Notice of Annual Meeting of Shareholders
2016 Proxy Statement
2015 Annual Report on Form 10-K

Fellow Shareholders:

In 2015, CafePress' strategy was to simplify the business and streamline operations. We spent the year focusing on improving our core operating metrics, including adjusted EBITDA and contribution margin, and sharpening our focus on our customers. We believe this strategy has worked and the company is on an exciting path.

Annual adjusted EBITDA from continued operations was $3.9 million, an improvement of more than $10 million over 2014, and the highest since 2012. We grew and stabilized our margins during 2015, reaching a 40% gross margin and 27% contribution margin for the year. We achieved these impressive result despite a 21% year-over-year decline in revenue from continuing operations and while focused on refining operations throughout the business.

As part of our strategy to focus on our core CafePress brand, we divested our non-strategic business units, including Arts, Groups and EZ Prints, made reductions to our product line and ended low margin unbranded partnerships. We rebalanced our business with sharp attention to contribution margins, re-establishing the discipline necessary to focus on the profitable areas of our business. The measured approach that we took in 2015, coupled with our stringent focus on cash management, also resulted in a significantly improved balance sheet.

As two of CafePress' largest shareholders, we are committed to implementing strategies that will reinvigorate our business and enhance shareholder value. As a part of this commitment, the Board authorized a share repurchase program in May of 2015. As of December 31, 2015, we returned more than $4 million to shareholders through repurchasing common stock, and we exited the year with a strong balance sheet with $50 million in cash and cash equivalents and no debt.

Our adjusted EBITDA from continuing operations, cash position and holiday customer service and satisfaction indicators were the best they have been since 2012. These improvements demonstrate the progress we've made optimizing towards profitability on a lower revenue run-rate, and are a clear sign of our dedication to focused execution and our ability to hit our targets.

Our next strategic priorities include refreshing our e-commerce storefront, building more efficient back-end tools and developing smart customer segmentation. We believe these priorities will enable us to create a more controlled e-tailer experience and build better customer relationships, ultimately improving retention and lifetime value.

We are eager to start pushing toward growth but, as evidenced by our progress in 2015, we believe that setting priorities and being deliberate in our execution is paramount to our continued success. During 2016 we will continue to streamline the business, prudently invest in additional areas of optimization, further refine our business model and set the stage for a return to revenue growth.

The team at CafePress has demonstrated impressive energy and focus in 2015 and we would like to thank everyone for their time and dedication to CafePress' mission. We would also like to sincerely thank our business partners, customers, and stockholders for their continued support.

Sincerely,

Fred Durham
Co-founder & Chief Executive Officer

Maheesh Jain
Co-founder & Chief Marketing Officer

CAFEPRESS INC.
6901 Riverport Drive
Louisville, Kentucky 40258
April 11, 2016

Dear Stockholder:

You are cordially invited to attend our 2016 Annual Meeting of Stockholders. The Annual Meeting of Stockholders will be held at Frost Brown Todd LLC, 400 West Market Street, 32nd Floor, Louisville, KY 40202, beginning at 2:00 p.m., Eastern Time on Monday, May 9, 2016.

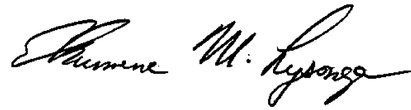
The formal notice of the Annual Meeting of Stockholders and the Proxy Statement have been made a part of this invitation.

Whether or not you attend the Annual Meeting of Stockholders, it is important that your shares be represented and voted at the Annual Meeting of Stockholders. After reading the Proxy Statement, please promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card in the enclosed postage-prepaid envelope.

Your shares cannot be voted unless you submit your proxy, vote by telephone, mail or via the Internet, or attend the Annual Meeting of Stockholders in person.

The Board and management look forward to seeing you at the Annual Meeting of Stockholders.

Sincerely,



Ekumene M. Lysonge
Vice President, General Counsel & Secretary

CAFEPRESS INC.
6901 Riverport Drive
Louisville, KY 40258
April 11, 2016

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 9, 2016

To our Stockholders:

CafePress Inc. will hold its Annual Meeting of Stockholders at 2:00 p.m. Eastern time, on May 9, 2016 at Frost Brown Todd LLC, 400 West Market Street, 32nd Floor, Louisville, KY 40202.

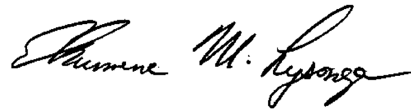
We are holding this Annual Meeting of Stockholders:

- to elect Class I directors to serve until the 2019 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- to ratify the appointment of BDO USA, LLP as our independent registered public accountants for 2016; and
- to transact such other business as may properly come before the Annual Meeting of Stockholders and any adjournments or postponements of the Annual Meeting of Stockholders.

Only stockholders of record at the close of business on March 24, 2016 are entitled to notice of, and to vote at this Annual Meeting of Stockholders and any adjournments or postponements of the Annual Meeting of Stockholders. For ten (10) days prior to the Annual Meeting of Stockholders, a complete list of stockholders entitled to vote at the Annual Meeting of Stockholders will be available at the Secretary's office at 6901 Riverport Drive, Louisville, Kentucky 40258.

It is important that your shares are represented at this Annual Meeting of Stockholders. Even if you plan to attend the Annual Meeting of Stockholders, we hope that you will promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card. This will not limit your rights to attend or vote at the Annual Meeting of Stockholders.

By Order of the Board of Directors,



Ekumene M. Lysonge
Vice President, General Counsel & Secretary

Louisville, Kentucky
April 11, 2016

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CAFEPRESS INC.

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

This Proxy Statement is being furnished to you in connection with the solicitation by the Board of Directors of CafePress Inc., a Delaware corporation, or the Board, of proxies to be used at our 2016 Annual Meeting of Stockholders and any adjournments or postponements thereof. Our 2016 Annual Meeting of Stockholders will be held at Frost Brown Todd LLC, 400 West Market Street, 32nd Floor, Louisville, KY 40202, beginning at 2:00 p.m., Eastern Time on May 9, 2016. This Proxy Statement and the accompanying form of proxy card are being mailed to stockholders on or about April 11, 2016.

References to “the Company,” “we,” “us” or “our” throughout this Proxy Statement mean CafePress Inc.

