred financing costs of $4.0 million.

We believe our capital structu re is appropriate for this stage of our operations and is sufficient to grow the business while pursuing our strategic objectives. However, we are participating in a dynamic and emerging environment, and will continuously evaluate our position relative to the opportunities available in the marketplace. We believe that our current cash balance and future cash from operations, together with our ability to access sources of financing, including debt and equity, will provide sufficient resources to fund both sh ort term and long term operating requirements, capital expenditures, acquisitions and new business development activities for at least the next 12 months from the date of issuance of these financial statements.

Historical Cash Flow Trends

The following table sets forth our major sources and (uses) of cash for each period as set forth below (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net cash used in operating activities from continuing operations	$ (4,611)	$ (8,776)	$ (16,798)
Net cash provided by (used in) investing activities from continuing operations	1,817	(1,822)	(9,254)
Net cash used in financing activities from continuing operations	(18,709)	(2,679)	(3,486)

Cash Flows from Operating Activities from Continuing Operations

Our primary source of cash from operating activities consists of cash collections from our customers. Our primary uses of cash from operating activities consist of domain registration costs paid to registries, personnel-related costs, discretionary marketing and advertising costs, and technology and development costs.

Net cash used in operating ac tivities from continuing operations was $4.6 million, $8.8 million and $16.8 million in 2016, 2015 and 2014, respectively .

Our loss from continuing operations in 2016 was $41.1 million, which included a gain on the withdrawal of gTLD applications of $0.9 million, a loss on the extinguishment of our Tennebaum Credit Facility of $4.3 million, and non-cash charges of $30.7 million such as depreciation, amortization, stock-based compensation expense, and deferred taxes. In addition, changes in our working capital generated $2.3 million.

Our loss from continuing operations in 2015 was $19.9 million, which included a gain on the withdrawal of gTLD applications of $9.4 million, and non-cash charges of $17.5 million such as depreciation, amortization, stock-based compensation expense, and deferred taxes. In addition, changes in our working capital generated $3.0 million.

Our loss from continuing operations in 2014 was $7.4 million, which included a gain on the withdrawal of gTLD applications of $22.1 million, gain on the sale of marketable securities of $1.4 million, and non-cash charges of $10.2 million such as depreciation, amortization, stock-based compensation expense, and deferred taxes. In addition, changes in our working capital generated $3.8 million.

Cash Flows from Investing Activities from Continuing Operations

Our investing activities primarily consist of strategic acquisitions of gTLDs, purchases of intangible assets and purchases of property and equipment to support the overall growth in our business.

Net cash provided by investing activities from continuing operations was $1.8 million in 2016 compared to net cash used in investing activities from continuing operations of $(1.8) million for 2015. The change in cash from investing activities was primarily due to a decrease of $12.8 million of payments and deposits for investments in gTLD applications, whi ch was offset by a decrease in proceeds of $8.6 million from gTLD application withdrawals. Additionally, we had an increase of $1.5 million on the purchases of property and equipment and lower investments in intangible assets of $0.7 million. Cash invested in purchases of intangible assets and property and equipment, including internally developed software, was to support the growth of our business and infrastructure during these periods.

Net cash used in investing activities from continuing operations was $(1.8) million in 2015 compared to $(9.3) million for 2014. The improvement was primarily due to a decrease of $22.3 million of payments and deposits for investments in gTLD applications, which was offset by a decrease in proceeds of $13.5 million from gTLD application withdrawals. Additionally, we had a decrease of $0.9 million on the purchases of property and equipment, lower investments in intangible assets of $0.6 million, and an increase of $3.0 million from the change in restricted cash and proceeds from the sale of marketable equity securities in 2014.

Cash Flows from Financing Activities from Continuing Operations

Our financing activities primarily consist of the repayment of principal on long-term debt and restricted stock unit activity.

Net cash used in financing activities from continuing operations was $18.7 million in 2016 compared to $2.7 million in 2015. The increase in net cash used in financing activities was primarily due to the repayment and extinguishment of the Tennenbaum Credit Facility of $27.7 million, the principal payments on the capital lease obligation of $1.0 million and the tax withholdings on restricted stock awards of $0.5 million. These decreases were partially offset by the $12.8 million draw on the SVB Credit Facility.

Net cash used in financing activities from continuing operations was $2.7 million in 2015 compared to $3.5 million in 2014. The decrease in net cash used in financing activities was primarily due to the issuance of our credit facility and related debt financing costs in 2014 of $27.2 million, which was entered into to increase our liquidity and financial flexibility in pursuing our strategic objectives, including the acquisition of additional gTLDs. Additionally, the decrease was due to the principal payments on our credit facility of $1.5 million and the tax withholdings on restricted stock awards of $0.9 million. These decreases were partially offset by the $29.2 million parent company investment in 2014 and a $1.0 million payment for an acquisition holdback.

Off-Balance Sheet Arrangements

As of December 31, 2016, we were not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, revenue or expenses, results of operations, liquidity or capital resources other than those contractual obligations disclosed below.

Contractual Obligations

The following table summarizes our outstanding contractual obligations and commercial commitments as of December 31, 2016 (in thousands):

Years Ending December 31,	Debt (1)	Capital Lease Commitments (2)	Operating Lease Commitments (3)	Purchase Obligations (4)	Total
2017	$ 13,304	$ 1,550	$ 1,409	$ 131	$ 16,394
2018	—	—	1,325	—	1,325
2019	—	—	588	—	588
2020	—	—	236	—	236
2021	—	—	240	—	240
Thereafter	—	—	80	—	80
Total	$ 13,304	$ 1,550	$ 3,878	$ 131	$ 18,863

(1) Includes principal and interest on our credit facilities.
(2) Capital lease commitments are related to certain equipment under non-cancelable capital lease, as well as support for this equipment.
(3) Operating lease commitments are related to office facilities in various locations.
(4) Purchase obligations consist of enforceable and legally binding arrangements with third parties related to services to support operations.

Indemnifications

In the normal course of business, we have made certain indemnities under which we may be required to make payments in relation to certain transactions. Those indemnities include intellectual property indemnities to our customers, indemnities to our directors and officers to the maximum extent permitted under the laws of the State of Delaware and indemnifications related to lease agreements. In addition, certain of our advertiser and distribution partner agreements contain certain indemnification provisions, which are generally consistent with those prevalent in our industry. We have not incurred significant obligations under indemnification provisions historically, and do not expect to incur significant obligations in the future. Accordingly, we have no recorded liability for any of these indemnities. We have also agreed to customary indemnification provisions to Tucows in connection with the eNom Divestiture. We are required to maintain unrestricted cash and cash equivalents of at least $8.35 million until September 20, 2017, which amount will be reduced to $6.35 million thereafter until January 20, 2018, and further reduced to $5.35 million thereafter until April 20, 2018, subject to certain conditions set forth in the stock purchase agreement.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and concentration of credit risk.

Interest Rate Risk

We are subject to interest rate risk in connection with the SVB Credit Facility, which accrues interest at variable rates on borrowings. As of December 31, 2016, our draw on the revolving line of credit under the SVB Credit Facility had an interest rate of 4.75%. Given the $12.8 million draw on our SVB Credit Facility and holding other variables constant, a 1% increase in interest rates, occurring January 1, 2017 and sustained throughout the period ended December 31, 2017, would result in an increase in annual interest expense and a decrease in our cash flows and income before taxes of approximately $0.1 million per year. On January 20, 2017, we fully paid off and extinguished the outstanding principal balance of $12.8 million of our SVB Credit Facility.

Foreign Currency Exchange Risk

While relatively small, we have operations outside of the United States. We have foreign currency risks related to a relatively small percentage of our expenses being denominated in currencies other than the U.S. dollar, principally in the Euro. We do not believe movements in the foreign currencies in which we transact will significantly affect future net earnings or losses. However, as our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we intend to continue to assess our approach to managing this risk.

Concentrations of Credit Risk

Our cash and cash equivalents were maintained with one major U.S. financial institution and two foreign banks. We also maintained cash balances with three internet payment processors. Deposits with these institutions at times exceed the federally insured limits, which potentially subject us to concentration of credit risk. Historically, we have not experienced any losses related to these balances and believe that there is minimal risk of expected future losses. However, there can be no assurance that there will not be losses on these deposits.

We are also exposed to credit risk with respect to our large customers. To reduce and manage these risks, we assess the financial condition of our large customers when we enter into or amend agreements with them and we limit credit risk by collecting in advance when possible and setting and adjusting credit limits where we deem appropriate.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by Item 8 are contained in Item 15 of this Annual Report on Form 10-K and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated 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. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act for the Company. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016.

Our internal control over financial reporting is a process 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.

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitat ions, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, includin g ours, no matter how well designed and operated, can only provide reasonable, not absolute, assurances. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes i n conditions or that the degree of compliance with the policies or procedures may deteriorate. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management use d the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated 2013 Framework. Based on its assessment, management concluded that our internal control over financial reporting was effe ctive as of December 31, 2016.

Changes in Internal Control Over Financial Reporting

There have been no changes to our internal controls over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this item will be set forth in our definitive proxy statement with respect to our 2017 annual meeting of stockholders (the "2017 Proxy Statement") to be filed with the SEC, which is expected to be filed no later than 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer and principal financial officer. The Code of Business Conduct and Ethics is posted on our website at *investors.rightside.co/corporate-governance.cfm* .

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Business Conduct and Ethics by posting such information on our corporate website, at the address and location specified above and, to the extent required by NASDAQ Listing Rules, by filing a Current Report on Form 8-K with the SEC, disclosing such information.

Item 11. Executive Compensation

The information required by this item will be set forth in the 2017 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be set forth in the 2017 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth in the 2017 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be set forth in the 2017 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FIN ANCIAL STATEMENT SCHEDULES

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

(a) Financial Statements:

The following financial statements are included in this Annual Report on Form 10-K on the pages indicated:

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Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Comprehensive Loss	F-5
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Consolidated Statements of Cash Flows	F-7
Consolidated Notes to Financial Statements	F-8

(b) Financial Statement Schedule:

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(c) Exhibits

The exhibits listed on the Exhibit Index are filed herewith or are incorporated by reference to exhibits previously filed with the SEC, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Item 16. FORM 10-K SUMMARY

None.

SIGNAT URES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIGHTSIDE GROUP, LTD.

By: /s/ TARYN J. NAIDU
TARYN J. NAIDU
Chief Executive Officer

Date: March 15, 2017

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Taryn J. Naidu and Tracy Knox, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, solely for the purposes of filing any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof solely for the purposes stated therein.

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

Name	Title	Date
/ s / TARYN J. NAIDU Taryn J. Naidu	Chief Executive Officer (Principal Executive Officer)	March 15, 2017
/ s / TRACY KNOX Tracy Knox	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 15, 2017
/ s / DAVID E. PANOS David E. Panos	Chairman of the Board	March 15, 2017
/ s / DIANE M. IRVINE Diane M. Irvine	Director	March 15, 2017
/ s / ROBERT J. MAJTELES Robert J. Majteles	Director	March 15, 2017
/ s / JAMES R. QUANDT James R. Quandt	Director	March 15, 2017
/ s / RICHARD C. SPALDING Richard C. Spalding	Director	March 15, 2017

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Report of Independent Regist ered Public Accounting Firm

To the Board of Directors and Stockholders of Rightside Group, Ltd.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statement of operations, comprehensive loss, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Rightside Group Ltd. and its subsidiaries as of December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Seattle, Washington
March 15, 2017

Rightside Group, Ltd.

Consolidated Balance Sheets

(In thousands, except per share amounts)

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 31,922	$ 45,095
Accounts receivable, net	3,337	4,575
Prepaid expenses and other current assets	2,751	2,897
Deferred registration costs	9,063	8,834
Assets held for sale	129,053	132,224
Total current assets	176,126	193,625
Deferred registration costs, less current portion	1,594	1,259
Property and equipment, net	5,746	7,567
Intangible assets, net	46,961	52,163
Goodwill	70,921	70,921
Deferred tax assets, net	—	2,904
gTLD deposits	2,169	8,139
Other assets	671	1,353
Total assets	$ 304,188	$ 337,931
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,080	$ 1,400
Accrued expenses and other current liabilities	8,887	9,998
Debt	12,800	1,500
Capital lease obligation	983	1,193
Deferred revenue	19,475	17,681
Liabilities held for sale	133,588	136,652
Total current liabilities	176,813	168,424
Deferred revenue, less current portion	4,429	3,214
Debt, less current portion	—	21,701
Capital lease obligation, less current portion	—	811
Deferred tax liabilities, net	8,102	—
Other liabilities	261	494
Total liabilities	189,605	194,644
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, $0.0001 par value per share; 20,000 shares authorized Shares issued and outstanding: 0 and 0	—	—
Common stock, $0.0001 par value per share; 100,000 shares authorized Shares issued and outstanding: 19,539 and 19,099	2	2
Additional paid-in capital	152,421	147,475
Accumulated deficit	(37,840)	(4,190)
Total stockholders' equity	114,583	143,287
Total liabilities and stockholders' equity	$ 304,188	$ 337,931

The accompanying notes are an integral part of these financial statements.

Rightside Group, Ltd.

Consolidated Statements of Operations

(In thousands, except per share amounts)

	Year Ended December 31, 2016	2015	2014
Revenue	$ 62,124	$ 57,429	$ 43,042
Cost of revenue (excluding depreciation and amortization)	37,115	36,506	29,912
Sales and marketing	8,066	8,519	6,216
Technology and development	10,633	12,719	12,210
General and administrative	19,643	19,204	19,885
Depreciation and amortization	12,660	12,993	11,894
Gain on other assets, net	(853)	(9,403)	(22,103)
Interest expense	4,297	4,922	1,988
Loss on debt extinguishment	4,257	—	—
Other expense (income), net	12	18	(1,196)
Loss from continuing operations before income tax	(33,706)	(28,049)	(15,764)
Income tax expense (benefit)	7,345	(8,178)	(8,360)
Loss from continuing operations	(41,051)	(19,871)	(7,404)
Income from discontinued operations, net of income tax of $4,464, $5,864 and $7,032	7,401	8,547	5,546
Net loss	$ (33,650)	$ (11,324)	$ (1,858)
Basic (loss) income per share attributable to common stockholders:			
Continuing operations	$ (2.12)	$ (1.05)	$ (0.40)
Discontinued operations	0.38	0.45	0.30
Basic (loss) income per share	$ (1.74)	$ (0.60)	$ (0.10)
Diluted (loss) income per share attributable to common stockholders:			
Continuing operations	$ (2.12)	$ (1.05)	$ (0.40)
Discontinued operations	0.38	0.45	0.30
Diluted (loss) income per share	$ (1.74)	$ (0.60)	$ (0.10)
Weighted average number of shares outstanding:			
Basic	19,308	18,867	18,452
Diluted	19,308	18,867	18,452

The accompanying notes are an integral part of these financial statements.

Rightside Group, Ltd.

Consolidated Statements of Comprehensive Loss

(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Net loss	$ (33,650)	$ (11,324)	$ (1,858)
Other comprehensive (loss) income:			
Unrealized loss on available-for-sale securities	—	—	(906)
Tax effect	—	—	329
Other comprehensive loss, net of tax	—	—	(577)
Comprehensive loss	$ (33,650)	$ (11,324)	$ (2,435)

The accompanying notes are an integral part of these financial statements.

Rightside Group, Ltd.