Appointment of Proxy Holders

The Board asks you to appoint Garett Jackson and Ekumene M. Lysonge as your proxy holders to vote your shares at the 2016 Annual Meeting of Stockholders. You may make this appointment by voting the enclosed proxy card using one of the voting methods described below.

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by the Board.

Unless you otherwise indicate on the proxy card, you also authorize your proxy holders to vote your shares on any matters not known by the Board at the time this Proxy Statement was printed and which, under our bylaws, may be properly presented for action at the Annual Meeting of Stockholders.

Who Can Vote

Only stockholders who owned shares of our common stock at the close of business on March 24, 2016, the record date for the Annual Meeting of Stockholders, can vote at the Annual Meeting of Stockholders. As of the close of business on March 24, 2016, we had 16,771,367 shares of common stock outstanding and entitled to vote. Each holder of common stock is entitled to one vote for each share held as of March 24, 2016. There is no cumulative voting in the election of directors.

How You Can Vote

You may vote your shares in one of several ways, depending upon how you own your shares.

- *Voting by Mail*. You may vote by proxy by dating, signing and returning your proxy card in the enclosed postage-prepaid return envelope. Sign your name exactly as it appears on the proxy. The Board recommends that you vote by mail, as it is not practical for most stockholders to attend the Annual Meeting of Stockholders. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting of Stockholders and want to vote in person. Stockholders who hold shares beneficially in street name may provide voting instructions by mail by completing, signing and dating the voting instruction forms provided by their brokers, banks or other nominees.
- *Voting by Telephone.* Stockholders of record may submit proxies by following the telephone voting instructions on their proxy cards. Most stockholders who hold shares beneficially in street name may provide voting instructions by telephone by calling the number specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for telephone

voting availability. Please be aware that if you submit voting instructions by telephone, you may incur costs such as telephone access charges for which you will be responsible. The telephone voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.

- *By Internet*. Stockholders of record may submit proxies by following the Internet voting instructions on their proxy cards. Most stockholders who hold shares beneficially in street name may provide voting instructions by accessing the website specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for Internet voting availability. Please be aware that if you vote over the Internet, you may incur costs such as Internet access charges for which you will be responsible. The Internet voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.

Regardless of how you own your shares, if you are a stockholder of record, you may vote by attending the Annual Meeting of Stockholders at Frost Brown Todd LLC, 400 West Market Street, 32nd Floor, Louisville, KY 40202, beginning at 2:00 p.m., Eastern Time on May 9, 2016. Even if you plan to attend the Annual Meeting of Stockholders, we recommend that you also submit your proxy or vote by telephone or the Internet so that your vote will be counted if you later decide not to attend the Annual Meeting of Stockholders.

If you vote via the Internet, by telephone or return a proxy card by mail, but do not select a voting preference, the persons who are authorized on the proxy card and through the Internet and telephone voting facilities to vote your shares will vote:

- **FOR** the nominees for Class I director; and
- **FOR** the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2016.

Revocation of Proxies

Stockholders can revoke their proxies at any time before they are exercised in any of three ways:

- by voting in person at the Annual Meeting of Stockholders;
- by submitting written notice of revocation to the Secretary prior to the Annual Meeting of Stockholders; or
- by submitting another properly executed proxy of a later date prior to the Annual Meeting of Stockholders.

Required Vote

Directors are elected by a plurality vote, which means that the two (2) nominees for Class I director receiving the most affirmative votes will be elected. However, if the majority of the votes cast for a director are marked “withheld,” and notwithstanding the valid election of such director, our bylaws provide that such director will voluntarily tender his or her resignation for the Board’s consideration. If such director’s resignation is accepted by the Board, then the Board, in its sole discretion, may fill the resulting vacancy in accordance with our bylaws, and taking into account the recommendation of the nominating and corporate governance committee. All other matters submitted for stockholder approval require the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote.

A quorum, which is a majority of the outstanding shares as of March 24, 2016, must be present to hold the Annual Meeting of Stockholders. A quorum is calculated based on the number of shares represented by the stockholders attending in person and by their proxy holders. If you indicate an abstention as your voting preference, your shares will be counted toward a quorum but they will not be voted on the matter.

Abstentions on any matters are treated as shares present or represented and entitled to vote on that matter and have the same effect as a vote against such matter.

If your shares are held in street name and you do not instruct your broker on how to vote your shares, your broker, in its discretion, may either leave your shares unvoted or vote your shares on routine matters. Only Proposal 2 (ratifying the appointment of our independent registered public accounting firm) is considered a routine matter. Proposal 1 (election of directors), and any other business that is properly proposed at the Annual Meeting of Stockholders, are not considered routine matters, and without your instruction, your broker cannot vote your shares regarding these matters. If your broker returns a proxy card but does not vote your shares, this results in a "broker non-vote." Broker non-votes will be counted as present for the purpose of determining a quorum. However, as brokers do not have discretionary authority to vote on Proposal 1 or on any other business that is properly proposed at the Annual Meeting of Stockholders, broker non-votes will not be counted for the purpose of determining the number of votes cast on Proposal 1 or on any other business that is properly proposed at the Annual Meeting of Stockholders.

Solicitation of Proxies

We will pay the cost of printing and mailing proxy materials. In addition to the solicitation of proxies by mail, solicitation may be made by our directors, officers and other employees by personal interview, telephone or facsimile. No additional compensation will be paid to these persons for solicitation. At this time we have not engaged a proxy solicitor. If we do engage a proxy solicitor we will pay the customary costs associated with such engagement. We will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation materials to beneficial owners of our common stock.

Important

Please promptly vote and submit your proxy by signing, dating and returning the enclosed proxy card in the postage-prepaid return envelope, or vote by telephone or via the Internet so that your shares can be voted. This will not limit your rights to attend or vote at the Annual Meeting of Stockholders.

PROPOSAL 1

ELECTION OF DIRECTORS

Directors and Nominees

Our bylaws provide for a board of directors consisting of not fewer than five (5) nor more than eight (8) members with the authorized number of directors set from time to time by resolution of the Board. The authorized number of directors is currently set at six (6).

The Board is divided into three classes: Class I, Class II and Class III. The members of each class of directors serve staggered three-year terms:

- Our Class I directors are Fred E. Durham III and Patrick J. Connolly and their terms will expire at the Annual Meeting of Stockholders.
- Our Class II directors are Brad W. Buss and Nick Swinmurn and their terms will expire at the annual meeting of stockholders to be held in 2017.
- Our Class III directors are Kenneth McBride and Anthony C. Allen and their terms will expire at the annual meeting of stockholders to be held in 2018.

The Board, upon the recommendation of the nominating and corporate governance committee, selected Fred E. Durham III and Patrick J. Connolly as nominees for election as Class I directors at the Annual Meeting of Stockholders. Accordingly, two (2) Class I directors will be elected at the Annual Meeting of Stockholders to serve until the annual meeting of stockholders to be held in 2019 or until their successors are elected and qualified. The proxies given to the proxy holders will be voted or not voted as directed and, if no direction is given, will be voted FOR the two (2) nominees. If any nominee is unable or declines to serve as director at the time of the Annual Meeting of Stockholders, an event not now anticipated, proxies will be voted for any nominee designated by the Board to fill the vacancy.

The names of the nominees, which have been nominated by the Board upon the recommendation of the nominating and corporate governance committee, and certain biographical information about the nominees, including the director's business experience, director positions held currently or at any time during the last five (5) years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the nominating and corporate governance committee to recommend that the nominee should continue to serve on the Board, are set forth below.

Fred E. Durham III is our Chairman and Chief Executive Officer, a Co-Founder and a Director, and from April 2011 through December 2011, was our Chief Product Officer. Mr. Durham has served as a member of the Board since August 1999 and was appointed Chairman in April 2015. He has also served as our Chief Executive Officer since August 3, 2014, a position he previously held from August 1999 to April 2011. Mr. Durham served as our Strategic Research Director from January 2012 through March 2013. Mr. Durham received a B.A. in political science from Northwestern University.

Mr. Durham's extensive experience in the e-commerce industry and perspective as our Chief Executive Officer and co-founder provide valuable insight for the members of the Board.

Patrick J. Connolly has served as a member of the Board since October 2007. Mr. Connolly has held various positions in direct marketing and e-commerce at Williams-Sonoma, Inc., a specialty retailer of home furnishings and gourmet cookware, since 1979. Mr. Connolly has served as the Executive Vice President, Chief Strategy and Business Development Officer since August 2014 and Chief Marketing Officer from 2000 to 2014. Mr. Connolly has served on the board of directors of Williams-Sonoma (NYSE: WSM) since 1983 and has served on the board of directors for the Direct Marketing Association and on the Management Board of the Stanford Graduate School of Business. Mr. Connolly received a B.S. in mechanical engineering from Oregon State University and an M.B.A. from Stanford University's Graduate School of Business.

Mr. Connolly's extensive e-commerce and marketing experience together with his financial expertise provides the Board with valuable insight.

Vote Required

The two (2) nominees for Class I director receiving the highest number of affirmative votes will be elected as Class I directors. However, if the majority of the votes cast for a director are marked "withheld" and notwithstanding the valid election of such director, our bylaws provide that such director will voluntarily tender his or her resignation for the Board's consideration. If such director's resignation is accepted by the Board, then the Board, in its sole discretion, may fill the resulting vacancy in accordance with our bylaws and taking into account the recommendation of the nominating and corporate governance committee. Unless marked to the contrary, proxies received will be voted "FOR" the nominees.

The Board recommends a vote FOR the election of the nominees set forth above as Class I directors of CafePress.

EXECUTIVE OFFICERS AND DIRECTORS

The following table shows information about our executive officers and directors as of March 24, 2016 and the existing committee membership:

Name	Age	Position
Fred E. Durham III	45	Chief Executive Officer, Co-Founder and Chairman
Garett Jackson	40	Chief Financial Officer
Maheesh Jain	42	Chief Marketing Officer and Co-Founder
Brad W. Buss(1)(2)(4)	52	Director
Patrick J. Connolly(2)(3)	69	Director
Nick Swinmurn(3)	43	Director
Kenneth McBride(1)(4)	48	Director
Anthony C. Allen(1)(4)	57	Director

(1) Member of the audit committee
(2) Member of the compensation committee
(3) Member of the nominating and corporate governance committee
(4) Determined by the Board to be an "audit committee financial expert" as defined by SEC rules

The following presents biographical information for each of our executive officers and directors listed above in the table, other than the nominees whose information is on page 4. With respect to our directors, the biographical information includes the director's business experience, director positions held currently or at any time during the last five (5) years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the nominating and corporate governance committee to recommend that the director should serve on the Board. There are no family relationships among any of our directors or executive officers.

Maheesh Jain, one of the Company's co-founders, has served as our Chief Marketing Officer since August 4, 2014. Prior to re-joining CafePress, Mr. Jain was the founder of 3rd Revolution, an online product customization social network, beginning in January 2013, and previously served CafePress in various executive roles, including as our Vice President of Marketing and Vice President of Business Development from August 1999 to December 2011. Mr. Jain received a B.A. in economics from Northwestern University.

Garett Jackson has served as our Chief Financial Officer since August 4, 2014, following his promotion from Interim Chief Financial Officer, a position he held since March 31, 2014. Mr. Jackson previously served as our Chief Information Officer from June 2013 to March 31, 2014. Prior to joining CafePress, Mr. Jackson served

as Chief Financial Officer of National Patient Account Services, Inc. (NPAS), a leading provider of services to the healthcare industry, from February 2003 to June 2013. Mr. Jackson earned a B.A. in Accounting from Bellarmine University.

Brad W. Buss has served as a member of the Board since October 2007. Mr. Buss joined the Board of Directors for Advance Auto Parts, Inc. (NYSE: AAP), a leading automotive aftermarket parts provider in March 2016. Mr. Buss served as the Chief Financial Officer of SolarCity Corp (NASDAQ: SCTY), a solar energy company from August 2014 to March 2016. From 2005 to August 2014 he was the Executive Vice President of Finance and Administration and Chief Financial Officer of Cypress Semiconductor Corporation (NASDAQ: CY), a semiconductor design and manufacturing company. Prior to joining Cypress, Mr. Buss served as Vice President of Finance at Altera Corp., a semiconductor design and manufacturing company, from March 2000 to March 2001 and from October 2001 to August 2005. From March 2001 to October 2001, Mr. Buss served as the Chief Financial Officer of Zaffire, Inc., a developer and manufacturer of optical networking equipment. Mr. Buss has served on the board of directors of Tesla Motors, Inc. (NASDAQ: TSLA), a designer and manufacturer of electric vehicles, since November 2009, including serving as the chairman of the audit committee until August 2014. Mr. Buss received a B.A. degree majoring in economics from McMaster University and an honors business administration degree, majoring in finance and accounting, from the University of Windsor.