Consolidated Statements of Stockholders' Equity

(In thousands)

	Parent company investment	Common stock Shares	Common stock Amount	Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other Comprehensive income (loss)	Total
Balances as of December 31, 2013	$ 172,179	—	$ —	$ —	$ —	$ 577	$ 172,756
Realized gain on available-for-sale securities, net of tax	—	—	—	—	—	(577)	(577)
Net loss prior to spin-off	(8,992)	—	—	—	—	—	(8,992)
Net decrease in parent company investment	(28,043)	—	—	—	—	—	(28,043)
Capitalization at spin-off	(135,144)	18,413	2	135,142	—	—	—
Balances as of August 1, 2014	$ —	18,413	$ 2	$ 135,142	$ —	$ —	$ 135,144
Stock warrants issued	—	—	—	4,441	—	—	4,441
Stock-based compensation	—	—	—	2,380	—	—	2,380
Stock option exercises	—	248	—	51	—	—	51
Tax withholdings on the vesting of restricted stock units	—	—	—	(305)	—	—	(305)
Net income after spin-off	—	—	—	—	7,134	—	7,134
Balances as of December 31, 2014	$ —	18,661	$ 2	$ 141,709	$ 7,134	$ —	$ 148,845
Other (1)	—	—	—	495	—	—	495
Stock-based compensation	—	—	—	6,450	—	—	6,450
Stock option exercises	—	438	—	46	—	—	46
Tax withholdings on the vesting of restricted stock units	—	—	—	(1,225)	—	—	(1,225)
Net loss	—	—	—	—	(11,324)	—	(11,324)
Balances as of December 31, 2015	$ —	19,099	$ 2	$ 147,475	$ (4,190)	$ —	$ 143,287
Stock-based compensation	—	—	—	6,649	—	—	6,649
Stock option exercises	—	440	—	30	—	—	30
Tax withholdings on the vesting of restricted stock units	—	—	—	(1,733)	—	—	(1,733)
Net loss	—	—	—	—	(33,650)	—	(33,650)
Balances as of December 31, 2016	$ —	19,539	$ 2	$ 152,421	$ (37,840)	$ —	$ 114,583

(1) Represents an adjustment of our allocation of pre-spin net tax losses.

The accompanying notes are an integral part of these financial statements.

Rightside Group, Ltd.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2016	2015	2014
Cash flows from operating activities			
Net loss	$ (33,650)	$ (11,324)	$ (1,858)
Less: Income from discontinued operations, net of tax	7,401	8,547	5,546
Loss from continuing operations	(41,051)	(19,871)	(7,404)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	12,660	12,993	11,894
Amortization of discount and issuance costs on debt	1,527	1,867	768
Deferred income taxes	11,005	(2,637)	(7,766)
Stock-based compensation expense	5,828	5,526	5,289
Gain on gTLD application withdrawals, net	(853)	(9,403)	(22,103)
Gain on sale of marketable equity securities	—	—	(1,362)
Gain on sale and disposal of assets, net	(266)	(204)	60
Loss on debt extinguishment	4,257	—	—
Change in operating assets and liabilities:			
Accounts receivable	1,326	641	(1,656)
Prepaid expenses and other current assets	146	(31)	(1,141)
Deferred registration costs	(564)	(1,601)	(766)
Other long-term assets	10	(930)	(1,437)
Accounts payable	(320)	532	(775)
Accrued expenses and other liabilities	(1,324)	(41)	3,546
Deferred revenue	3,008	4,383	6,055
Net cash used in operating activities from continuing operations	(4,611)	(8,776)	(16,798)
Net cash provided by operating activities from discontinued operations	8,420	11,703	17,854
Net cash provided by operating activities	3,809	2,927	1,056
Cash flows from investing activities			
Purchases of property and equipment	(2,471)	(969)	(1,912)
Purchases of intangible assets	(719)	(1,456)	(2,104)
Payments, deposits and returns of deposits for gTLD applications	3,119	(9,708)	(32,029)
Proceeds from gTLD withdrawals	1,375	9,991	23,461
Change in restricted cash	—	—	1,563
Proceeds from sale of marketable equity securities	—	—	1,362
Proceeds from sale of assets	513	320	405
Net cash provided by (used in) investing activities from continuing operations	1,817	(1,822)	(9,254)
Net cash used in investing activities from discontinued operations	(90)	(3,074)	(5,406)
Net cash provided by (used in) investing activities	1,727	(4,896)	(14,660)
Cash flows from financing activities			
Principal payments on capital lease obligations	(1,020)	—	(101)
Proceeds from debt	12,800	—	30,000
Principal payments on debt	(1,125)	(1,500)	—
Issuance costs related to debt financings	—	—	(2,874)
Repayment of debt	(27,661)	—	—
Proceeds from stock option exercises	30	46	51
Minimum tax withholding on restricted stock awards	(1,733)	(1,225)	(305)
Payment for acquisition holdback	—	—	(1,042)
Net decrease in parent company investment	—	—	(29,215)
Net cash used in financing activities from continuing operations	(18,709)	(2,679)	(3,486)
Change in cash and cash equivalents	(13,173)	(4,648)	(17,090)
Cash and cash equivalents, beginning of period	45,095	49,743	66,833
Cash and cash equivalents, end of period	$ 31,922	$ 45,095	$ 49,743
Supplemental disclosure of cash flows			
Cash paid for interest	$ 2,612	$ 3,056	$ 1,142
Cash paid for income taxes	110	81	22
Warrants issued in connection with debt	—	—	4,441
Supplemental disclosure of noncash financing activities			
Assets acquired under capital lease	—	1,046	—

The accompanying notes are an integral part of these financial statements.

Rightside Group, Ltd.

Consolidated Notes to Financial Statements

1. Company Background and Basis of Presentation

Description of Business

Rightside Group, Ltd. (together with its subsidiaries, "Rightside," the "Company," "our," "we," or "us") provides domain name registration and related value-added service subscriptions to third parties. We are also an accredited registry for new generic Top Level Domains ("gTLDs") made available by the expansion (the "New gTLD Program") of new gTLDs by the Internet Corporation for Assigned Names and Numbers ("ICANN").

eNom Divestiture

On January 20, 2017, we entered into a Stock Purchase Agreement with Tucows Inc. ("Tucows") to sell eNom, Incorporated ("eNom"), our wholly-owned registrar, in exchange for $83.5 million, less a net working capital adjustment of $6.8 million, resulting in net cash at closing of $76.7 million. The purchase price is subject to customary adjustments following the closing, including a working capital adjustment to the extent such amount is greater or less than the estimated net working capital amount determined at closing. The transaction was completed on January 20, 2017.

Separation from Demand Media

We were incorporated on July 11, 2013 as a wholly-owned subsidiary of Demand Media. On August 1, 2014, Demand Media, Inc., now known as Leaf Group Ltd ("Demand Media"), a New York Stock Exchange listed company, separated into two independent, publicly-traded companies: Rightside, a domain name services company, and Demand Media, a digital media company (the "Separation"). The Separation was consummated through a tax-free distribution of all of the outstanding shares of our common stock on a pro rata basis to Demand Media stockholders. After the Separation, holders of Demand Media common stock on the record date received one share of Rightside common stock for every five shares of Demand Media common stock. Rightside became an independent, publicly-traded company on the NASDAQ Global Select Market using the symbol: "NAME."

In connection with the Separation, Demand Media contributed or transferred certain of the subsidiaries and assets relating to its domain name services business to us, and we or our subsidiaries assumed all of the liabilities relating to Demand Media's domain name services business. We entered into various agreements, including a Transition Services Agreement, with Demand Media which provide for the allocation between Rightside and Demand Media of certain assets, liabilities, and obligations, and govern the relationship between Rightside and Demand Media after the separation. The Transition Services Agreement terminated in February 2016.

Basis of Presentation

We have prepared the accompanying financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). All intercompany accounts and transactions were eliminated in consolidation. We will refer to combined and consolidated financial statements as "financial statements," "balance sheets," "statement of operations," "statement of cash flow" and "statement of stockholders' equity" herein. Throughout these financial statements we refer to our years ended December 31, 2016, 2015, and 2014, as "2016," "2015" and "2014."

eNom, which provides domain name registration and related value-added service subscriptions to third parties, has historically been included in Rightside's one operating segment. In accordance with Account ing Standards Codification ("ASC") 205-20, *Discontinued Operations* , the assets and liabilities and results of operations of eNom are reported as discontinued operations for all periods presented since the sale of eNom on January 20, 2017 represents a strat egic shift that had a major effect on Rightside's operations and financial results as we narrowed our focus on our new gTLD registry business. As a result, we have reclassified the historical financial results of the eNom business as discontinued operation s. Accordingly, all references made to financial data in this Annual Report on Form 10-K are to the Company's continuing operations, unless specifically noted. See Note 3—Business Divestiture for additional information.

After The Separation on August 1, 2014

Our financial statements are presented on a consolidated basis, as we became a separate consolidated group. Our balance sheet, statement of operations, statement of stockholders' equity and statement of cash flows include the accounts of Rightside and our wholly-owned subsidiaries. These financial statements reflect our financial position, results of operations, statement of comprehensive income (loss), equity and cash flows as a separate company and have been prepared in accordance with GAAP.

Prior To The Separation on August 1, 2014

Our financial statements are presented on a combined basis as carve-out financial statements, as we were not a separate consolidated group. Our financial statements were derived from the financial statements and accounting records of Demand Media. Our financial statements assume the allocation to us of certain Demand Media corporate expenses relating to Rightside (refer to Note 15—Transactions with Related Parties and Parent Company Investment for further information). The accounting for income taxes is computed for our company on a separate tax return basis (refer to Note 11—Income Taxes for further information).

All significant intercompany accounts and transactions, other than those with Demand Media, have been eliminated in preparing the financial statements. All transactions between us and Demand Media have been included in these financial statements and are deemed to be settled as of August 1, 2014. The total net effect of the settlement of these transactions is reflected in the statements of cash flow as a financing activity.

These financial statements included expense allocations for certain: (1) corporate functions historically provided by Demand Media, including, but not limited to, finance, legal, information technology, human resources, communications, compliance, and other shared services; (2) employee benefits and incentives; and (3) stock-based compensation expense. These expenses have been allocated to us on a direct basis when identifiable, with the remainder allocated on a pro rata basis calculated as a percentage of our revenue, headcount or expenses to Demand Media's consolidated results. We consider the basis on which these expenses were allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the periods presented.

The allocations do not reflect the expense that we would have incurred as an independent company for the periods presented. Actual costs that may have been incurred if we had been a stand-alone company would depend on a number of factors, including, but not limited to, the chosen organizational structure, the costs of being a stand-alone publicly-traded company, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. We now perform all of these functions using our own resources and purchased services. For an interim period, some of these functions were provided by Demand Media under a Transition Services Agreement, which terminated in February 2016.

Reclassifications

We reclassified $1.6 million of other assets, representing debt issue costs, to noncurrent debt on our balance sheet as of December 31, 2015, in accordance with our retrospective adoption of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2015-03.

Revisions

Certain amounts previously presented for prior periods have been revised. These revisions did not affect consolidated net income or equity for the years presented.

We corrected the classification of $0.7 million of prepaid expenses and other current assets to the current portion of deferred revenue on our balance sheet as of December 31, 2015. We also corrected the classification of deferred revenue on our balance sheet as of December 31, 2015 to correct $1.3 million from current deferred revenue to noncurrent deferred revenue. We also corrected the classification of $0.1 million of unpaid invoices on our balance sheet as of December 31, 2015 that were incorrectly reclassified as accrued expenses and other current liabilities rather than out of accounts payable.

The December 31, 2015 misclassifications between prepaid expenses and other current assets and the current portion of deferred revenue also affected the statement of cash flows for the year ended December 31, 2015. The misclassification resulted in an overstatement of the prepaid expenses and other current assets outflows of $0.7 million and an overstatement of the deferred revenue inflows of $0.7 million. There was no impact on the total net cash provided by (used in) operating activities.

2. Summary of Significant Accounting Policies and Accounting Pronouncements

Use of Estimates

We prepared our financial statements in accordance with GAAP, which requires us to make estimates and use assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis, which form the basis for making judgments about the carrying value of assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include revenue, useful lives and impairment of property and equipment, intangible assets, goodwill, deferred income tax assets and liabilities, and valuation allowance. Actual results could differ materially from those estimates. On an ongoing basis, we evaluate our estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Revenue Recognition

We recognize revenue when four basic criteria are met: (1) persuasive evidence of a sales arrangement exists; (2) performance of services has occurred; (3) the sales price is fixed or determinable; and (4) collectability is reasonably assured. We consider persuasive evidence of a sales arrangement to be the receipt of a signed contract. We assess collectability based on a number of factors, including transaction history and the credit worthiness of a customer. If we determine that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash. We recognize performance incentive rebates and certain other business incentives as a reduction in revenue. We record cash received in advance of revenue recognition as deferred revenue.

For arrangements with multiple deliverables, we allocate revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. We determine the fair value of the selling price for a deliverable using a hierarchy of (1) Company specific objective and reliable evidence, then (2) third-party evidence, then (3) best estimate of selling price. We allocate any arrangement fee to each of the elements based on their relative selling prices. To the extent that we offer performance incentive rebates or certain other business incentives to our partners, those incentives will be recognized as a reduction to revenue.

Domain Name Registration Fees

We recognize revenue from registration fees charged to third parties in connection with new, renewed and transferred domain name registrations on a straight-line basis over the registration term, which ranges from one to ten years. We record payments received in advance of the domain name registration term in deferred revenue in our balance sheets. The registration term and related revenue recognition commences once we confirm that the requested domain name has been recorded in the appropriate registry under accepted contractual performance standards. We defer the associated direct and incremental costs, which principally consist of registry and ICANN fees, and expense them as cost of revenue on a straight-line basis over the registration term.

Our business includes Name.com, an ICANN accredited registrar. Thus, we are the primary obligor with our registrant customers and are responsible for the fulfillment of our registrar services to those parties. As a result, we report revenue in the amount of the fees we receive directly from our registrant customers.

Value-added Services

We recognize revenue from online registrar value-added services, which include, but are not limited to, security certificates, domain name identification protection, charges associated with alternative payment methodologies, web hosting services and email services on a straight-line basis over the period in which services are provided. We include payments received in advance of services being provided in deferred revenue.

Domain Name Monetization Services

Domain name monetization service revenue represents advertising revenue and primarily includes revenue derived from cost-per-click advertising links we place on websites owned by us, which we acquire and sell on a regular basis, and on websites owned by certain of our customers, with whom we have revenue sharing arrangements. Where we enter into revenue sharing arrangements with our customers, such as those relating to advertising on our customers' domains, and when we are considered the primary obligor, we report the underlying revenue on a gross basis in our statements of operations, and record these revenue-sharing payments to our customers as revenue-sharing expenses, which are included in cost of revenue.

Domain Name Sales

Domain name sales revenue represents proceeds received from selling domain names from our portfolio, as well as proceeds received from selling domain names that are not renewed by customers of our registrar platform. Domain name sales are primarily conducted through our direct sales efforts as well as through third-party domain name auction platforms. While certain domain names sold are registered on our registrar platform upon sale, we have determined that sales revenue and related registration revenue represent separate units of accounting, because the domain name has value to the customers on a stand-alone basis, where a customer could resell it separately, without the registration service, there is objective and reliable evidence of the fair value of the registration service and no general rights of return. We evaluated each deliverable, domain name sale and domain name registration, to determine whether vendor-specific objective evidence ("VSOE") or third-party evidence of selling price ("TPE") existed in order to determine the selling price for each unit of accounting.

We determined that there is VSOE for domain name registrations through analysis of historical stand -alone transactions sold by us, which have been consistently priced with limited discounts. For domain name sales, we have determined that TPE is not a practical alternative due to uniqueness of domain names compared to those sold by competitors and the availability of relevant third-party pricing information. We have not established VSOE for domain names due to the lack of pricing consistency an d other factors. Accordingly, we allocate revenue to the domain name sale deliverable in the arrangement based on best estimate of the selling price ("BESP"). We determine BESP by reference to the total transaction price and an estimate of what a market pa rticipant would pay without the registration service. Based on the nature of the transaction and its elements, we believe that there are no meaningful discounts embedded in the overall arrangement. We recognize domain name sales revenue when title to the n ame is transferred to the buyer and the related registration fees are recognized on a straight -line basis over the registration term. If we sell a domain name, we recognize any unamortized cost basis as a cost of revenue over the registration term.

For sales of domain names generated through third-party auction platforms, we recognize revenue net of auction service fee payments.

Intangible Assets

Registration and Acquisition Costs of Monetized Domains

We capitalize the initial registration and acquisition costs of our monetized domain names, and amortize these costs over the expected useful life of the underlying domain name on a straight line basis, which approximates the estimated pattern in which the underlying economic benefits are consumed. The expected useful lives of the monetized domain names range from 12 months to 72 months. We determine the appropriate useful life by performing an annual analysis of expected cash flows based on historical experience with domain names of similar quality and value.

In order to maintain the rights to each monetized domain name acquired, we pay periodic renewal registration fees, which cover a minimum period of twelve months. We record renewal registration fees of domain name intangible assets in deferred registration costs and recognize the costs over the renewal registration period, which is included in cost of revenue.