Mr. Buss's executive experience and financial and accounting expertise with private companies and large public companies provides valuable insight for the members of the Board.

Kenneth McBride has served as a member of the Board since 2015. Mr. McBride has served as the Chief Executive Officer of Stamps.com (NASDAQ: STMP) since August 2001. Stamps.com is a provider of internet-based mailing and shipping solutions. Since 1999, Mr. McBride has held various executive positions at Stamps.com, including as its President and CEO from August 2001 until January 2012, as Chief Financial Officer from August 2000 to January 2004, and as Senior Director and Vice President of Finance from April 1999 to October 2000. Mr. McBride has also been chairman of the board of directors of Stamps.com since January 2012. From August 2012 through January 2014, Mr. McBride served on the board of directors of LegalZoom.com, Inc., an online service providing legal services, where he also served as the chairman of the audit committee, and as a member of the compensation committee. Mr. McBride holds a bachelor's degree, with honors, and a master's degree, in Electrical Engineering from Stanford University. Mr. McBride also holds an M.B.A. from the Graduate School of Business at Stanford University.

We believe that Mr. McBride's experience as the chief executive officer of a public internet commerce company, along with his finance background and audit committee experience, provides valuable insight for the Board.

Anthony C. Allen has served as a member of the Board since 2015. Mr. Allen has served as the Chief Financial Officer and Vice President of Sypris Solutions, Inc. (NASDAQ: SYPR) since January 2015, where he had previously been Vice President, Treasurer and Assistant Secretary since December 2004, and held various other financial positions at Sypris and its predecessor since 1986. Sypris is a diversified provider of outsourced services and specialty products based in Louisville, Kentucky. Mr. Allen holds a bachelor's degree in Business Administration from Eastern Kentucky University and an M.B.A. from Bellarmine University. He is also a certified public accountant in the state of Kentucky.

We believe that Mr. Allen's extensive finance experience at a public company and accounting background and qualifications will provide the Board with valuable insight.

Nick Swinmurn has served as a member of the Board since 2015. Prior to his appointment to the Board, Mr. Swinmurn founded and served as Chief Executive Officer and Chairman of Zappos.com, a provider of online footwear sales, in 1999 and remained with the company until 2006. Since his departure from Zappos.com in 2006, Mr. Swinmurn has founded a variety of specialty ventures. In 2006, Mr. Swinmurn founded and served as Chief Executive Officer of Stagr, an online apparel customization company, a venture on which he worked until

2009. Later, in February 2009, Mr. Swinmurn founded Dethrone Licensing, a lifestyle clothing company, and currently serves as its Managing Member. Mr. Swinmurn also currently serves as the chairman of Basecamp Fitness, a chain of boutique fitness studios he founded in 2013. Nachoria, a fast casual restaurant concept founded by Mr. Swinmurn and his wife in 2015, is his latest venture in which he serves as Managing Member. Mr. Swinmurn holds a Bachelor of Arts degree in film studies from the University of California, Santa Barbara.

Having founded multiple online retail and apparel businesses, including Zappos.com and Dethrone Royalty, Mr. Swinmurn has valuable industry experience and knowledge that will allow him to contribute unique insight to the Board.

CORPORATE GOVERNANCE

Board Composition

The Board is currently composed of six (6) members. The Board and its committees met throughout the year on a set schedule, held special meetings, and acted by unanimous written consent from time to time as appropriate. The Board held 9 meetings during 2015. Each director attended at least 75% of the total aggregate of the regularly scheduled and special meetings held by the Board and the committees on which such director served during his or her tenure in 2015. Our non-management directors meet in regularly scheduled sessions without the presence of management in executive sessions. The lead independent director of the Board presides over each such executive session. We do not have a policy regarding directors' attendance at the Annual Meeting of Stockholders, however, we encourage our directors to attend. This will be our fourth annual meeting following our initial public offering.

Director Independence

Our Corporate Governance Guidelines provide that a majority of our directors will be independent. Based on the review and recommendation by the nominating and corporate governance committee, the Board has determined that Brad W. Buss, Patrick J. Connolly, Anthony C. Allen, Nick Swinmurn and Kenneth McBride, representing a majority of our directors in 2015 were "independent directors" as defined under NASDAQ rules.

Board Leadership Structure

The Board determined as part of our corporate governance principles that one of our independent directors should serve as a lead director at any time when the title of chairman is held by an employee director or there is no current chairman. The Board has determined that Patrick J. Connolly qualifies as an independent director under NASDAQ rules and the Board has appointed Mr. Connolly as our lead independent director. Mr. Connolly presides over periodic meetings of our independent directors and oversees the function of the Board and committees, among other responsibilities when the chairman, Fred E. Durham III, an employee director, is unable to participate or is not present in such meetings. Our former director Douglas M. Leone served as our lead independent director until his retirement from the Board on July 1, 2015.

Board Committees

We have established an audit committee, a compensation committee and a nominating and corporate governance committee. We believe that the composition of the audit committee, compensation committee and nominating and corporate governance committees meets the criteria for independence under, and the functioning of these committees complies with, the applicable requirements of the Sarbanes-Oxley Act of 2002, the current rules of NASDAQ and SEC rules and regulations. We intend to comply with future requirements as they become applicable to us. The Board has approved a charter for each of these committees, which can be found on our website at investor.cafepress.com. Each committee has the composition and responsibilities described below.

Audit committee

Members: Brad W. Buss, Chairperson
Anthony C. Allen
Kenneth McBride

Number of Meetings in 2015: 9

Functions:

The audit committee assists the Board in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions, and is directly responsible for approving the services performed by our independent registered public accounting firm and

reviewing their reports regarding our accounting practices and systems of internal accounting controls. The audit committee also oversees the audit efforts of our independent registered public accounting firm and takes actions as it deems necessary to satisfy itself that the accountants are independent of management. The audit committee is also responsible for monitoring the integrity of our consolidated financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters. Our former directors Michael Dearing and Diane M. Irvine were members of the audit committee until their retirement from the Board on the date of the 2015 Annual Meeting of Stockholders and Messrs. Allen and McBride joined the audit committee upon their election to the Board at the 2015 Annual Meeting of Stockholders.

The Board has determined that each member of the audit committee qualifies as an independent member, as defined by NASDAQ rules, and qualifies as a financial expert, as defined by the rules promulgated by the SEC.

Compensation committee

Members: Patrick J. Connolly, Chairperson
Brad W. Buss

Number of Meetings in 2015: 4

Functions:

The compensation committee assists the Board in meeting its responsibilities with regard to oversight and determination of executive compensation and assesses whether the compensation structure establishes appropriate incentives for officers and employees. The compensation committee reviews and makes recommendations to the Board with respect to our major compensation plans, policies and programs. In addition, the compensation committee approves the compensation for our executive officers, establishes and modifies the terms and conditions of employment of our executive officers and administers our stock option plans. Our former director Douglas M. Leone was a member and the chairman of the compensation committee until his retirement from the Board on July 1, 2015. Mr. McBride joined the compensation committee as its chairman on July 6, 2015. On January 22, 2016, Brad W. Buss replaced Mr. McBride as a member of the compensation committee and Mr. Connolly became chairman.

The Board has determined that each member of the compensation committee qualifies as an independent member, as defined by NASDAQ rules, a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Securities Exchange Act of 1934, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, or the Internal Revenue Code.

Nominating and corporate governance committee

Members: Patrick J. Connolly, Chairperson
Nick Swinmurn

Number of Meetings in 2015: 1

Functions:

The nominating and corporate governance committee is responsible for making recommendations to the Board regarding candidates for directorships and the size and composition of the Board. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance guidelines, and reporting and making recommendations to the Board concerning corporate governance matters. On July 6, 2015, Mr. Swinmurn joined the Board and replaced Mr. Buss as a member of the nominating and corporate governance committee.

The Board has determined that each member of the nominating and corporate governance committee qualifies as an independent member, as defined by NASDAQ rules.

Subject to the election of the director nominees, as discussed herein under “Election of Directors,” the members of the committees following the Annual Meeting of Stockholders are not expected to change.

Role of the Board in Risk Oversight

One of the key functions of the Board is informed oversight of our risk management process. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various Board standing committees that address risks inherent in their respective areas of oversight. In particular, the Board is responsible for monitoring and assessing strategic risk exposure, and the audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The audit committee also has the responsibility to issue guidelines and policies to govern the process by which risk assessment and management is undertaken, monitor compliance with legal and regulatory requirements, and oversee the performance of our internal audit function. The nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. The compensation committee assesses and monitors whether any of the compensation policies and programs have the potential to encourage excessive risk-taking.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee is or has in the past served as an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Board or compensation committee.

Director Nominations

The Board nominates directors for election at each Annual Meeting of Stockholders and appoints new directors to fill vacancies when they arise. The nominating and corporate governance committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board for nomination or appointment.

Director Criteria. The nominating and corporate governance committee has a policy regarding consideration of director candidates recommended by stockholders. The nominating and corporate governance committee reviews suggestions for director candidates recommended by stockholders and considers such candidates for recommendation based upon an appropriate balance of knowledge, experience and capability. In addition to considering an appropriate balance of knowledge, experience and capability, the Board has as an objective that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The nominating and corporate governance committee selects candidates for director based on their character, judgment, diversity of experience, business acumen, and his or her willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. The nominating and corporate governance committee believes it appropriate for at least one, and, preferably, multiple, members of the Board to meet the criteria for an “audit committee financial expert” as defined by SEC rules, and for a majority of the members of the Board to meet the definition of “independent director” under the rules of the NASDAQ. The nominating and corporate governance committee also believes it appropriate for certain key members of our management to participate as members of the Board.

Prior to each annual meeting of stockholders, the nominating and corporate governance committee identifies nominees first by reviewing the current directors whose term expires at the annual meeting of stockholders and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate’s prior service as a director, and the needs of the Board with respect to the particular talents and experience of its directors. In the event that a director does not wish to continue in

service, the nominating and corporate governance committee determines not to nominate the director, or a vacancy is created on the Board as a result of a resignation, an increase in the size of the Board or other event, the nominating and corporate governance committee will consider various candidates for Board membership, including those suggested by members of the nominating and corporate governance committee, by other members of the Board, by any executive search firm engaged by the nominating and corporate governance committee and by stockholders.

Stockholder Nominees. In addition, our bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Board at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to CafePress' Secretary and otherwise comply with the provisions of our bylaws. To be timely, our bylaws provide that we must have received the stockholder's notice not more than 120 days nor less than 90 days prior to the anniversary of the date our proxy statement was provided to stockholders in connection with previous year's annual meeting. However, if we did not hold an annual meeting in the prior year or if the date of the annual meeting is more than 30 days before or after the anniversary date of the prior year's annual meeting, we must receive the stockholder's notice by the close of business on the later of 90 days prior to the annual meeting and the 10th day after the day we provided such public disclosure of the meeting date. Information required by the bylaws to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations under that Section. We received no director nominees from our stockholders.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our bylaws and must be addressed to 6901 Riverport Drive, Louisville, Louisville, Kentucky 40258, Attn: Secretary. You can obtain a copy of our bylaws by writing to the Secretary at this address.

Communications with the Board

The Board recommends that stockholders initiate communications with the Board, or any committee of the Board in writing to the attention of our Secretary to 6901 Riverport Drive, Louisville, KY 40258. This process will assist the Board in reviewing and responding to stockholder communications in an appropriate manner. The Board has instructed our Secretary to review such correspondence and, at his discretion, not to forward items if he deems them to be of a commercial or frivolous nature or otherwise inappropriate for the Board's consideration.

Corporate Governance Principles and Practices

We believe our corporate governance initiatives comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC adopted thereunder. In addition, we believe our corporate governance initiatives comply with the rules of the NASDAQ Stock Market.