Acquired in Business Combinations

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price of each acquired business to our respective net tangible and intangible assets. Acquired intangible assets include: trade names, non-compete agreements, owned website names, customer relationships, and technology. We determine the appropriate useful life by performing an analysis of expected cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives of three to 20 years, using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

gTLDs

We capitalize payments for gTLD applications and other costs directly attributable to the acquisition of gTLD registry operator rights and include them in other long-term assets. We have received and may continue to receive partial cash refunds for certain gTLD applications, and to the extent we elect to sell or withdraw certain gTLD applications throughout the process, we may also incur gains or losses on amounts invested. These gains have been recorded as gains on other assets, net, on the statements of operations. As gTLDs become available for their intended use, gTLD application fees and acquisition related costs are reclassified as finite lived intangible assets and amortized on a straight-line basis over an estimated useful life of 10 years, which approximates the pattern in which the economic benefits are consumed. Other costs incurred as part of the gTLD Initiative and not directly attributable to the acquisition of gTLD registry operator rights are expensed as incurred.

Impairment of Intangible Assets

We evaluate the recoverability of our finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. When such events or circumstances occur, an impairment test would be performed by comparing the estimated undiscounted future cash flows expected to result from the use of the asset group to the related asset group's carrying value. If an asset is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. We have not recognized any such impairment loss associated with our finite-lived intangible assets during 2016, 2015 or 2014.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net tangible and the identifiable intangible assets. Goodwill is not amortized; rather, goodwill is tested for impairment at the reporting unit level on an annual basis during the fourth quarter, as of October 1, or more frequently, if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. These events or circumstances could include a significant change in the Company's business outlook, legal factors, financial performance, industry environment, or a sale or disposition of a significant portion of a reporting unit. A triggering event occurred during the fourth quarter, and as such, an interim impairment test was performed (refer to Note 6—Goodwill for further information). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to the reporting units, assignment of goodwill to the reporting units and the determination of fair value of the reporting units. Management has determined that we have only one reporting unit.

Goodwill is tested annually for impairment using a two-step process. First, we determine if the carrying value of the reporting unit exceeds fair value, which would indicate that goodwill may be impaired. If the fair value of the reporting unit exceeds the carrying value, goodwill is not impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than carrying value, then goodwill may be impaired and we perform the second step of the test to determine if goodwill is impaired and to measure the amount of impairment loss, if any. In the second step, we compare the implied fair value of the goodwill to its carrying amount in order to determine if there is an impairment loss. If the carrying amount of goodwill exceeds its implied fair value, then an impairment loss is recognized in an amount equal to the excess.

We estimate the fair value of the reporting unit in step one using the market approach. The market approach utilizes the Company's number of outstanding shares and the share price on the date of the annual test to determine a market capitalization value. We estimate the implied fair value of our reporting unit in step two using the discounted cash flows approach. The implied fair value is primarily based on an estimate of the cash flows expected to result from the reporting unit but may require valuations of certain internally generated and unrecognized intangible assets such as our software, technology, patents and trademarks, and then discounted using an estimated weighted-average cost of capital. These estimates and the resulting valuations require significant judgment.

There were no impairment charges recorded related to goodwill during 2016, 2015 and 2014.

Impairment of Long-lived Assets

We evaluate the recoverability of our long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. When such events or circumstances occur, an impairment test would be performed by comparing the estimated undiscounted future cash flows expected to result from the use of the asset group to the related asset group's carrying value. If an asset is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. We have not recognized any such impairment loss associated with our long-lived assets during 2016, 2015 or 2014.

Income Taxes

For periods prior to the Separation our results were included in the federal income tax return of Demand Media, as well as certain state tax returns where Demand Media files on a combined basis. For periods during which our operations were included with Demand Media, income taxes are presented in these financial statements as if we filed our own tax returns on a separate return basis. We account for our income taxes using the liability and asset method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or in our tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Deferred income taxes are recognized for differences between financial reporting and tax bases of assets and liabilities at the enacted statutory tax rates in effect for the years in which the temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. We evaluate the realizability of our deferred tax assets and valuation allowances are provided when necessary to reduce deferred tax assets to the amounts expected to be realized.

We operate in various tax jurisdictions and are subject to audit by various tax authorities. We provide tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, and relevant tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

We recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that we believe has a greater than 50% likelihood of being realized upon settlement. We recognize interest and penalties accrued related to unrecognized tax benefits in our income tax (benefit) provision in the accompanying statements of operations.

We allocate the total tax expense (or benefit) between continuing operations and discontinued operations utilizing the intraperiod allocation rules of ASC 740. These rules provide for allocation of total tax expense (or benefit) among the various financial statement components.

We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified. The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less at the time of purchase to be cash equivalents. We consider funds transferred from our credit card service providers but not yet deposited into our bank accounts at the balance sheet dates, as funds in transit and these amounts are recorded as unrestricted cash, since the amounts are generally settled the day after the outstanding date. Cash and cash equivalents consist primarily of checking accounts.

Accounts Receivable

Since our domain name registration services are primarily conducted on a prepaid basis through credit card or internet payments processed at the time a transaction is consummated, we do not carry significant receivables related to these business activities.

Account s receivable primarily consists of amounts due from registries and registrars, as well as gTLD amounts due from our collaboration agreement with Donuts Inc. ("Donuts"), a third-party new gTLD applicant. Receivables from registries represent refundable amou nts for registrations that were placed on auto-renew status by the registries, but were not explicitly renewed by a registrant as of the balance sheet dates. We record registry services accounts receivable at the amount of the registration fees paid by us to a registry for all registrations placed on auto-renew status. Subsequent to the lapse of a prior registration period, a registrant either renews the applicable domain name with us, which results in the application of the refundable amount to a consummat ed transaction, or the registrant lets the domain name registration expire, which results in a refund of the applicable amount from a registry to us.

Deferred Revenue and Deferred Registration Costs

Deferred revenue consists primarily of amounts received from customers in advance of our performance for domain name registration services and online value‑added services. We recognize deferred revenue as revenue on a systematic basis that is proportionate to the unexpired term of the related domain name registration over online value‑added service period.

Deferred registration costs represent incremental direct costs paid in advance to registries, ICANN, and other third parties for domain name registrations and are recorded as a deferred cost. We record the amortization of deferred registration costs to cost of revenue on a straight‑line basis over the registration period.

Property and Equipment and Software Development Costs

We record property and equipment at cost and provide for depreciation and amortization using the straight-line method for financial reporting purposes over the estimated useful lives.

We capitalize certain costs of internally developed software or software purchased for internal use. We capitalize software development costs when application development begins, it is probable that the project will be completed, and the software will be used as intended. We expense costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities as we incur these costs. Our policy provides for the capitalization of certain payroll, benefits, and other payroll-related costs for employees who are directly associated with internal-use software development projects, as well as external direct costs of materials and services associated with developing or obtaining internal-use software. We only capitalize personnel costs that relate directly to time spent on such projects.

The estimated useful lives by asset classification are as follows:

- Computer hardware: 2 to 5 years
- Computer software: 2 to 3 years
- Internally developed software: 3 years
- Furniture and equipment: 7 to 10 years
- Leasehold improvements: Shorter of the estimated useful life or life of related lease

During 2014, depreciation expense included the write-off of internally developed software of $0.8 million. There were no impairments related to property and equipment during 2016 and 2015.

Other Long -Term Assets

ICANN approved a framework for the significant expansion of the number of gTLDs available for businesses and consumers to register as part of a domain name ("New gTLD Program"). The first new gTLDs launched in the fourth quarter of 2013. We capitalize the costs incurred to pursue the acquisition of gTLD operator rights. While there can be no assurance that gTLDs will be awarded to us, we reclassify these payments as finite-lived intangible assets following the delegation of operator rights for each gTLD by ICANN. Payments for gTLD applications primarily represent amounts paid directly to ICANN and/or third parties in the pursuit of gTLD operator rights. When two or more applicants apply for the same gTLD, an auction process is used to determine the eventual owner. If a private auction is used, the highest bidder is required to pay the other applicants the proceeds from the auction in return for the withdrawal of their application for the gTLD. We may also receive partial cash refunds from ICANN for certain gTLD applications, and to the extent we elect to sell or withdraw of our interest in certain gTLD applications throughout the process, we may also incur gains or losses on amounts invested.

Gains on the withdrawal of our interest in gTLD applications are recognized when realized, while losses are recognized when deemed probable. Potential losses are limited to the non-refundable portion of our deposits, while gains realized during the initial ICANN rights delegation phase are based on proceeds received from third parties and may be significant as compared to our initial investment (deposit) in a particular gTLD. We expense other costs incurred by us as part of the gTLD Initiative not directly attributable to the acquisition of gTLD operator rights. We amortize capitalized costs on a straight-line basis over the estimated useful life of the gTLD operator rights acquired commencing the date that each asset is available for its intended use.

Investments

The cost of marketable securities sold is based upon the specific identification method and any realized gains or losses on the sale of investments are reflected as a component of other income (expense), net.

Leases

We categorize leases as either operating or capital leases at their inception. We lease office space and equipment under non-cancelable operating and capital leases. The terms of our lease agreements generally provide for rental payments on a graduated basis. We record rent expense on a straight-line basis over the lease period and have accrued for rent expense incurred but not paid.

Advertising Costs

Advertising costs are expensed as incurred and generally consist of online advertising, sponsorships, and trade shows. Such costs are included in sales and marketing expense in our statements of operations. Advertising expense was $2.4 million, $2.6 million and $1.4 million for 2016, 2015 and 2014, respectively.

Stock-based Compensation Expense

We measure stock-based compensation expense at the grant date based on the fair value of the award. Our stock-based payment awards are comprised principally of restricted stock units and stock options. We recognize compensation expense on a straight-line basis over the requisite service period. The requisite service period is generally four years. The compensation cost is recognized net of estimated forfeiture activity.

For awards issued to employees with service based vesting conditions the fair value is estimated using the Black-Scholes Option Pricing Method ("Black-Scholes"). The value of an award that is ultimately expected to vest is recognized as expense over the requisite service periods in our consolidated statements of operations. Stock-based compensation expense is classified in the consolidated statement of operations based on the department to which the related employee provides service.

The Black-Scholes approach requires management to make assumptions and to apply judgment in determining the fair value of our awards. The most significant assumptions and judgments include the expected volatility and expected term of the award.

We estimated the expected volatility of our awards from our company's historical volatility. We calculated the weighted average expected life of our options based upon the "simplified method" as prescribed by the SEC. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury notes with terms approximately equal to the expected life of the option. The expected dividend rate is zero as we currently have no history or expectation of paying cash dividends on our common stock.

Foreign Currency Transactions

Our foreign subsidiaries have a functional currency of U.S. dollars. We record realized and unrealized foreign currency transaction gains and losses as incurred. Foreign currency transaction gains and losses are included in other income (expense) in our statements of operations. The net effect of our foreign currency gains and losses was not significant for 2016, 2015 and 2014.

Fair Value of Financial Instruments

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We measure our financial assets and liabilities in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value in our financial statements on a nonrecurring basis include items such as property and equipment, cost and equity method investments, and other assets. These assets are measured at fair value if determined to be impaired. The fair values of these investments are determined based on valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment charge is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities recognized or disclosed at fair value in our financial statements on a recurring basis include items such as cash equivalents and short-term investments. These assets are measured at fair value at each balance sheet date. Cash equivalents consist of financial instruments that have original maturities of 90 days or less. Short-term investments consist of financial instruments with maturities greater than 90 days, but that generally mature in less than one year.

Discontinued Operations

Components that have been disposed of or are classified as held for sale and represent a strategic shift that has or will have a major effect on our operations or financial results are reported as discontinued operations. We reclassify the results of operations for current and prior periods into a single caption titled Income from discontinued operations, net of income tax in the consolidated statements of operations. In addition, assets and liabilities that qualify for reporting as discontinued operations are reflected in the consolidated balance sheets as Assets held for sale and Liabilities held for sale. We also classify cash flows related to discontinued operations as one line item within each category of cash flows in our consolidated statements of cash flows.

Adoption of New Accounting Pronouncements

In August 2015, the FASB issued ASU 2015-15, *Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.* The new standard clarified the SEC staff's position on debt issuance costs in connection with line of credit arrangements from ASU 2015-03. The SEC staff would not object to presenting debt issuance costs as an asset if they were incurred before a debt liability is recognized or if they were associated with revolving debt arrangements. We adopted this standard on January 1, 2016. As of December 31, 2015, we had $0.3 million of debt issuance costs that remained classified as an other asset on our balance sheets because it is related to our line of credit agreement .

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The new standard provided guidance to customers about whether a cloud computing arrangement included a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new standard did not change a customer's accounting for service contracts. We adopted ASU 2015-05 prospectively on January 1, 2016 with no material impact on our financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* The new standard required that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of as an asset, consistent with debt discounts. Debt disclosures include the face amount of the debt liability and the effective interest rate. We adopted this standard retrospectively on January 1, 2016 and changed our accounting principle accordingly. As of December 31, 2015, we reclassified $1.6 million of debt issuance costs from an other asset to a direct reduction of the carrying amount of debt liability on our balance sheets.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* . For each reporting period, the new standard explicitly requires management to assess whether there is substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. Depending on the result, additional detailed disclosures may be required. The new standard is effective for interim and annual reporting periods ending after December 15, 2016 with early adoption permitted. We adopted ASU 2014-15 as of December 31, 2016 with no material impact on our financial statements.

Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The new standard simplifies the test for goodwill impairment by eliminating Step 2. The new standard is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 will be applied on a prospective basis. We expect the adoption of this standard will reduce the complexity surrounding the evaluation of goodwill for impairment. The impact of this standard will depend on the outcomes of future goodwill impairment tests.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* The new standard provides specific guidance on eight cash flow classification issues, thereby reducing the diversity in practice on these issues. The new standard is effective for interim and annual reporting periods beginning after December 15, 2017 with early adoption permitted. ASU 2016-15 will be applied using the retrospective transition method. We do not believe this standard will have a material impact on our financial statements.

In Ju ne 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* . The new standard replaces the current incurred loss impairment methodology with one that reflects expected credit losses and utilizes a broader range of information to make credit loss estimates. The new standard is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted. We have not determined the impact of t he adoption on our financial statements. Because we have trade receivables, we are working to develop a method to estimate the expected credit losses in order to record an allowance for losses on the balance sheets as required by the new standard.

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* which is intended to simplify several aspects of share-based payment accounting, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows . The new standard is effective for interim and annual reporting periods beginning after December 15, 2016 with early adoption permitted. We will adopt ASU 2016-09 on January 1, 2017 and withhold shares up to the employees' maximum statutory tax rate in the employees' applicable jurisdictions. We will prospectively recognize the income tax effects of share-based compensation in the income statement.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which increases transparency and comparability for lease transactions. The new standard brings substantially all leases on the balance sheets for operating lease arrangements with lease terms greater than 12 months for lessees. This standard will require a modified retrospective application, which includes a number of optional practical expedients related to the identification and classification of leases commenced before the effective date. The new standard is effective for interim and annual reporting periods beginning after December 15, 2018 with early adoption permitted. We do not intend to adopt the standard early and are currently assessing the impact of ASU 2016-02 on our financial statements. We have office space and equipment leases, of which we expect the majority to be recorded on balance sheet once the standard is adopted.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606*). The new standard provides new criteria for recognizing revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods or services. It also requires expanded disclosures to provide greater insight into both revenue that has been recognized and revenue that is expected to be recognized in the future from existing contracts. Quantitative and qualitative information will be provided about the significant judgments and changes in those judgments that management made to determine the revenue that is recorded. ASU 2014-09 was set to be effective for interim and annual periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, *Deferral of the Effective Date,* which changed the effective date to interim and annual periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. In March 2016, the FASB issued ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* which clarifies the implementation guidance on determining the proper unit of account and applying the control principle. In April 2016, the FASB issued ASU 2016-10, *Identifying Performance Obligations and Licensing* , which clarifies the implementation guidance on identifying when a performance obligation has been satisfied and determining how to recognize revenue when an entity grants a license to use or access its intellectual property. In May 2016, the FASB issued ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients,* which aims to reduce the risk of diversity in practice for certain aspects of Topic 606, including collectibility, noncash consideration, presentation of sales tax, and transition. The new standard may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with a cumulative-effect adjustment recognized at the date of adoption (modified retrospective method). We do not intend to adopt the standard early and are currently assessing the provisions of the new standard. We have not determined the transition method or impact of the adoption on our financial statements. We are continuing to assess all potential impacts of the standard including identifying distinct performance obligations, determining whether a significant financing component exists in certain arrangements with upfront payments, determining when performance obligations transfer to customers and selecting the appropriate method for measuring progress toward complete satisfaction, estimating variable consideration related to our collaboration agreement for providing back-end registry services, presentation of incremental costs to obtain a contract, and principle versus agent considerations.