The Board adopted a code of business conduct that applies to each of our directors, officers and employees. The code addresses various topics, including:

- compliance with laws, rules and regulations, including the Foreign Corrupt Practices Act;
- conflicts of interest;
- insider trading;
- corporate opportunities;
- competition and fair dealing;
- equal employment and working conditions;

- record keeping;
- confidentiality;
- giving and accepting gifts;
- compensation or reimbursement to customers;
- protection and proper use of company assets; and
- payments to government personnel and political contributions.

The Board also has adopted a code of ethics for senior financial officers applicable to our Chief Executive Officer, Chief Financial Officer, Controller and other key management employees addressing ethical issues. The code of business conduct and the code of ethics each are posted on our website under Corporate Governance. The code of business conduct and the code of ethics can only be amended by the approval of a majority of the Board. Any waiver of the code of business conduct for an executive officer or director or any waiver of the code of ethics may only be granted by the Board or the nominating and corporate governance committee and must be timely disclosed as required by applicable law. We also have implemented whistleblower procedures that establish formal protocols for receiving and handling complaints from employees. Any concerns regarding accounting or auditing matters reported under these procedures will be communicated promptly to the audit committee.

COMPENSATION OF DIRECTORS

Retainers. Our non-employee directors receive an annual retainer of $30,000, prorated for partial service in any year and paid in cash or restricted stock units at the election of the Board. Members of the audit committee, compensation committee and nominating and corporate governance committee, other than the chairpersons of those committees, receive an additional annual retainer of $10,000, $5,750 and $2,500, respectively. The chairpersons of the audit committee, compensation committee and nominating and corporate governance committee each receive an additional annual retainer of $22,000, $10,000 and $7,500, respectively and the individual acting as Lead Director receives an additional $10,000 annually. For 2016, we anticipate that retainers paid to our non-employee directors will be in the form of restricted stock units granted under our Amended and Restated 2012 Stock Incentive Plan, or the 2012 Stock Plan, or in cash, at the direction of each director. Stock units granted in lieu of cash retainers give each non-employee director the right to acquire a number of shares of our common stock equal to the prorated amount of the director's aggregate retainer divided by the fair market value of one share of our common stock, as determined under the 2012 Stock Plan. Cash retainers, if elected, would be paid in arrears at the end of each quarter for service during the previous quarter.

Stock Compensation. Nondiscretionary, automatic grants of nonstatutory stock options are made to outside directors. Any outside director who first joins the Board is automatically granted an initial nonstatutory option to purchase a number of shares of our common stock equal to the quotient of $140,000 divided by the fair value of one share of our common stock as of the date of grant, as determined by the compensation committee, based upon the valuation method we use for our financial reporting. The initial option vests and becomes exercisable over four years such that 1/4th of the shares subject to the option vest and become exercisable on the first anniversary of the date of grant and the remaining 3/4th vest and become exercisable over a three-year period in equal monthly installments. The initial option becomes fully vested if the director is not re-elected after standing for re-election at the end of his or her term. On the first business day after each of our regularly scheduled annual meeting of stockholders, each continuing outside director is automatically granted restricted stock units equal to the quotient of $70,000 divided by the fair market value of one share of our common stock as of the date of grant, provided that the outside director has served on the Board for at least six (6) months. Each grant vests on the first anniversary of the date of grant, or immediately prior to the next regular annual meeting of stockholders following the date of grant if the meeting occurs prior to the first anniversary date.

2015 Director Compensation

The following table sets forth the compensation paid or accrued by us to our non-employee directors during fiscal year 2015. The table excludes Mr. Durham, who did not receive any additional compensation from us for his role as a director because he is our Chief Executive Officer.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)(3)	Total ($)
Brad W. Buss	53,250	69,915	123,165
Patrick J. Connolly	43,250	69,915	113,165
Douglas M. Leone(4)	20,833	—	20,833
Michael Dearing(5)	—	—	—
Diane M. Irvine(6)	16,667	—	16,667
Anthony C. Allen(7)	24,051	139,793	163,844
Kenneth McBride(8)	29,635	139,793	169,428
Nick Swinmurn(9)	16,250	139,979	156,229

(1) Amounts listed in this column represent the aggregate fair value of the awards computed as of the grant date of each award in accordance with Financial Accounting Standard Board Accounting Standards Codification No. 718, Compensation-Stock Compensation, or FASB ASC Topic 718, rather than amounts paid to or realized by the named individual. Our assumptions with respect to the calculation of these values are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Stock-Based Compensation Expense" included in our Annual

Report on Form 10-K for fiscal year ended December 31, 2015. There can be no assurance that options will be exercised (in which case no value will be realized by the individual) or that the value on exercise will approximate the fair value as computed in accordance with FASB ASC Topic 718.

(2) The following table lists all outstanding restricted stock awards and options held by non-employee directors as of the end of fiscal year 2015:

Name	Stock Awards
Brad W. Buss	16,908
Patrick J. Connolly	16,908
Douglas M. Leone	—
Michael Dearing	—
Diane M. Irvine	—
Anthony C. Allen	—
Kenneth McBride	—
Nick Swinmurn	—

(3) The following table lists all outstanding option awards held by non-employee directors as of the end of fiscal year 2015:

Name	Option Awards
Brad W. Buss	51,293
Patrick J. Connolly	42,543
Douglas M. Leone	—
Michael Dearing	—
Diane M. Irvine	—
Anthony C. Allen	73,432
Kenneth McBride	73,432
Nick Swinmurn	67,590

(4) Douglas M. Leone retired from the Board on July 1, 2015. The amounts listed above reflect amounts paid or accrued by us for partial service in 2015.

(5) Michael Dearing retired from the Board on May 15, 2015, the date of the 2015 Annual Meeting of Stockholders. The amounts listed above reflect amounts paid or accrued by us for partial service in 2015.

(6) Diane M. Irvine retired from the Board on May 15, 2015, the date of the 2015 Annual Meeting of Stockholders. The amounts listed above reflect amounts paid or accrued by us for partial service in 2015.

(7) Anthony C. Allen joined the Board on May 15, 2015, the date of the 2015 Annual Meeting of Stockholders. The amounts listed above reflect amounts paid or accrued by us for partial service in 2015.

(8) Kenneth McBride joined the Board on May 15, 2015, the date of the 2015 Annual Meeting of Stockholders. The amounts listed above reflect amounts paid or accrued by us for partial service in 2015.