3. Business Divestiture

Discontinued Operations

In November 2016, we signed a Letter of Intent with Tucows related to the sale of eNom. On January 20, 2017, Rightside completed the divestiture (the "eNom Divestiture") of eNom, our wholly-owned registrar, to Tucows, in exchange for $83.5 million, less a net working capital adjustment of $6.8 million, resulting in net cash at closing of $76.7 million. The purchase price is subject to customary adjustments following the closing, including a working capital adjustment to the extent such amount is greater or less than the estimated net working capital amount determined at closing. Under the Stock Purchase Agreement, we will indemnify Tucows against losses arising from, among other things, breaches of representations and warranties, breaches of covenants, any pre-closing taxes, any unpaid debt or transaction expenses and certain other specified matters. In addition, we are required to maintain certain unrestricted cash and cash equivalents balances (refer to Note 10—Commitments and Contingencies for further information).

In connection with the eNom Divestiture, we and Tucows entered into a transition services agreement under which each party will compensate the other for the provision of various services to the other party, including information technology, accounting and finance, human resources and facilities services. This transition services agreement began on January 20, 2017 and ends on various dates through June 30, 2019.

The eNom Divestiture met the criteria of a "discontinued operation" as defined by ASC 205-20. eNom's assets and liabilities are classified as held for sale in the Company's balance sheet for all periods presented and eNom's results of operations are included in income from discontinued operations for all periods presented.

The accounting standards for long-lived assets to be disposed of by sale require that the Company measure assets and liabilities of the disposal group, classified as held for sale, at the lower of its carrying amount or fair value less costs to sell, at the end of each reporting period. At December 31, 2016, the fair value of the eNom disposal group exceeded its carrying value and no adjustment to carrying value was required. Upon completion of the eNom Divestiture, we expect to recognize a gain of approximately $75.9 million.

The m ajor classes of assets and liabilities included as held for sale related to eNom are as follows (in thousands):

	December 31, 2016	December 31, 2015
Assets		
Accounts receivable, net	$ 6,422	$ 6,731
Prepaid expenses and other current assets	3,332	4,359
Deferred registration costs	65,982	66,601
Deferred registration costs, less current portion	14,441	14,441
Property and equipment, net	4,718	5,731
Intangible assets, net	1,955	2,165
Goodwill	32,121	32,121
Other assets	82	75
Total assets classified as held for sale	$ 129,053	$ 132,224
Liabilities		
Accounts payable	$ 5,494	$ 5,762
Accrued expenses and other current liabilities	12,988	14,693
Deferred revenue	77,082	78,597
Deferred revenue, less current portion	18,457	18,588
Deferred tax liabilities, net	19,099	18,381
Other liabilities	468	631
Total liabilities classified as held for sale	133,588	136,652

The major classes of line items constituting the loss from discontinued operations, net of income tax, in the statements of operations for eNom, are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Revenue	$ 155,761	$ 156,408	$ 148,935
Cost of revenue (excluding depreciation and amortization)	127,823	127,297	120,028
Sales and marketing	2,408	2,048	3,245
Technology and development	9,085	8,343	8,265
General and administrative	2,517	874	1,272
Depreciation and amortization	3,363	3,435	3,547
Gain on other assets, net	(1,300)	—	—
Income from discontinued operations before income tax	11,865	14,411	12,578
Income tax expense	4,464	5,864	7,032
Income from discontinued operations, net of income tax	$ 7,401	$ 8,547	$ 5,546

Income from continuing operations includes $2.2 million, $1.4 million and $0.2 million for 2016, 2015 and 2014, respectively, that were previously eliminated in the consolidated financial statements. These amounts relate to transactions between eNom and our Registry services business that were eliminated upon consolidation prior to the eNom Divestiture.

In April 2016, eNom sold the majority of its non-core registrar credentials. Registrars are required to be accredited by ICANN in order to register domain names. The registrar credentials that were sold were mainly used to increase eNom's ability to register newly deleted domain names the instant they became available. The sale of these credentials resulted in a net gain of $1.3 million for the year ended December 31, 2016. This gain was recorded in gain on other assets, net in the table above.

4. Intangi ble Assets

Intangible assets consisted of the following (in thousands):

	December 31, 2016				December 31, 2015			
	Gross carrying amount	Accumulated amortization	Net	Weighted average useful life (years)	Gross carrying amount	Accumulated amortization	Net	Weighted average useful life (years)
Owned website names	$ 13,935	$ (11,198)	$ 2,737	4	$ 15,040	$ (11,691)	$ 3,349	4
Customer relationships	8,090	(8,037)	53	4	8,090	(6,763)	1,327	4
Technology	416	(416)	—	2	416	(397)	19	2
Non-compete agreements	207	(164)	43	5	207	(122)	85	5
Trade names	1,276	(548)	728	13	1,276	(440)	836	13
gTLDs	54,348	(10,948)	43,400	10	51,988	(5,441)	46,547	10
Total	$ 78,272	$ (31,311)	$ 46,961		$ 77,017	$ (24,854)	$ 52,163	

Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives commencing on the date that the asset is available for its intended use.

Amortization expense of intangible assets was $8.7 million, $9.5 million, and $7.5 million for 2016, 2015 and 2014, respectively.

Estimated future amortization expense related to intangible assets held at December 31, 2016 (in thousands):

Years Ending December 31,	Amount
2017	$ 6,872
2018	6,498
2019	6,197
2020	5,976
2021	5,860
Thereafter	15,558
Total	$ 46,961

5. Property and Equipment

Property and equipment consisted of the following (in thousands):

	December 31, 2016	December 31, 2015
Computers and other related equipment	$ 12,314	$ 14,998
Purchased and internally developed software	11,964	11,425
Furniture and fixtures	656	611
Leasehold improvements	1,037	999
Property and equipment, gross	25,971	28,033
Less: accumulated depreciation	(20,225)	(20,466)
Property and equipment, net	$ 5,746	$ 7,567

The net book value of internally developed software costs was $3.2 million and $3.7 million as of December 31, 2016 and 2015, respectively (net of $5.0 million and $3.8 million accumulated amortization, respectively).

Depreciation expense, including the write-off of internally developed software of $0.8 million in 2014, was $4.0 million, $3.5 million, and $4.4 million for 2016, 2015 and 2014, respectively.

Capital Lease

In December 2015, we entered into an agreement to lease server equipment for a term of 24 months. The agreement included related software and support services to maintain this server equipment during the lease term.

Our computers and other related equipment shown in the table above included the server equipment assets under a capital lease as follows (in thousands):

	December 31, 2016	December 31, 2015
Computers and other related equipment	$ 1,046	$ 1,046
Less: accumulated depreciation	(363)	(15)
Assets under capital lease, net	$ 683	$ 1,031

As of December 31, 2016, the expected future minimum lease payments under the capital lease were as follows (in thousands):

Years Ending December 31,	Amount
2017	$ 1,550
Total minimum lease payments	1,550
Less: software and support services	(541)
Net minimum lease payments	1,009
Less: imputed interest	(26)
Present value of minimum lease payments (capital lease obligation)	$ 983
Current portion	983
Noncurrent portion	—

Depreciation expense related to the capital lease was $0.7 million for 2016.

6. Goodwill

As of December 31, 2016 and 2015, our goodwill balance from continuing operations was $70.9 million.

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net tangible and the identifiable intangible assets. Goodwill amounts are not amortized, but rather tested for impairment at least annually during the fourth quarter. Our most recent annual impairment analysis was performed in the fourth quarter, as of September 30, 2016, using the total consolidated goodwill balance of $103.0 million. The test indicated that the fair value exceeded the carrying value of the reporting unit, and therefore no impairment was identified. If we were required to record a significant impairment charge against goodwill reflected on our balance sheet during the period in which an impairment is determined to exist, we could report a greater loss in one or more future periods.

As of November 30, 2016, management determined the intent to sell the eNom business to Tucows met the held for sale criteria and we were required to perform an interim goodwill impairment assessment. In order to perform the impairment test, management first allocated the total consolidated goodwill balance between continuing operations, $70.9 million, and discontinued operations, $32.1 million, based on the relative fair values of the two components of the reporting unit. Management considered all available evidence in determining the relative fair values. Management then tested the continuing operations goodwill for impairment as of November 30, 2016 using a market approach. Based on the test performed, we determined that the fair value exceeded the carrying value and no impairment existed for goodwill from continuing operations. There were no additional known events or circumstances from November 30, 2016 through December 31, 2016 that would impact management’s conclusion.

7. gTLD Deposits

gTLD deposits consisted of the following (in thousands):

	December 31, 2016	December 31, 2015
gTLD deposits	$ 2,169	$ 8,139

We received returns of deposits of $3.1 million and made payments and deposits of $9.7 million during 2016 and 2015, respectively, for certain gTLD applications under the New gTLD Program. Payments, deposits and returns of deposits for gTLD applications represent amounts paid directly to ICANN or third parties in the pursuit of gTLD operator rights, the majority of which was paid to Donuts as described in Note 10—Commitments and Contingencies. These deposits are applied to the purchase of the gTLD when we are awarded the gTLD operator rights or these deposits may be returned to us if we withdraw our interest in the gTLD application .

The net gain related to the withdrawals of our interest in certain gTLD applications was $0.9 million, $9.4 million and $22.1 million for 2016, 2015 and 2014, respectively. We recorded these gains in gain on other assets, net on the statements of operations.

8. Other Balance Sheet Items

Accounts receivable consisted of the following (in thousands):

	December 31, 2016	December 31, 2015
Accounts receivable—trade	$ 2,752	$ 4,051
gTLD deposit receivable	106	19
Receivables from registries	479	505
Accounts receivable, net	$ 3,337	$ 4,575

Prepaid expenses and other currents assets consisted of the following (in thousands):

	December 31, 2016	December 31, 2015
Prepaid expenses	$ 2,342	$ 2,471
Prepaid registry fees	399	416
Note receivable	10	10
Prepaid expenses and other current assets	$ 2,751	$ 2,897

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31, 2016	December 31, 2015
Customer deposits	$ 1,807	$ 2,354
Accrued payroll and related items	2,257	2,209
Commissions payable	15	20
Domain owners' royalties payable	612	1,568
Other	4,196	3,847
Accrued expenses and other current liabilities	$ 8,887	$ 9,998

9. Debt

Silicon Valley Bank Credit Facility

In August 2014, we entered into a $30.0 million revolving credit facility (“SVB Credit Facility”) with Silicon Valley Bank (“SVB”). Under this facility we may repay and reborrow until the maturity date in August 2017. The SVB Credit Facility includes a letter of credit sub-limit of up to $15.0 million.

The SVB Credit Facility provides us with the option to select the annual interest rate on borrowings in an amount equal to: (1) a base rate determined by reference to the highest of: (a) the prime rate; (b) 0.50% per annum above the federal funds effective rate; and (c) the Eurodollar base rate for an interest period of one month plus 1.00%, plus a margin ranging from 1.00% to 1.50%, depending on our consolidated senior leverage ratio (as determined under the SVB Credit Facility), or (2) a Eurodollar base rate determined by reference to LIBOR for the interest period equivalent to such borrowing adjusted for certain reserve requirements, plus a margin ranging from 2.00% to 2.50%, depending on our consolidated senior leverage ratio (as determined under the SVB Credit Facility). In addition, we pay a 2.00% fee for the balance of letters of credit issued under the SVB Credit Facility.

We pay fees on the portion of the facility that is not drawn. The unused fee is payable to SVB in arrears on a quarterly basis in an amount equal to 0.25% multiplied by the daily amount by which the aggregate commitments exceed the sum of the outstanding amount of loans and the outstanding amount of letter of credit obligations.

The SVB Credit Facility allows SVB to require mandatory prepayments of outstanding borrowings from amounts otherwise required to prepay the term loan under the Tennenbaum Credit Facility. In March 2016, we entered into Amendment No. 3 to Credit Agreement (“Amendment No. 3”) with Silicon Valley Bank, which approves a one-time distribution of $10.0 million for the partial prepayment of our term loan under the Tennenbaum Credit Facility.

The SVB Credit Facility contains customary representations and warranties, events of default and affirmative and negative covenants. This facility has financial covenants, including a requirement that we maintain a including a maximum consolidated net leverage ratio, minimum liquidity ratio, and minimum consolidated EBITDA. As of December 31, 2016, we were in compliance with the covenants under the SVB Credit Facility.

We incurred $0.6 million in fees to establish this facility that we have capitalized on our balance sheet as deferred financing costs. We will amortize these costs on a straight-line basis into interest expense over the term of the SVB Credit Facility.

As of December 31, 2016, we had letters of credit with a face amount of $10.7 million that were issued under the SVB Credit Facility. We have also drawn $12.8 million under this facility, which we fully repaid subsequent to December 31, 2016. See Note 20—Subsequent Events for further information.

Tennenbaum Credit Facility

In August 2014, we entered into a $30.0 million term loan credit facility with certain funds managed by Tennenbaum Capital Partners LLC (“Tennenbaum Credit Facility”). Under this facility, interest is based on a rate per year equal to LIBOR plus 8.75% and is payable quarterly. Quarterly principal payments of $375,000 on the term loan began March 31, 2015.

In November 2016 , we fully paid off and extinguished the aggregate outstanding principal balance of $27.4 million of our Tennenbaum Credit Facility, and recognized a loss of $4.3 million representing the difference between the reacquisition price and the net carrying amou nt of the extinguished debt.

In connection with the Tennenbaum Credit Facility, we issued warrants to purchase up to an aggregate of 997,710 shares of common stock. The warrants have an exercise price of $15.05 per share and will be exercisable in accordance with their terms at any time on or after February 6, 2015, through August 6, 2019. The warrants contain a "cashless exercise" feature that allows the warrant holders to exercise such warrants by surrendering a number of shares underlying the portion of the warrant being exercised with a fair market value equal to the aggregate exercise price payable to us.

We estimated the fair value of the warrants by using the Black-Scholes approach. Under the Black-Scholes approach our key assumptions included the following: stock price of $14.49, strike price of $15.05, volatility of 42.44%, risk-free rate of 1.67%, dividend yield of 0% and 5 year term. We used the resulting fair value to allocate the proceeds from the Tennenbaum Credit Facility between liability and equity components.

Since the warrants are classified as equity, we allocated the proceeds from the debt and warrants using the relative fair value method. Under this method we allocated $4.4 million to the warrants which we recorded to equity, with the remaining portion assigned to the liability component. The excess of the principal amount of the credit facility over its carrying value of $25.6 million represents a note discount that we will amortize to interest expense over the term of the Tennenbaum Credit Facility.

We incurred $3.2 million in fees to establish the Tennenbaum Credit Facility, which includes $2.3 million of deferred financing costs and $0.9 million of note discount. We capitalized these fees on our balance sheet and will amortize the fees on an effective interest method into interest expense over the term of the Tennenbaum Credit Facility. In connection with the debt extinguishment in November 2016, we wrote-off the unamortized note discount and deferred financing costs of $4.0 million.

The fair value of the Tennenbaum Credit Facility was $31.5 million as of December 31, 2015. Refer to Note 16—Fair Value of Financial Instruments for further information.

The following table presents our debt outstanding on the Tennenbaum Credit Facility (in thousands):

	December 31, 2016	December 31, 2015
Principal	$ 27,375	$ 28,500
Unamortized note discount and deferred financing costs	—	(5,299)
Repayment of principal upon extinguishment	(27,375)	—
Carrying value	$ —	$ 23,201

Interest expense on the Tennenbaum Credit Facility consisted of the following (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Contractual interest expense	$ 2,258	$ 2,760	$ 1,133
Amortization of issuance costs	395	496	203
Amortization of note discount	933	1,171	481
Loss on debt extinguishment	4,257	—	—
Total	$ 7,843	$ 4,427	$ 1,817

Capital Lease

In December 2015, we entered into a non-cancelable agreement to lease server equipment, along with the related software support and services, over a lease term of 24 months. The amount financed was $3.2 million and will be repaid in 24 equal monthly installments. We have the option to purchase the equipment at the end of the lease for an amount significantly below fair value of the equipment. As of December 31, 2016, $1.6 million of principal payments had been made. Subsequent to December 31, 2016, we fully paid off the balance on our capital lease obligation. See Note 20—Subsequent Events for further information.

10. Commitments and Contingencies

Operating Leases

We conduct our operations utilizing leased office facilities in various locations. Our leases expire between July 2017 and April 2022. Rent expense was $0.9 million, $0.7 million and $0.7 million for 2016, 2015 and 2014, respectively.

We entered into a sublease agreement in connection with the eNom Divestiture for approximately 20,500 square feet of our headquarters in Kirkland, Washington. See Note 20—Subsequent Events for further information.

Our future minimum lease payments under non-cancelable operating leases as of December 31, 2016 are as follows (in thousands):

Years Ending December 31,	Amount
2017	$ 1,409
2018	1,325
2019	588
2020	236
2021	240
Thereafter	80
Total	$ 3,878

Letters of Credit

In August 2014, we entered a revolving credit facility with SVB for $30.0 million. This facility allows for the issuance of up to $15.0 million of letters of credit. As of December 31, 2016, we have letters of credit totaling $10.7 million under the SVB Credit Facility. Subsequent to December 31, 2016, we reduced our letters of credit to $2.8 million under the SVB Credit Facility. See Note 20—Subsequent Events for further information.

Litigation

From time to time, we are party to various litigation matters incidental to the conduct of our business. There is no pending or threatened legal proceeding to which we are a party that, in our belief, is likely to have a material adverse effect on our future financial results.

Taxes

From time to time, various federal, state and other jurisdictional tax authorities undertake review of us and our filings. In evaluating the exposure associated with various tax filing positions, we accrue charges for possible exposures. We believe any adjustments that may ultimately be required as a result of any of these reviews will not be material to our financial statements.

Donuts Agreement

As part of our initiative to pursue the acquisition of gTLD operator rights, we have entered into a gTLD acquisition agreement ("gTLD Agreement") with Donuts. The gTLD Agreement provides us with rights to acquire the operating and economic rights to certain gTLDs. These rights are shared equally with Donuts and are associated with specific gTLDs ("Covered gTLDs") for which Donuts is the applicant under the New gTLD Program. We have the right, but not the obligation, to make further deposits with Donuts in the pursuit of acquisitions of Covered gTLDs, for example as part of the ICANN auction process. The operating and economic rights for each Covered gTLD will be determined through a process whereby we and Donuts each select gTLDs from the pool of Covered gTLDs, with the number of selections available to each party based upon the proportion of the total acquisition price of all Covered gTLDs that they funded. Gains on sale of our interest in Covered gTLDs are recognized when realized, while losses are recognized when deemed probable. Separately, we extended the agreement to provide certain back-end registry services for gTLD operator rights owned by Donuts for a period of five years, which originated with the launch of Donut's first gTLD. Outside of the collaboration, we are not an investor in Donuts nor involved in any joint venture with Donuts or its affiliates.

Indemnifications Arrangements

In the normal course of business, we have made certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. Those indemnities include intellectual property indemnities to our customers, indemnities to our directors and officers to the maximum extent permitted under the laws of the State of Delaware and indemnities related to our lease agreements. In addition, our advertiser and distribution partner agreements contain certain indemnification provisions, which are generally consistent with those prevalent in our industry. We have not incurred significant obligations under indemnification provisions historically and do not expect to incur significant obligations in the future. Accordingly, we have not recorded any liability for these indemnities, commitments and guarantees in the balance sheets. We have also agreed to customary indemnification provisions to Tucows in connection with the eNom Divestiture. We are required to maintain unrestricted cash and cash equivalents of at least $8.35 million until September 20, 2017, which amount will be reduced to $6.35 million thereafter until January 20, 2018, and further reduced to $5.35 million thereafter until April 20, 2018, subject to certain conditions set forth in the stock purchase agreement.

11. Income Taxes

Prior to the Separation, our operations were included in Demand Media's U.S. federal and state income tax returns. For periods during which our operations were included with Demand Media, income taxes are presented in these financial statements as if we filed our own tax returns on a standalone basis. These amounts may not reflect tax positions taken or to be taken by Demand Media, and have been available for use by Demand Media and may remain with Demand Media after the separation from Demand Media. Prior to the Separation, current income tax liabilities were settled with Demand Media through parent company investment. All tax amounts shown in the tables below are presented on a consolidated basis, including both continuing operations and discontinued operations.

Loss before income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Domestic	$ (12,490)	$ (10,469)	$ (11,413)
Foreign	(9,351)	(3,169)	8,227
Loss before income taxes	$ (21,841)	$ (13,638)	$ (3,186)

The table above includes income from discontinued operations before incomes taxes of $11.9 million, $14.4 million and $12.6 million for 2016, 2015, and 2014, respectively.

The income tax (expense) benefit consists of the following (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Current expense:			
Federal	$ —	$ —	$ —
State	(35)	(69)	(22)
Foreign	(50)	(47)	(9)
Deferred benefit (expense):			
Federal	(11,580)	2,696	1,454
State	(144)	(266)	(95)
Total income tax (expense) benefit	$ (11,809)	$ 2,314	$ 1,328

The table above includes income tax expense from discontinued operations of $4.5 million, $5.9 million and $7.0 million for 2016, 2015, and 2014, respectively.

The reconciliation of the federal statutory income tax rate of 34% to our effective income tax rate is as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Expected income tax benefit at U.S. statutory rate	$ 7,426	$ 4,637	$ 1,083
Foreign rate differential	(3,176)	(586)	3,988
State tax benefit, net of federal taxes	239	222	163
Non-deductible stock-based compensation expense	(452)	(776)	(2,343)
Meals and entertainment	(27)	(23)	(38)
State rate changes	(71)	(443)	(240)
Valuation allowance	(14,760)	(535)	(1,197)
Non-deductible warrant amortization	(542)	(329)	(135)
Non-deductible transaction-related expenses	(283)	—	—
Other	(163)	147	47
Total income tax (expense) benefit	$ (11,809)	$ 2,314	$ 1,328

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands):

	December 31, 2016	December 31, 2015
Deferred tax assets		
Accrued liabilities not currently deductible	$ 1,381	$ 1,467
Intangible assets - excess of financial statement amortization over tax basis	5,057	5,131
Indirect federal impact of deferred state taxes	645	777
Deferred revenue	7,870	7,360
Net operating losses	22,576	17,935
Stock-based compensation expense	908	863
Total deferred tax assets	$ 38,437	$ 33,533
Deferred tax liabilities		
Deferred registration costs	$ (28,642)	$ (28,379)
Prepaid expenses	(1,886)	(1,627)
Goodwill not amortized for financial reporting	(15,570)	(13,893)
Intangible assets - excess of financial basis over tax basis	(750)	(829)
Property and equipment	(1,306)	(1,536)
Other	(346)	(368)
Total deferred tax liabilities	(48,500)	(46,632)
Valuation allowance	(17,138)	(2,378)
Net deferred tax liabilities	$ (27,201)	$ (15,477)

The table above includes net deferred tax liabilities from discontinued operations of $19.1 million and $18.4 million for the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2016, we evaluated the need for a valuation allowance for our deferred tax assets. We reduce our deferred tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of these deferred tax assets will not be realized. We have determined that it is more likely than not that we will not realize the benefit of our deferred tax assets. Accordingly a valuation allowance against our deferred tax assets of $17.1 million and $2.4 million was required at December 31, 2016 and 2015 respectively.

The table below presents our deferred tax asset valuation allowance activity (in thousands):

	Year Ended December 31, 2016	2015	2014
Balance as of January 1,	$ 2,378	$ 1,843	$ 646
Increase in valuation allowance	14,760	535	1,197
Balance as of December 31,	$ 17,138	$ 2,378	$ 1,843

For the year ended December 31, 2016 the valuation allowance change primarily reflects the establishment of a $14.7 million valuation allowance on the Company’s domestic deferred tax assets, $11.6 million of which is due to the eNom Divestiture. For the year ended December 31, 2015 and 2014, the valuation allowance change reflects the additional valuation allowance on our international deferred tax assets.

We had consolidated federal net operating loss ("NOL") carryforwa rds of approximately $54.6 million and $42.1 million as of December 31, 2016 and 2015, respectively, of which $42.0 million and $29.5 million are attributable to continuing operations. These NOLs expire between 2023 and 2036. We also have an Irish NOL carr yforward of $19.4 million that can be carried forward indefinitely. In addition, we had state NOL carryforwards of approximately $24.0 million and $17.8 million as of December 31, 2016 and 2015, respectively, of which $5.1 million and $3.4 million are attr ibutable to continuing operations. These state NOLs expire between 2028 and 2036.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, provide for annual limitations on the utilization of net operating loss and credit carryforwards if we were to undergo an ownership change, as defined in Section 382. Currently, we do not expect the utilization of our net operating loss and tax credit carryforwards to be materially affected by usage limitations.

Accounting standards related to stock-based compensation exclude tax attributes related to the exercise of employee stock options from being realized in the financial statements until they result in a decrease to taxes payable. Therefore, we have not included unrealized stock option tax attributes in our deferred tax assets. Cumulative tax attributes excluded through 2016 were $1.4 million. The benefit of these deferred tax assets will be recorded to equity when they reduce taxes payable. There can be no guarantee that the options will be exercised or reduce taxes payable.

We are subject to the accounting guidance for uncertain income tax positions. We believe that our income tax positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material adverse effect on our financial condition, results of operations, or cash flow.

Our policy for recording interest and penalties associated with audits and uncertain tax positions is to record such items as a component of income tax expense, and amounts recognized to date are insignificant. No uncertain income tax positions were recorded during 2016 or 2015 and we do not expect our uncertain tax position to change during the next twelve months.

Since the Separation, we file tax returns on our own. Prior to the Separation, our results are included in Demand Media's tax returns in U.S. federal, state and foreign jurisdictions. The tax years 2007-2015 remain subject to examination by various taxing authorities.

12. Stock-based Compensation

Our stock-based award plan grants restricted stock, stock options, stock bonuses, stock appreciation rights, restricted stock units ("RSUs") and performance-based restricted stock units.

On August 1, 2014, as part of the Separation and the resulting conversion of equity awards, we had 1.1 million RSUs and options outstanding. Stock option holders received one Rightside stock option for every five Demand Media stock options. Holders of RSUs received 1.71 Rightside RSUs for every five Demand Media RSUs.

As of December 31, 2016, we had 2.2 million shares of common stock reserved for future grants under our equity plan. Our stock-based awards generally vest over four years and are subject to the employee's continued employment with us. We also estimate forfeiture rates at the time of grants and revise the estimates in subsequent periods if actual forfeitures differ from our estimates. We record stock-based compensation net of estimated forfeitures.

Our stock -based compensation expense related to stock -based awards that has been includ ed in the following line items within the statements of operations are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Cost of revenue	$ 62	$ 55	$ 296
Sales and marketing	700	775	1,040
Technology and development	870	825	716
General and administrative	4,196	3,871	3,237
Total stock-based compensation expense	$ 5,828	$ 5,526	$ 5,289

The table above includes allocated stock-based compensation expense of $0.8 million for 2014 for the employees of Demand Media whose cost of services was partially allocated to us prior to the Separation.

The table above does not include stock-based compensation expense for discontinued operations of $0.8 million, $0.8 million and $0.5 million for 2016, 2015 and 2014, respectively.

Information related to stock-based compensation activity is as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Intrinsic value of options exercised	$ 2	$ —	$ 100
Intrinsic value of restricted stock units vested	4,896	3,744	2,804

As of December 31, 2016, we had $9.9 million of unrecognized stock-based compensation, net of estimated forfeitures, which is expected to be recognized over a weighted average period of 2.3 years.

Stock Options

The fair value of each option granted was determined on the grant date using the Black-Scholes approach with the following weighted-average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Expected term (in years)	5.92	N/A	N/A
Expected volatility	47.53 %	N/A	N/A
Expected dividend yield	— %	N/A	N/A
Risk-free interest rate	1.34 %	N/A	N/A
Estimated weighted average grant date fair value (per share)	$ 4.23	N/A	N/A

There were no options granted in 2015 or 2014.

Expected Term: For purposes of determining the expected term of the options in the absence of sufficient historical data relating to option exercises, the Company uses the “simplified method” as prescribed by the SEC to estimate the expected term of option grants. Under this approach, the weighted-average expected life is presumed to be the average of the contractual term (10 years) and the vesting term (four years) of the Company’s stock options, taking into consideration multiple vesting tranches.

Expected Volatility: The expected volatility is based on the Company’s historical stock price volatility.

Expected Dividend Yield: The Company has not declared or paid any dividends and does not expect to do so in the foreseeable future, therefore, we use an expected dividend yield of zero. Any future dividend payments will be at the discretion of our board of directors.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant for the expected term of the option.

The following table presents a summary of our stock option activity for the year ended December 31, 2016 (in thousands, except for per share amounts and contractual term):

	Shares		Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value
Outstanding as of December 31, 2015	84	$	13.84			
Granted	316		9.25			
Exercised	(1)		5.50			
Cancelled	(7)		14.23			
Outstanding as of December 31, 2016	392		10.15	7.9	$	18
Exercisable as of December 31, 2016	88	$	13.60	3.2	$	18

Restricted Stock Units

The following table presents a summary of our RSU activity for the year ended December 31, 2016 (in thousands, except for per share amounts):

	Shares		Weighted Average Share Value
Outstanding as of December 31, 2015	1,266	$	9.75
Granted	580		8.43
Vested	(533)		10.14
Cancelled	(113)		9.11
Outstanding as of December 31, 2016	1,200	$	8.99

13. Employee Benefit Plan

We offer defined contribution plans covering eligible employees in the United States and foreign locations. The plan allows employees to voluntarily contribute a percentage of their compensation. We may, at our discretion, match a portion of employees' eligible contributions. Our expense associated with the contribution plans was $0.3 million, $0.2 million and $0.2 million for 2016, 2015 and 2014, respectively.

14. Business Segments

We follow the authoritative literature that established annual and interim reporting standards for an entity's operating segments and related disclosures about its products and services, geographic regions and major customers. We operate in one operating segment. Our chief operating decision maker ("CODM") manages our operations on a global basis for purposes of evaluating financial performance and allocating resources. The CODM reviews separate revenue information for our Registrar services, Registry services, and Aftermarket and other services. All other financial information is reviewed by the CODM on a global basis. Our operations are located in the United States, Ireland, Canada and Cayman Islands. We also have a wholly foreign-owned enterprise in China.

Revenue from our Registrar services, Registry services, and Aftermarket and other services offerings are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Registrar services	$ 29,120	$ 24,852	$ 19,386
Registry services	11,785	8,438	1,917
Aftermarket and other	22,620	25,377	22,045
Eliminations	(1,401)	(1,238)	(306)
Total revenue	$ 62,124	$ 57,429	$ 43,042

The amounts in the Eliminations line reflect the elimination of intercompany transactions between our Registry and Registrar services businesses.

	Year Ended December 31,		
	2016	2015	2014
United States	$ 43,764	$ 41,776	$ 30,057
International	18,360	15,653	12,985
Total	$ 62,124	$ 57,429	$ 43,042

No international country represented more than 10% of total revenue in any period presented.

15. Transactions with Related Parties and Parent Company Investment

Prior to the Separation, our financial statements included direct costs of Rightside incurred by Demand Media on our behalf and an allocation of certain general corporate costs incurred by Demand Media. Direct costs include finance, legal, human resources, technology development, and other services and have been determined based on a direct basis when identifiable, with the remainder allocated on a pro rata basis calculated as a percentage of our revenue, headcount or expenses to Demand Media's consolidated results. General corporate costs include, but are not limited to, executive oversight, accounting, internal audit, treasury, tax, and legal. The allocations of general corporate costs are based primarily on estimated time incurred and/or activities associated with us. Management believes the allocations of corporate costs from Demand Media are reasonable. Costs incurred by Demand Media to complete the Separation have not been allocated to us. However, the financial statements may not include all of the costs that would have been incurred had we been a stand-alone company during the periods presented and may not reflect our financial position, results of operations and cash flows had we been a stand-alone company during the periods presented.