(9) Nick Swinmurn joined the Board on July 6, 2015. The amounts listed above reflect amounts paid or accrued by us for partial service in 2015.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of March 24, 2016, as to shares of our common stock beneficially owned by: (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each of our executive officers listed in the 2015 Summary Compensation Table on page 19, (iii) each of our directors and (iv) all our current directors and executive officers as a group. Unless otherwise stated below, the address of each beneficial owner listed on the table is c/o CafePress Inc., 6901 Riverport Drive, Louisville, Kentucky 40258. The percentage of common stock beneficially owned is based on 16,771,367 shares outstanding as of March 24, 2016.

	Amount and Nature of Beneficial Ownership	
Name and Address of Beneficial Owner	**Shares Beneficially Owned(1)**	**Percentage Beneficially Owned(1)(2)**
5% Stockholders:		
Entities affiliated with Sequoia Capital(3)	2,902,783	17.3%
Entities affiliated with Lloyd I. Miller III(4)	2,940,150	17.5%
Stratim Capital(5)	958,672	5.7%
Directors and Named Executive Officers:		
Fred E. Durham III(6)	2,381,368	14.2%
Garett Jackson(7)	187,303	1.1%
Maheesh Jain (Jain Family Trust)(8)	2,018,907	12.0%
Brad W. Buss(9)	106,361	*
Patrick J. Connolly(10)	105,222	*
Anthony C. Allen(11)	18,358	*
Kenneth McBride(12)	18,358	*
Nick Swinmurn(13)	—	*
All current directors and executive officers as a group (8 persons)(14)	4,835,877	28.8%

* Amount represents less than 1% of our common stock.

(1) We have determined beneficial ownership in accordance with the SEC rules. To our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to this table.

(2) For purposes of computing the percentage of outstanding shares held by each person or group of persons named above, shares which such person or group has the right to acquire within 60 days of March 24, 2016 are deemed to be outstanding, but are not deemed to be outstanding for the purposes of computing the percentage ownership of any other person.

(3) Consists of 16,587 shares held by Sequoia Capital Entrepreneurs Annex Fund, L.P., 912,304 shares held by Sequoia Capital Franchise Fund. L.P., 124,405 shares held by Sequoia Capital Franchise Partners, L.P., 398,095 shares held by Sequoia Capital IX, L.P., 1,272,726 shares held by Sequoia Capital XI, LP., 138,463 shares held by Sequoia Capital XI Principals Fund, LP, and 40,203 shares held by Sequoia Technology Partners XI, LLC (collectively, the "Sequoia Capital Entities"). SCFF Management, LLC is the general partner of each of Sequoia Capital Franchise Fund, L.P. and Sequoia Capital Franchise Partners, L.P. The managing members of SCFF Management. LLC are Douglas Leone, Michael Moritz, Michael Goguen and Mark Stevens. SC IX.I Management. LLC is the General Partner of each of Sequoia Capital IX, LP and Sequoia Capital Entrepreneurs Annex Fund, LP. The managing members of SC IX.I Management, LLC are Douglas M. Leone, Michael I. Moritz, Michael L. Goguen, and Mark Stevens. SC XI Management, LLC is the general partner of Sequoia Capital XI. LP and Sequoia Technology Partners XI, LP and is the managing member of Sequoia Capital XI Principals Fund, LLC. The managing members of SC XI Management. LLC are Michael Goguen, Douglas Leone, and Michael Moritz. As a result, and by virtue of the relationships described in this footnote, each of the managing members of SCFF Management,

LLC, SC IX.1 Management, LLC and SC XI Management, LLC may be deemed to share beneficial ownership of the shares held by the applicable Sequoia Capital Entities. Such individuals expressly disclaim any such beneficial ownership. The principal address for each of the Sequoia Capital Entities is 3000 Sand Hill Road, 4-250, Menlo Park, CA 94025.

(4) Shares beneficially owned by (i) Milfam II L.P., (ii) Trust A-4 – Lloyd I. Miller, (iii) LIMFAM LLC (the "Indirect Miller Entities"), and (iv) Lloyd I. Miller III. Mr. Miller has sole voting and dispositive power with respect to all of the shares as (i) manager of a limited liability company that is the adviser to a certain trust, (ii) manager of a limited liability company that is the general partner of a certain limited partnership, (iii) manager of a limited liability company, and (iv) an individual. Mr. Miller disclaims beneficial ownership of the shares held by the Indirect Miller Entities, except to the extent of his pecuniary interest therein. The principal address for each such entity is 3300 South Dixie Highway, Suite 1-365, West Palm Beach, Florida 33405.

(5) Based solely on a report on Schedule 13D filed on April 20, 2012. The principal address for Stratim Capital is 1609 Baker Street, San Francisco, CA 94115.

(6) Includes 222,918 shares subject to options exercisable within 60 days of March 24, 2016.

(7) Includes 116,665 shares subject to options exercisable and shares issuable under stock awards and options within 60 days of March 24, 2016.

(8) Includes 90,761 shares subject to options exercisable within 60 days of March 24, 2016 held by Maheesh Jain. Maheesh Jain holds dispositive and voting power over these shares.

(9) Includes 61,951 shares issuable under stock awards and options within 60 days of March 24, 2016.

(10) Includes 54,451 shares issuable under stock awards and options within 60 days of March 24, 2016.

(11) Includes 18,358 shares issuable under stock awards and options within 60 days of March 24, 2016.

(12) Includes 18,358 shares issuable under stock awards and options within 60 days of March 24, 2016.

(13) Includes 0 shares issuable under stock awards and options within 60 days of March 24, 2016.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

In addition to the compensation arrangements with directors and executive officers described elsewhere in this proxy statement, the following is a description of each transaction since January 1, 2015 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeds or will exceed $120,000; and
- any of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or any immediate family member of or person sharing the household with any of these individuals (other than tenants or employees), had or will have a direct or indirect material interest.

Indemnification Agreements

We have entered into indemnification agreements with each of our current directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

Procedures for Approval of Related Party Transactions

Our Related Person Transactions Policy provides for approval by the audit committee of the Board of transactions with our company valued at or more than $120,000 in which any director, officer, 5% or greater stockholder or certain related persons or entities has a direct or indirect material interest. In approving or rejecting any such proposal, the audit committee will consider all relevant facts and circumstances reasonably available to them.