Prior to the Separation, we recorded the following costs incurred and allocated by Demand Media in our statements of operations as follows (in thousands):

	Year Ended December 31,
	2014
Cost of revenue	$ 215
Sales and marketing	1,452
Technology and development	6,684
General and administration	10,768
Depreciation and amortization	2,391
Total allocated expenses	$ 21,510

The table above includes allocated stock-based compensation expense of $0.8 million for 2014 for the employees of Demand Media whose cost of services was partially allocated to us.

The net decrease in the parent company investment of $28.0 million for 2014 includes cash transfers to Demand Media, net of allocated expenses, assets and liabilities.

16. Fair Value of Financial Instruments

We measure our financial assets and liabilities in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1—valuations for assets and liabilities traded in active exchange markets, or interest in open-end mutual funds that allow a company to sell its ownership interest back at net asset value on a daily basis. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities or funds.
- Level 2—valuations for assets and liabilities traded in less active dealer, or broker markets, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active. Level 2 includes U.S. Treasury, U.S. government and agency debt securities, and certain corporate obligations. Valuations are usually obtained from third-party pricing services for identical or comparable assets or liabilities.
- Level 3—valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and consider counterparty credit risk in our assessment of fair value. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Assets and liabilities that are not recognized at fair value in our consolidated financial statements but for which the fair value is disclosed, are summarized below (in thousands):

As of December 31, 2016	Carrying Value	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Note receivable	$ 10	$ —	$ —	$ 10	$ 10
Liabilities:					
Debt	$ 12,800	$ —	$ —	$ 12,800	$ 12,800

As of December 31, 2015	Carrying Value	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Note receivable	$ 10	$ —	$ —	$ 10	$ 10
Liabilities:					
Debt	$ 23,201	$ —	$ —	$ 31,489	$ 31,489

Our note receivable is short-term in nature and its carrying value approximates fair value. This is classified as a Level 3 measurement .

As of December 31, 2016, the draw on our revolving line of credit is short-term in nature and its carrying value approximates fair value. This is classified as a Level 3 measurement.

As of December 31, 2015, the fair value of our Tennenbaum Credit Facility debt is estima ted based on the discounted cash flow approach, using the current cost of debt available to us with similar loan terms and remaining maturities. As of December 31, 2015, the current cost of debt available to us was 6%. Because these estimates utilize signi ficant unobservable inputs, we classify our debt as a Level 3 measurement.

The current cost of debt is considered a significant unobservable input used in the fair value measurement of our debt. This significant unobservable input would have a direct impact on the fair value of our debt if it were adjusted. Consequently, significant increases or decreases in the cost of debt would result in a significantly higher or lower fair value. At December 31, 2015, a hypothetical 10% increase or decrease in the cost of debt would change the fair value of our debt, classified as Level 3 within the fair value hierarchy, by $0.5 million.

The following table presents a reconciliation of our debt measured at fair value using unobservable inputs (Level 3) (in thousands):

		Amount
Balance as of December 31, 2015	$	31,489
Principal and interest payments on debt		(3,233)
Change in fair value of future payments on debt		2,227
Repayment of debt		(30,483)
Issuance of short-term debt		12,800
Balance as of December 31, 2016	$	12,800

The following table presents a reconciliation of our note receivable measured at fair value using unobservable inputs (Level 3) (in thousands):

		Amount
Balance as of December 31, 2015	$	10
Repayments on note receivable		—
Balance as of December 31, 2016	$	10

17. Earnings (loss) per share

Basic and diluted earnings (loss) per share were calculated using the following (in thousands, except per share amounts):

	Year Ended December 31,		
	2016	2015	2014
Loss from continuing operations	$ (41,051)	$ (19,871)	$ (7,404)
Income from discontinued operations	7,401	8,547	5,546
Net loss	(33,650)	(11,324)	(1,858)
Weighted average number of shares outstanding:			
Basic	19,308	18,867	18,452
Diluted	19,308	18,867	18,452
Basic (loss) income per share attributable to common stockholders:			
Continuing operations	$ (2.12)	$ (1.05)	$ (0.40)
Discontinued operations	0.38	0.45	0.30
Basic (loss) income per share	$ (1.74)	$ (0.60)	$ (0.10)
Diluted (loss) income per share attributable to common stockholders:			
Continuing operations	$ (2.12)	$ (1.05)	$ (0.40)
Discontinued operations	0.38	0.45	0.30
Diluted (loss) income per share	$ (1.74)	$ (0.60)	$ (0.10)

On August 1, 2014, the 1,000 shares of Rightside common stock, par value $0.0001 per share, issued and outstanding immediately prior to the Separation were automatically reclassified as and became 18.4 million shares of common stock, par value $0.0001 per share. Basic and diluted earnings per share and the weighted average number of shares outstanding were retrospectively updated to reflect these transactions.

For 2016, 2015 and 2014, we excluded approximately 209,000, 48,100 and 32,600 shares, respectively, of restricted stock units and stock options from the calculation of diluted weighted average shares outstanding as their inclusion would have been antidilutive. The $15.05 exercise price per share on the stock warrants related to the Tennenbaum Credit Facility did not have a dilutive effect for 2016, 2015 or 2014.

18. Concentrations

Credit and Business Risk

Financial instruments that potentially subject us to a concentration of credit risk consist of cash and cash equivalents and accounts receivable.

At December 31, 2016 and 2015, our cash and cash equivalents were maintained with one major U.S. financial institution and two foreign banks. We also used online payment processors, such as PayPal, in both periods. Deposits with these institutions at times exceed the federally insured limits, which potentially subjects us to concentration of credit risk. We have not experienced any losses related to these balances and do not believe there is unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Partners comprising more than 10% of the accounts receivable balance were as follows:

	December 31,	
	2016	2015
Advertising network partner	28 %	47 %
Partner A	21	14
Partner C	12	6

Significant Customers

A substantial portion of our revenue is generated through arrangements with one partner noted below. We may not be successful in renewing these agreements on commercially acceptable terms, or at all, and if they are renewed, they may not be on terms as favorable as the current agreements.

The percentage of revenue generated through partners representing more than 10% of revenue is as follows:

	Year Ended December 31,		
	2016	2015	2014
Advertising network partner	30 %	39 %	41 %

19. Selected Quarterly Financial Information (Unaudited)

The following unaudited quarterly financial information presents our quarterly and full year financial information (in thousands, except per share information):

	Three months ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
2016					
Revenue	$ 16,606	$ 15,774	$ 14,835	$ 14,909	$ 62,124
Loss from continuing operations before income taxes	(8,197)	(5,831)	(9,117)	(10,561)	(33,706)
Loss from continuing operations	(6,251)	(4,447)	(6,954)	(23,399)	(41,051)
Income from discontinued operations, net of income taxes	1,145	1,975	2,525	1,756	7,401
Net loss	(5,106)	(2,472)	(4,429)	(21,643)	(33,650)
Loss from continuing operations per share attributable to common stockholders:					
Basic	$ (0.33)	$ (0.23)	$ (0.36)	$ (1.20)	$ (2.12)
Diluted	(0.33)	(0.23)	(0.36)	(1.20)	(2.12)
2015					
Revenue	$ 12,660	$ 13,349	$ 15,090	$ 16,330	$ 57,429
Loss from continuing operations before income taxes	(2,442)	(10,217)	(7,638)	(7,752)	(28,049)
Loss from continuing operations	(1,730)	(7,238)	(5,412)	(5,491)	(19,871)
Income from discontinued operations, net of income taxes	3,606	1,565	2,008	1,368	8,547
Net income (loss)	1,876	(5,673)	(3,404)	(4,123)	(11,324)
Loss from continuing operations per share attributable to common stockholders:					
Basic	$ (0.09)	$ (0.38)	$ (0.29)	$ (0.29)	$ (1.05)
Diluted	(0.09)	(0.38)	(0.29)	(0.29)	(1.05)

Seasonality of Quarterly Results

In general, internet usage and online commerce and advertising are seasonally strongest in the fourth quarter and generally slower during the beginning of the year. We believe that these seasonal trends have affected and will continue to affect our quarterly results. We believe that our business may become more seasonal in the future.

20. Subsequent Events

On January 20, 2017, we completed the divestiture of eNom, our wholly-owned registrar, to Tucows. See Note 3—Business Divestiture for additional information. Concurrently, we entered into a sublease agreement with eNom in connection with the eNom Divestiture for approximately 20,500 square feet of our headquarters in Kirkland, Washington. On January 20, 2017, we repaid the $12.8 million draw on our revolving line of credit with Silicon Valley Bank and entered into a Limited Consent and Amendment No. 4 to Credit Agreement ("Amendment No. 4") with Silicon Valley Bank to release eNom as a party to the SVB Credit Facility in connection with the eNom Divestiture. In addition, Amendment No. 4 suspends the availability period for revolving loans, lowers the total commitment from $30.0 million to $15.0 million and amends certain financial covenants. We also reduced our outstanding letters of credit with Silicon Valley Bank to $2.8 million as of February 27, 2017. On January 20, 2017, we paid off the remaining balance of $1.5 million on our leased server equipment and related software support and services. On February 28, 2017, we announced that our board of directors authorized a stock repurchase program of up to $50 million of the Company's outstanding common stock, effective immediately. The stock repurchase program will be in place for up to 24 months.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
2.1	Separation and Distribution Agreement between Demand Media, Inc. and Rightside Group, Ltd., dated August 1, 2014 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 4, 2014 (File No. 001-36262)).
2.2	Purchase Agreement between Rightside Group, Ltd., eNom, Incorporated, Tucows Inc. and Tucows (Emerald), LLC dated January 20, 2017 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 23, 2017 (File No. 001-36262)).
3.1	Amended and Restated Certificate of Incorporation of the Company, dated July 31, 2014 (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-8 filed on July 31, 2014 (File No. 001-36262)).
3.2	Amended and Restated Bylaws of the Company, dated July 31, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on August 4, 2014 (File No. 001-36262)).
4.1	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 7, 2014 (File No. 001-36262)).
4.2	Registration Rights Agreement between Rightside Group, Ltd. and the investors listed therein, dated as of August 6, 2014 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 7, 2014 (File No. 001-36262)).
4.3	Form of Common Stock Certificate of Rightside Group, Ltd. (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Company's Registration Statement on Form 10 filed on May 20, 2014 (File No. 001-36262)).
10.1	Transition Services Agreement between Rightside Group, Ltd., and Demand Media, Inc. dated August 1, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2014 (File No. 001-36262)).
10.2	Employee Matters Agreement between Demand Media, Inc. and Rightside Group, Ltd., dated August 1, 2014 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 4, 2014 (File No. 001-36262)).
10.3	Tax Matters Agreement between Demand Media, Inc. and Rightside Group, Ltd. dated August 1, 2014 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 4, 2014 (File No. 001-36262)).
10.4	Intellectual Property Assignment and License Agreement between Demand Media, Inc. and Rightside Operating Co., dated July 30, 2014 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on August 4, 2014 (File No. 001-36262)).
10.5	Credit Agreement between Rightside Group, Ltd., certain of its subsidiaries and Silicon Valley Bank, dated August 1, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 7, 2014 (File No. 001-36262)).
10.6	Amendment No. 1 to Credit Agreement between Rightside Group, Ltd., certain of its subsidiaries and Silicon Valley Bank, dated August 12, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 15, 2014 (File No. 001-36262)).
10.7	Amendment No. 2 to Credit Agreement between Rightside Group, Ltd., certain of its subsidiaries and Silicon Valley Bank, dated June 24, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 26, 2015 (File No. 001-36262)).
10.8	Guarantee and Collateral Agreement (U.S. Entities) between Rightside Group, Ltd., the other grantors listed therein and Silicon Valley Bank, dated August 1, 2014 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 7, 2014 (File No. 001-36262)).

Exhibit No.	Description of Exhibit
10.9	Unconditional Guarantee (Non-U.S. Entities) between certain subsidiaries of Rightside Group, Ltd. (the Guarantors as defined therein) and Silicon Valley Bank, dated August 1, 2014 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.10	Security Deed (Debenture) between DMIH Limited and Silicon Valley Bank, dated August 1, 2014 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.11	Security Deed (Debenture) between Rightside Domains Europe Limited and Silicon Valley Bank, dated August 1, 2014 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.12	Charge Over Shares in United TLD Holdco Ltd. between DMIH Limited and Silicon Valley Bank, dated August 1, 2014 (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.13	Credit Agreement between Rightside Group, Ltd., certain of its subsidiaries and Obsidian Agency Services, Inc., dated August 6, 2014 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 7, 2014 (File No. 001-36262)).
10.14	Guarantee and Collateral Agreement (U.S. Entities) between Rightside Group, Ltd., the other grantors listed therein and Obsidian Agency Services, Inc., dated August 6, 2014 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on August 7, 2014 (File No. 001-36262)).
10.15	Unconditional Guarantee (Non-U.S. Entities) between certain subsidiaries of Rightside Group, Ltd. (the Guarantors as defined therein) and Obsidian Agency Services, Inc., dated August 6, 2014 (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.16	Security Deed (Debenture) between DMIH Limited and Obsidian Agency Services, Inc., dated August 6, 2014 (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.17	Security Deed (Debenture) between Rightside Domains Europe Limited and Obsidian Agency Services, Inc., dated August 6, 2014 (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.18	Second Priority Charge Over Shares in United TLD Holdco Ltd. between DMIH Limited and Obsidian Agency Services, Inc., dated August 6, 2014 (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.19#	Google Services Agreement between Rightside Group, Ltd. and Google Inc., effective as of August 1, 2014 (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2014 (File No. 001-36262)).
10.20#	Master Agreement between eNom, Incorporated, United TLD Holdco, Ltd. and Namecheap, Inc., dated July 31, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2015 (File No. 001-36262)).
10.21#	First Amendment to Agreement between eNom Incorporated, United TLD Holdco, Ltd. and Namecheap, Inc. dated January 29, 2016 (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed on March 11, 2016 (File No. 001-36262)).
10.22#	Senior Unsecured Promissory Note between Rightside Group, Ltd. and Namecheap, Inc., issued October 17, 2014. (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on March 23, 2015 (File No. 001-36262)).

Exhibit No.	Description of Exhibit
10.23#	Amendment of Senior Unsecured Promissory Note and Amended and Restated Letter of Agreement, effective as of December 31, 2014 (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on March 23, 2015 (File No. 001-36262))
10.24	Amendment No. 2 to Senior Unsecured Promissory Note between Rightside Group, Ltd. and Namecheap, Inc. dated July 1, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 2, 2015 (File No. 001-36262)).
10.25	Amendment No. 3 to Senior Unsecured Promissory Note between Rightside Group, Ltd. and Namecheap, Inc. effective as of August 1, 2015 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2015 (File No. 001-36262)).
10.26	Amendment No. 4 to Senior Unsecured Promissory Note between Rightside Group, Ltd. and Namecheap, Inc. effective January 29, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 4, 2016 (File No. 001-36262)).
10.27*	Rightside Group, Ltd. Incentive Award Plan (incorporated by reference to Exhibit 10.5 to the Company's Amendment No. 6 to Registration Statement on Form 10 filed on July 14, 2014 (File No. 001-36262)).
10.28*	Rightside Group, Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.6 to the Company's Amendment No. 6 to Registration Statement on Form 10 filed on July 14, 2014 (File No. 001-36262)).
10.29*	Employment Agreement between Rightside Group, Ltd., Rightside Operating Co. and Taryn J. Naidu, dated January 10, 2014 (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form 10 filed on January 13, 2014 (File No. 001-36262)).
10.30*	Employment Agreement between Rightside Group, Ltd., Rightside Operating Co. and Tracy Knox, dated January 6, 2014 (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form 10 filed on January 13, 2014 (File No. 001-36262)).
10.31*	Employment Agreement between Rightside Group, Ltd., Rightside Operating Co. and Wayne M. MacLaurin, dated February 19, 2014 (incorporated by reference to Exhibit 10.9 to Amendment No. 3 to the Company's Registration Statement on Form 10 filed on May 20, 2014 (File No. 001-36262)).
10.32*	Amended and Restated Employment Agreement between Rightside Group, Ltd., Rightside Operating Co. and Rick Danis, dated February 14, 2014 (incorporated by reference to Exhibit 10.10 to Amendment No. 2 to the Company's Registration Statement on Form 10 filed on April 18, 2014 (File No. 001-36262)).
10.33*	Non-executive Chairman Agreement between Rightside Group, Ltd., Demand Media, Inc. and David E. Panos, dated January 9, 2014 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form 10 filed on January 13, 2014 (File No. 001-36262)).
10.34*	Amendment to Non-Executive Chairman Agreement between Rightside Group, Ltd., David E. Panos and Demand Media, Inc., dated June 24, 2014 (incorporated by reference to Exhibit 10.16 to Amendment No. 5 to the Company's Registration Statement on Form 10 filed on July 3, 2014 (File No. 001-36262)).
10.35*	Form of Indemnification Agreement between Rightside Group, Ltd. and each of its directors and executive officers (incorporated by reference to Exhibit 10.15 to Amendment No. 5 to the Company's Registration Statement on Form 10 filed on July 3, 2014 (File No. 001-36262)).
10.36*	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.17 to Amendment No. 5 to the Company's Registration Statement on Form 10 filed on July 3, 2014 (File No. 001-36262)).
10.37*	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.18 to Amendment No. 5 to the Company's Registration Statement on Form 10 filed on July 3, 2014 (File No. 001-36262)).
10.38*	Amended and Restated Employment Agreement between Demand Media and Matthew Delgado, dated July 2013.
10.39*	Assignment, Assumption and Amendment Agreement between Demand Media, Inc., Rightside Group, Ltd. and Matthew Delgado, dated August 1, 2014.

Exhibit No.	Description of Exhibit
10.40*	Non-Executive Chairman Agreement between Rightside Group, Ltd. and David E. Panos, dated July 29, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 2, 2016 (File No. 001-36262)).
10.41#	Google Services Agreement between Rightside Group, Ltd. and Google Inc., effective as of August 1, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2016 (File No. 001-36262)).
10.42	Amendment No. 3 to Credit Agreement between Rightside Group, Ltd., certain of its subsidiaries and Silicon Valley Bank, dated as of March 30, 2016, as corrected (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2016 (File No. 001-36262)).
10.43	Limited Consent and Amendment No. 4 of Credit Agreement between Rightside Group, Ltd. and certain of its subsidiaries and Silicon Valley Bank, dated as of January 20, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 20, 2017 (File No. 001-36262)).
21.1	List of Subsidiaries of Rightside Group, Ltd.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.
32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.
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

* Indicates a management contract or compensatory plan or arrangement.
\# Certain provisions of this exhibit have been omitted pursuant to a request for confidential treatment.

Exhibit 10.38

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this " Agreement "), dated as of July ___, 2013, is entered into by and between Demand Media, Inc., a Delaware corporation (the " Company ") and Matt Delgado (the " Employee ").

WHEREAS, the Employee and the Company previously entered into that certain employment offer letter, dated as of December 11, 2006 (the " Prior Agreement "), pursuant to which the Employee currently serves as the Company's Vice President, Operations; and

WHEREAS, the Employee and the Company agree that the Prior Agreement is amended and restated in its entirety as set forth in this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment Period . Subject to the provisions for earlier termination hereinafter provided, the Employee's employment hereunder shall be for a term (the " Employment Period ") commencing on April 1, 2013 (the " Effective Date ") and ending on the fourth (4 th) anniversary of the Effective Date. The Employee's employment hereunder is terminable at will by the Company or by the Employee at any time (for any reason or for no reason), subject to the provisions of Section 4 hereof. This Agreement is effective as of the Effective Date.

2. Terms of Employment .

(a) Position and Duties .

(i) During the Employment Period, the Employee shall serve as Vice President, Operations, and shall perform such duties as are usual and customary for such position. At the Company's request, the Employee shall serve the Company and/or its subsidiaries and affiliates in other capacities in addition to the foregoing. In the event that the Employee, during the Employment Period, serves in any one or more of such additional capacities, the Employee's compensation shall not be increased beyond that specified in Section 2(b) hereof. In addition, in the event the Employee's service in one or more of such additional capacities is terminated, the Employee's compensation, as specified in Section 2(b) hereof, shall not be diminished or reduced in any manner as a result of such termination provided that the Employee otherwise remains employed under the terms of this Agreement.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee may be entitled, the Employee agrees to devote the Employee's full business time and attention to the business and affairs of the Company.

(iii) During the Employment Period, the Employee shall perform the services required by this Agreement at the Company's principal offices located in Santa Monica, California (the " Principal Location "), except for travel to other locations as may be necessary to fulfill the Employee's duties and responsibilities hereunder.

Notwithstanding the foregoing sentence, however, Employee must relocate to Kirkland, Washington (or to the principal location of SpinCo, as defined below, wherever that may be ("Spinco Principal Location")) within 60 days of the date that SpinCo becomes a separate publicly traded company and Employee signs, and Spinco counter-signs, an employment agreement. For the purpose of this Agreement, SpinCo shall mean the entity which Demand Media will establish for the operation of its domain-service business (including its registrar, registry, and monetization businesses, among others), which shall become a new publicly-traded company after the filing and approval of a Form 10 with the Securities and Exchange Commission, the listing of SpinCo's shares on a nationally recognized exchange or quotation service and the pro rata dividend of such SpinCo shares to the stockholders of Demand Media as of such listing date.

(b) Compensation , Benefits, Etc .

(i) Base Salary . During the Employment Period, the Employee shall receive a base salary equal to $190,000 per annum (the “ Base Salary ”). The Base Salary shall be paid in installments in accordance with the Company’s applicable payroll practices, as in effect from time to time, but no less often than monthly.

(ii) Annual Bonus . In addition to the Base Salary, the Employee shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, a discretionary cash performance bonus (an “ Annual Bonus ”) under the Company’s bonus plan or program applicable to its Employees. The Employee’s target Annual Bonus (the “ Target Bonus ”) shall be set at twenty percent (20%) of the Base Salary actually paid for such year; provided , however , that with respect to fiscal year 2013, the Employee’s Target Bonus shall be set at the sum of (A) twenty percent (20%) of the Employee’s base salary paid in fiscal year 2013 prior to the Effective Date plus (B) twenty percent (20%) of the Employee’s Base Salary paid in fiscal year 2013 on and following the Effective Date. The actual amount of any Annual Bonus shall be determined on the basis of the attainment of Company performance metrics applicable to Employees and/or individual performance objectives, in each case, as established and approved by the Board of Directors of the Company (the “ Board ”) or the Compensation Committee of the Board (the “ Compensation Committee ”) (or their designee) in its sole discretion. Payment of any Annual Bonus(es), to the extent any Annual Bonus(es) become payable, will be contingent upon the Employee’s continued employment through the applicable payment date, which shall occur on the date on which annual bonuses are paid generally to the Company’s Employees.

(iii) Restricted Stock Unit Award. On or before the next regularly scheduled Compensation Committee meeting, and subject to the approval of the Compensation Committee, the Company shall grant to the Employee a restricted stock unit award covering 30,000 shares of the Company’s common stock (the “RSU”), provided the Employee remains employed by the Company through the grant date. Subject to Section 4(c) hereof and the Employee’s continued employment with the Company through the applicable vesting date, 1/16 th of the RSUs shall vest on August 15, 2013 and an additional 1/16 th of the RSUs shall vest on each three (3)-month anniversary thereof. The terms and conditions of the RSU shall be set forth in a separate award agreement in a form prescribed by the Company (the “ RSU Agreement ”), to be entered into by the Company and the Employee, which shall evidence the grant of the RSU.

(iv) Incentive, Savings and Retirement Plans . During the Employment Period, the Employee shall be eligible to participate in all other incentive plans, practices, policies and programs, and all savings and retirement plans, practices, policies and programs, in each case that are available generally to Employees of the Company.

(v) Welfare Benefit Plans . During the Employment Period, the Employee and the Employee’s dependents shall be eligible to participate in the welfare benefit plans, practices, policies and programs (including, as applicable, medical, dental, disability, employee life, group life and accidental death insurance plans and programs) maintained by the Company for its Employees.

(vi) Expenses . During the Employment Period, the Employee shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by the Employee in accordance with the policies, practices and procedures of the Company provided to Employees of the Company.

(vii) Fringe Benefits . During the Employment Period, the Employee shall be entitled to such fringe benefits and perquisites as are provided by the Company to its Employees from time to time, in accordance with the policies, practices and procedures of the Company, and shall receive such additional fringe benefits and perquisites as the Company may, in its discretion, from time-to-time provide. Nothing contained in Sections 2(b)(iv)-(v) hereof or this Section 2(b)(vii) shall, or shall be construed to, obligate the Company to adopt or maintain any incentive, savings, retirement, welfare, fringe benefit or other plan(s) or program(s) at any time.

(viii) Vacation, Sick Days and Holidays . During the Employment Period, Employee shall be eligible to accrue up to 4 weeks of paid vacation and 40 paid sick hours per year, subject to limitations on accrual carry over and other restrictions generally applicable to similarly situated employees. Employee shall also be entitled to paid holidays that the Company may offer similarly situated employees.

3. Termination of Employment .

(a) Death or Disability . The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period. Either the Company or the Employee may terminate the Employee's employment in the event of the Employee's Disability during the Employment Period. For purposes of this Agreement, " Disability " shall mean a disability as determined under the Company's applicable long-term disability plan that prevents the Employee from performing the Employee's duties under this Agreement (even with a reasonable accommodation by the Company) for a period of six (6) months or more or, if no such plan applies, as determined in the reasonable discretion of the Company.

(b) Cause . The Company may terminate the Employee's employment during the Employment Period for Cause or without Cause. For purposes of this Agreement, " Cause " shall have the meaning set forth in the Company's 2010 Incentive Award Plan, as amended (the "Plan").

(c) Termination by the Employee . The Employee's employment may be terminated by the Employee for any reason, including with Good Reason in connection with a Change in Control (as defined in the Plan). For purposes of this Agreement, " Good Reason " shall mean the occurrence of any one or more of the following events in connection with a Change in Control, in any case, without the Employee's prior written consent, unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction) as provided below:

(i) a demotion or material diminution of the Employee's position, authority, duties or responsibilities (other than any insubstantial action not taken in bad faith and which is promptly remedied by the Company upon notice by the Employee); provided that "Good Reason" does not include a change in title, authority, duties and/or responsibilities following a Change in Control if (A) the Employee's new title is that of an officer (e.g., a Vice President) of the entity surviving such Change in Control (or, if applicable, its parent company if such entity has a parent company) reporting directly to a senior officer of the entity surviving such Change in Control (or, if applicable, its parent company, if such entity has a parent company), and the Employee's authority, duties and responsibilities are commensurate with such title or (B) (1) the entity surviving such Change in Control (or, if applicable, its parent company if such entity has a parent company) continues to operate the Company's principal businesses as a separate unit, division or subsidiary or combines the Company's principal businesses with one of its existing units, divisions or subsidiaries and (2) the Employee's new title is that of an officer of such unit, division or subsidiary reporting directly to a senior officer of such unit, division or subsidiary (or to a senior officer of the entity surviving the Change in Control or parent company thereof) and (in either case) the Employee's authority, duties and responsibilities are commensurate with such title and are similar in scope (with respect to such unit, division or subsidiary) to the authority, duties and responsibilities of the Employee prior to the Change in Control;

(ii) a requirement that the Employee report to work more than twenty (20) miles from the Company's Principal Location or the Spinco Principal Location (not including normal business travel required of the Employee's position) or, to the extent such requirement would not constitute a material change in the geographic location at which the Employee must perform services under this Agreement within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code "), such higher number of miles from the Company's Principal Location or the Spinco Principal Location as would constitute a material change in the geographic location at which the Employee must perform services under this Agreement within the meaning of Section 409A of the Code;

(iii) a material reduction in the Employee's base salary; or

(iv) a material breach by the Company of its obligations hereunder.

Notwithstanding the foregoing, the Employee will not be deemed to have resigned for Good Reason unless (1) the Employee provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Employee to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that the Employee knows or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of the Employee's termination for Good Reason occurs no later than sixty (60) days after the expiration of the Company's cure period.

(d) Notice of Termination . Any termination by the Company for Cause, or by the Employee for Good Reason, shall be communicated by a Notice of Termination to the other parties hereto given in accordance with Section 10(b) hereof. For purposes of this Agreement, a " Notice of Termination " means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than sixty (60) days after the giving of such notice). The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or the Company, respectively, hereunder or preclude the Employee or the Company, respectively, from asserting such fact or circumstance in enforcing the Employee's or the Company's rights hereunder.

(e) Termination of Offices and Directorships . Upon termination of the Employee's employment for any reason, unless otherwise specified in a written agreement between the Employee and the Company, the Employee shall be deemed to have resigned from all offices, directorships, and other employment positions if any, then held with the Company, and shall take all actions reasonably requested by the Company to effectuate the foregoing.

4. Obligations of the Company upon Termination .

(a) Without Cause, For Good Reason, Death or Disability . Subject to Section 4(d) hereof, if the Employee incurs a "separation from service" from the Company (within the meaning of Section 409A(a)(2)(A)(i) of the Code, and Treasury Regulation Section 1.409A-l(h)) (a " Separation from Service ") during the Employment Period (such date, the " Date of Termination ") by reason of (1) a termination of the Employee's employment by the Company without Cause; (2) a termination of the Employee's employment by the Employee for Good Reason; or (3) a termination of the Employee's employment by reason of the Employee's death or Disability (each of (1), (2) and (3), a " Qualifying Termination "):

(i) The Employee (or the Employee's estate or beneficiaries, if applicable) shall be paid, in a single lump-sum payment on the date of the Employee's termination of employment, the aggregate amount of the Employee's earned but unpaid Base Salary and accrued but unpaid vacation pay (if any) through the date of such termination (the " Accrued Obligations "), in each case, to the extent not previously paid.

(ii) In addition, subject to Section 4(d) hereof and the Employee's (or the Employee's estate's or beneficiaries', if applicable) timely execution and non-revocation of a Release (as described below), the Employee (or the Employee's estate or beneficiaries, if applicable) shall be paid:

(A) an amount equal to three (3) months' of the Base Salary in effect on the Date of Termination, payable in a single lump-sum payment on the sixtieth (60th) day following the Date of Termination; and

(B) any unpaid Annual Bonus to which the Employee would have become entitled for any fiscal year of the Company that ends on or before the Date of Termination had the Employee remained employed through the payment date, payable in a single lump-sum payment on the date on which annual bonuses are paid to the Company's Employees generally for such calendar year, but in no event later than March 15 th of the calendar year immediately following the calendar year in which the Date of Termination occurs with the actual date within such period determined by the Company in its sole discretion.

(iii) In addition, subject to Section 4(d) hereof and conditioned upon the Employee's timely execution and non-revocation of a Release, during the period commencing on the Date of Termination and ending on the three (3)-month anniversary of the Date of Termination or, if earlier, the date on which the Employee becomes eligible for coverage under the group health plan of a subsequent employer (of which eligibility the Employee hereby agrees to give prompt notice to the Company) (in any case, the " COBRA Period "), subject to the Employee's valid election to continue healthcare coverage under Section 4980B of the Code and the regulations thereunder, the Company shall continue to provide the Employee and the Employee's eligible dependents with coverage under its group health plans at the same levels and the same cost to the Employee as would have applied if the Employee's employment had not been terminated based on the Employee's elections in effect on the Date of Termination, provided , however , that (A) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (B) the Company is otherwise unable to continue to cover the Employee under its group health plans (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to the Employee as currently taxable compensation in substantially equal monthly installments over the continuation coverage period (or the remaining portion thereof).

The payments and benefits described in the preceding Sections 4(a)(ii) and (iii) are referred to herein as the " Severance ." Notwithstanding the foregoing, it shall be a condition to the Employee's (or the Employee's estate's or beneficiaries', if applicable) right to receive the Severance that the Employee (or the Employee's estate or beneficiaries, if applicable) execute and deliver to the Company an effective release of claims in substantially the form attached hereto as Exhibit A (the " Release ") within ten (10) days, or, to the extent required by law, twenty-one (21) or forty-five (45) days following the Date of Termination and that the Employee (or the Employee's estate or beneficiaries, if applicable) not revoke such Release during any applicable revocation period.

(b) For Cause, Without Good Reason or Other Terminations . If the Company terminates the Employee's employment for Cause, the Employee terminates the Employee's employment without Good Reason, or the Employee's employment terminates for any other reason not enumerated in this Section 4, in any case, during the Employment Period, the Company shall pay to the Employee the Accrued Obligations in cash within thirty (30) days after the Date of Termination (or by such earlier date as may be required by applicable law).

(c) Equity Vesting in Connection with a Change in Control . In addition to any payments or benefits due to the Employee (or the Employee's estate or beneficiaries, if applicable) under Section 4(a) above (if any), subject to and conditioned upon the Employee's timely execution and non-revocation of a Release, if the Employee's employment is terminated by reason of a Qualifying Termination and a Change in Control (A) occurs on or within ninety (90) days after the Date of Termination or (B) has occurred within one (1) year before the Date of Termination, all outstanding compensatory equity awards (including but not limited to the RSU contemplated by Section 2(b)(iii) hereof) that have not yet vested shall conditionally vest and, as applicable, become exercisable on the later of the Date of Termination and the date of such Change in Control (and such vesting shall become unconditional upon such execution and non-revocation of a Release). For the avoidance of doubt, if a Qualifying Termination occurs prior to a Change in Control, all outstanding, unvested compensatory equity awards (including but not limited to the RSU contemplated by Section 2(b)(iii) hereof) that would otherwise terminate on the Date of Termination shall remain outstanding and eligible to vest solely upon a Change in Control occurring within ninety (90) days after the Date of Termination (but shall not otherwise vest following the Date of Termination) and shall terminate on the ninetieth (90 th) day following the Date of Termination if a Change in Control has not occurred on or prior to such ninetieth (90 th) day (or such earlier expiration date applicable to the award (other than due to a termination of employment)).

Notwithstanding the foregoing, if the Employee fails to timely execute or revokes a Release, all conditionally vested awards (and any shares received in respect of such awards) shall be forfeited upon such failure or revocation (subject to repayment by the Company to the Employee of any amounts (if any) paid by the Employee with respect to shares underlying such conditionally vested awards.

(d) Six-Month Delay . Notwithstanding anything to the contrary in this Agreement, no compensation or benefits, including without limitation any severance payments or benefits payable under Section 4 hereof, shall be paid to the Employee during the six (6)-month period following the Employee's "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Employee a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Employee during such period.

(e) Exclusive Benefits . Except as expressly provided in this Section 4 and subject to Section 5 hereof, the Employee shall not be entitled to any additional payments or benefits upon or in connection with the Employee's termination of employment.

(f) Equity Award Agreements . For the avoidance of doubt, nothing contained in this Agreement is intended to result in any vesting terms that are less favorable to the Employee than those contained in any applicable equity award agreement and, to the extent that the vesting terms contained in any such award agreement are more favorable to the Employee than those provided herein, including, without limitation, this Section 4, the terms of such award agreement shall control.

5. Non-Exclusivity of Rights . Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

6. Excess Parachute Payments, Limitations on Payments.

(a) Best Pay Cap . Notwithstanding any other provision of this Agreement, in the event that any payment or benefit received or to be received by the Employee (including any payment or benefit received in connection with a termination of the Employee's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the payments and benefits under Section 4 hereof, being hereinafter referred to as the " Total Payments ") would be subject (in whole or part), to excise tax imposed under Section 4999 of the Code (the " Excise Tax "), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, the cash severance payments under this Agreement shall first be reduced, and the noncash severance payments hereunder shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Employee would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The Total Payments shall be reduced in the following order: (A) reduction of any cash severance payments otherwise payable to the Employee that are exempt from Section 409A of the Code; (B) reduction of any other cash payments or benefits otherwise payable to the Employee that are exempt from Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code; (C) reduction of any other payments or benefits otherwise payable to the Employee on a pro-rata basis or such other manner that complies with Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting and payments with respect to any equity award that are exempt from Section 409A of the Code; and (D) reduction of any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code, in each case beginning with payments that would otherwise be made last in time.

(b) Certain Exclusions . For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Employee shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the written opinion of an independent, nationally recognized accounting firm (the " Accounting Firm "), does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of the Accounting Firm, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Accounting Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

7. Confidential Information and Non-Solicitation . The Employee hereby acknowledges that the Employee has previously entered into an agreement with the Company containing confidentiality and other protective covenants (the " Confidentiality Agreement ") and that the Employee remains bound by the terms and conditions of the Confidentiality Agreement.

8. Representations . The Employee hereby represents and warrants to the Company that (a) the Employee is entering into this Agreement voluntarily and that the performance of the Employee's obligations hereunder will not violate any agreement between the Employee and any other person, firm, organization or other entity, and (b) the Employee is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by the Employee's entering into this Agreement and/or providing services to the Company pursuant to the terms of this Agreement.

9. Successors .

(a) This Agreement is personal to the Employee and, without the prior written consent of the Company, shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous .

(a) Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) Notices . All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee : at the Employee's most recent address on the records of the Company.

If to the Company :

Demand Media, Inc.
1630 Stewart St., Suite 120
Santa Monica, CA 90404
Attn: General Counsel

with a copy to:

Latham & Watkins LLP
355 South Grand Ave.
Los Angeles, CA 90071-1560
Attn: Alex Voxman

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) Sarbanes-Oxley Act of 2002 . Notwithstanding anything herein to the contrary, if the Company determines, in its good faith judgment, that any transfer or deemed transfer of funds hereunder is likely to be construed as a personal loan prohibited by Section 13(k) of the Securities Exchange Act of 1934, as amended (the " Exchange Act ") and the rules and regulations promulgated thereunder, then such transfer or deemed transfer shall not be made to the extent necessary or appropriate so as not to violate the Exchange Act and the rules and regulations promulgated thereunder.

(d) Section 409A of the Code .

(i) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code and related Department of Treasury guidance, the Company shall work in good faith with the Employee to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A of the Code, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code, and/or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance; provided, however , that this Section 10(d) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

(ii) Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A of the Code and Section 4(d) hereof to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A of the Code.

(iii) To the extent that any payments or reimbursements provided to the Employee under this Agreement, including, without limitation, pursuant to Section 2(b)(vii) hereof, are deemed to constitute compensation to the Employee to which Treasury Regulation Section 1.409A-3(i)(l)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Employee's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

(e) Severability . The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) Withholding . The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) No Waiver . The Employee's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Employee or the Company may have hereunder, including, without limitation, the right of the Employee to terminate employment for Good Reason pursuant to Section 3(c) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) Entire Agreement . As of the Effective Date, this Agreement, together with the Confidentiality Agreement, the RSU Agreement and any prior equity award agreements constitutes the final, complete and exclusive agreement between the Employee and the Company with respect to the subject matter hereof and replaces and supersedes any and all other agreements, offers or promises, whether oral or written, by any member of the Company and its subsidiaries and affiliates, or representative thereof. The Employee agrees that the Prior Agreement shall be terminated and of no further force or effect from and after the Effective Date. In the event that the Employee's employment with the Company is terminated prior to the Effective Date, this Agreement (including, without limitation, the immediately preceding sentence) shall have no force or effect.

(i) Amendment . No amendment or other modification of this Agreement shall be effective unless made in writing and signed by the parties hereto.

(j) Counterparts . This Agreement and any agreement referenced herein may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Employee has hereunto set the Employee's hand and, pursuant to the authorization from the Board, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

DEMAND MEDIA, INC.,
a Delaware corporation

By: /s/ Richard Rosenblatt
Name: Richard Rosenblatt
Title: Chief Employee Officer

"EMPLOYEE"

/s/ Matt Delgado
Matt Delgado

Exhibit 10.39

ASSIGNMENT, ASSUMPTION AND AMENDMENT AGREEMENT

This Assignment, Assumption and Amendment Agreement (the " **Agreement** "), effective as of August 1, 2014 (the " **Effective Date** "), is by and among Demand Media, Inc. (" **Assignor** "), Rightside Group, Ltd. (" **Assignee** ") and Matt Delgado, SVP Operations (“ **Employee** ”).

WHEREAS, Assignor and Employee entered into that certain Amended and Restated Employment Agreement in July 2013 (the “ **Employment Agreement** ”);

WHEREAS, Assignee separated from the Assignor as of the Effective Date pursuant to a tax-free distribution of the Assignee’s common stock to the holders of the Assignor’s common stock as of the Effective Date (the “ **Separation** ”)

WHEREAS, as of the Effective Date and pursuant to the Separation, Employee became an employee of Assignee and was no longer an employee of Assignor or its subsidiaries as of the Effective Date; and

WHEREAS, Assignor has agreed to assign all of its rights, title, and interests in and to the Employment Agreement, and Assignee has agreed to assume all of Assignor's duties and obligations under the Employment Agreement as of the Effective Date.

NOW THEREFORE, Assignor, Assignee and Employee agree as follows:

1. Assignor hereby assigns, grants, conveys, and transfers to Assignee all of Assignor's right, title, and interest in and to the Employment Agreement. Assignee hereby accepts such assignment and assumes all of Assignor's duties and obligations under the Employment Agreement and agrees to pay, perform, and discharge, as and when due, all of the obligations of Assignor under the Employment Agreement accruing on and after the Effective Date.

2. The parties agree that all references to (i) “Demand Media, Inc.” and the “Company” shall be deemed references to “Rightside Group, Ltd.”; (ii) the “Company’s 2010 Incentive Award Plan” and the “Plan” shall be deemed references to the “Rightside Group, Ltd. 2014 Incentive Award Plan”; and (iii) any equity grants by Assignor to Employee existing as of the Effective Date that were adjusted into equity awards of the Assignee as of the Effective Date, as well as any additional equity awards made following the Effective Date, shall be deemed to be equity awards of Rightside Group, Ltd. stock under the Rightside Group, Ltd. 2014 Incentive Award Plan.

3. As of the Effective Date:

(a) Employee shall serve as the Company’s SVP, Operations and the principal location for Employee to perform the services required by the Employment Agreement is the Spinco Principal Location as defined in Section 2(a)(iii) of the Employment Agreement;

(b) Exhibit A as referred to in Section 4(a) of the Employment Agreement is replaced in its entirety with Exhibit A attached hereto;

(c) The first sentence of Section 10(a) of the Employment Agreement is amended and replaced in its entirety with the following: “This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws.”; and

(d) Section 10(b) of the Employment Agreement is hereby amended to replace the address for notice to the Company with the following:

If to the Company:
Rightside Group, Ltd.
5808 Lake Washington Blvd. NE, Suite 300
Kirkland, WA 98033
Attn: General Counsel

4. Assignee shall defend, indemnify and hold harmless Assignor from and against any and all losses, claims, damages, costs, rights of set-off, liabilities or obligations (or actions in respect thereof) arising out of or related to the Employment Agreement, the assignment thereof under this Agreement, or that Employee may have or could have had against Assignor under the Employment Agreement.

5. Assignor and Assignee each represents and warrants to the other that it has the right, power and authority to enter into this Agreement.

6. This Agreement may be executed by facsimile or electronic scan and in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

AGREED TO AND ACCEPTED:

DEMAND MEDIA, INC.

By: /s/ Daniel Weinrot
Name: Daniel Weinrot
Title: SVP, Legal

RIGHTSIDE GROUP, LTD.

By: /s/ Taryn Naidu
Name: Taryn Naidu
Title: CEO

EMPLOYEE

By: /s/ Matt Delgado
Name: Matt Delgado

EXHIBIT A

GENERAL RELEASE

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the “ Releasees ” hereunder, consisting of Rightside Group, Ltd., a Delaware corporation (the “Company”) and its partners, subsidiaries, associates, affiliates, successors, heirs, assigns, agents, directors, officers, employees, representatives, lawyers, insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys’ fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called “ Claims ”), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or termination of employment of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on Releasees’ right to terminate the employment of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, the Americans With Disabilities Act, and the Washington State Law Against Discrimination, Revised Code of Washington, Title 49, Chapter 49.60. Notwithstanding the foregoing, this general release (the “ Release ”) shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under Section 4(a) of that certain Employment Agreement, dated as of July 2013, between Demand Media, Inc., the Company as assignee and the undersigned (the “ Employment Agreement ”), whichever is applicable to the payments and benefits provided in exchange for this Release, (ii) to payments or benefits under any equity award agreement between the undersigned and the Company, (iii) with respect to reimbursement of expenses under Section 2(b)(vi) of the Employment Agreement, (iv) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with the Company, (v) to any Claims, including claims for indemnification and/or advancement of expenses, arising under any indemnification agreement between the undersigned and the Company or under the bylaws, certificate of incorporation of other similar governing document of the Company or (vi) to any Claims which cannot be waived by an employee under applicable law.

The undersigned hereby expressly waives and relinquishes all rights and benefits not covered by a general release wherein a general release cannot extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor. The undersigned hereby expressly waives and relinquishes all rights and benefits he may have under any statutes or common law practices of similar effect not waived by a general release.

IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990, THE UNDERSIGNED IS HEREBY ADVISED AS FOLLOWS:

(A) THE EMPLOYEE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE;

(B) THE EMPLOYEE HAS TWENTY-ONE (21) DAYS TO CONSIDER THIS RELEASE BEFORE SIGNING IT; AND

(C) THE EMPLOYEE HAS SEVEN (7) DAYS AFTER SIGNING THIS RELEASE TO REVOKE THIS RELEASE, AND THIS RELEASE WILL BECOME EFFECTIVE UPON THE EXPIRATION OF THAT REVOCATION PERIOD.

The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which the employee may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

The undersigned agrees that if the employee hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of ___________, ____.

____
Matt Delgado

Exhibit 21.1

Subsidiaries of Rightside Group, Ltd.

Subsidiaries	Jurisdiction
Acquire This Name, Inc.	Nevada
Beijing United TLD Tech Co., Ltd.	China
Domain Protection Services, Inc.	Nevada
DomainSite, Inc.	Nevada
DMIH Limited	Ireland
Hot Media, Inc.	Delaware
Mobile Name Services Incorporated	Nevada
Name.com, Inc.	Nevada
Name.com Canada Corp.	Nova Scotia
Name.net, Inc.	Nevada
Name104, Inc.	Nevada
Name105, Inc.	Nevada
Name106, Inc.	Nevada
Name107, Inc.	Nevada
Name108, Inc.	Nevada
Name109, Inc.	Nevada
Name110, Inc.	Nevada
Name111, Inc.	Nevada
Name112, Inc.	Nevada
Name113, Inc.	Nevada
Name114, Inc.	Nevada
Name115, Inc.	Nevada
Name116, Inc.	Nevada
Name117, Inc.	Nevada
Name118, Inc.	Nevada
Name119, Inc.	Nevada
Name120, Inc.	Nevada
Name121, Inc.	Nevada
Name122, Inc.	Nevada
Name123, Inc.	Nevada
Name124, Inc.	Nevada
Rightside Canada, Inc.	Canada
Rightside Domains Europe Limited	Ireland
Rightside Operating Co.	Delaware
Sipence, Incorporated	Nevada
United TLD Holdco Ltd.	Cayman Islands
Vedacore.com, Inc.	Nevada

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-197763 and 333-202939) of Rightside Group, Ltd. of our report dated March 15, 2017 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Seattle, Washington
March 15, 2017

Exhibit 31.1

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

I, Taryn J. Naidu, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rightside Group, Ltd.;

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.

Date: March 15, 2017

/s/ Taryn J. Naidu
Taryn J. Naidu
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Tracy Knox, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rightside Group, Ltd.;

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.

Date: March 15, 2017

/s/ Tracy Knox
Tracy Knox
Chief Financial Officer
(Principal Executive Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 of Rightside Group, Ltd. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Taryn J. Naidu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2017

/s/ Taryn J. Naidu
Taryn J. Naidu
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Rightside Group, Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 of Rightside Group, Ltd. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tracy Knox, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2017

/s/ Tracy Knox
Tracy Knox
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Rightside Group, Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.