EXECUTIVE COMPENSATION

Compensation Decisions and the Role of the Compensation Committee

The compensation committee of the Board is currently comprised of two independent, non-employee directors, Brad W. Buss and Patrick J. Connolly. The compensation committee is responsible for the executive compensation programs for our executive officers and reports to the Board on its discussions, decisions and other actions. Typically, our Chief Executive Officer and Chief Financial Officer make recommendations to the compensation committee, attend committee meetings and are involved in the determination of compensation for our executive officers, provided, however, that neither our Chief Executive Officer nor our Chief Financial Officer makes recommendations as to their own compensation. Our Chief Executive Officer and Chief Financial Officer make recommendations to the compensation committee regarding short- and long-term compensation for our executive officers based on our results, an individual executive officer's contribution toward these results and performance toward goal achievement. The compensation committee then reviews the recommendations and other data and approves each executive officer's total compensation, as well as each individual compensation component. The compensation committee's decisions are based on its assessment of the performance of our company and each individual executive officer, as well as other factors, such as prevailing industry trends.

In making decisions on salaries, bonuses and equity in 2015, management and the compensation committee retained the services of Radford Surveys + Consulting, or Radford, to provide the following services:

- assess and provide recommendations with respect to the list of peer companies against which we benchmark our executive compensation;
- brief the compensation committee on current compensation market trends; and
- assist the compensation committee in developing a competitive executive compensation program to reinforce our long-term strategic goals.

Narrative to 2015 Summary Compensation Table

The primary components of compensation for our Chief Executive Officer and our two other most highly compensated executive officers in fiscal year 2015, whom we refer to in this Proxy Statement as the named executive officers, were base salary, cash incentive compensation, severance and equity-based compensation. We do not have a policy on the division of compensation between the primary components.

Base Salary

With regard to base salary, each named executive officer entered into an at-will employment agreement or offer letter with us at the time of his or her hire that provides for his or her initial base salary, and the Board reviews the base salaries annually. All compensation terms in the offer letters other than standard employee benefits have since been superseded.

Cash Incentive Compensation

With regard to cash incentive compensation, each member of our senior management team was eligible to receive cash awards under our 2015 cash bonus plan upon achievement of certain financial goals. For 2015, the financial goals for our Chief Executive Officer, Chief Financial Officer and Chief Marketing Officer were entirely based on achievement of corporate EBITDA targets. Payouts under the 2015 cash bonus plan were earned by achievement of payout targets with 50% payable upon the achievement of certain minimum target levels, 75% payable upon achievement of certain middle-level target levels and 100% payable upon the achievement of certain maximum target levels. Maximum bonus amounts (expressed as a percentage of base salary) were 75%, 50% and 50% for Fred E. Durham III, the Company's Chief Executive Officer, Garett Jackson, the Company's Chief Financial Officer and Maheesh Jain, the Company's Chief Marketing Officer, respectively.

For the year ended December 31, 2015, we achieved a payout target of 75% for each of our named executive officers. As a result, Messrs. Durham, Jackson and Jain received cash bonus payouts of approximately $168,750, $103,125 and $93,750, respectively.

Additionally, in March 2016, the compensation committee approved a 2016 cash bonus plan, whereby our executive officers and certain other non-executive officers, may be eligible to receive a cash bonus. Payouts under this plan for named executive officers will be expressed as a percentage of their base salary in the event the Company achieves certain Revenue, EBITDA, and Free Cash Flow goals. The 2016 cash bonus plan, which is incorporated herein by reference, is filed as an exhibit to our Current Report on Form 8-K filed on March 8, 2016.

Equity-Based Compensation

With regard to equity-based compensation, the compensation committee meets periodically to discuss and review the level of equity-based compensation, and to decide whether additional grants are necessary. For additional information regarding equity awards held by the named executive officers, please see the table entitled "2015 Outstanding Equity Awards at Fiscal Year-End."

Finally, the named executive officers also have change in control and severance agreements as described below under "Employment Agreements and Change in Control Arrangements."

2015 Summary Compensation Table

The following tables set forth compensation for services rendered in all capacities to us for the fiscal years ended December 31, 2015 and 2014 for our named executive officers.

Name & Principal Position	Year	Salary	Bonus	Option Awards(1)	Non-Equity Incentive Plan Compensation	All Other Compensation(2)	Total
Fred E. Durham III,	2015	$300,000	—	—	$168,750	—	$468,750
Chief Executive Officer	2014	$109,615(3)	—	710,873	—	—	$820,488
Garett Jackson,	2015	$275,000	—	—	$103,125	$11,324	$389,449
Chief Financial Officer	2014	$275,000	—	455,968	—	$ 7,806	$463,774
Maheesh Jain,	2015	$250,000	—	—	$ 93,750	—	$343,750
Chief Marketing Officer	2014	$ 71,625	—	—	—	—	$ 71,625

(1) The value of the option awards is based on the fair value of the award as of the grant date calculated in accordance with Accounting Standards Codification 718, Stock Compensation (ASC 718), excluding any estimate of future forfeitures. Our assumptions with respect to the calculation of these values are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical accounting policies and estimates—Stock-Based Compensation Expense" included in our Annual Report on Form 10-K for fiscal year ended December 31, 2015. Regardless of the value on the grant date, the actual value that may be recognized by the executive officers will depend on the market value of our common stock on a date in the future when a stock option is exercised.

(2) Registrant contributions or other allocations to vested and unvested defined contribution plans.

(3) Represents Mr. Durham's salary from fiscal year 2014 (as a portion of his annualized salary of $300,000). He received no additional cash compensation for his services as a director.

(4) Represents Mr. Jain's salary from fiscal year 2014 (as a portion of his annualized salary of $200,000).

2015 Outstanding Equity Awards at Fiscal Year-End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2015.

	Option Awards				Stock Awards	
	Number of securities underlying unexercised options exercisable (#)(1)	Number of securities underlying unexercised options unexercisable (#)(1)	Option exercise price ($/sh)	Option expiration date	Number of Shares or Units of Stock that Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)
Fred E. Durham III	35,437	207,563	4.30	05/15/2022		
	82,480	164,962	5.07	08/04/2021		
	39,446	59,169	5.58	08/04/2019		
					12,500	48,000
Garett Jackson	29,166	70,834	2.94	10/28/2021		
	7,947	46,553	4.30	05/15/2022		
	6,588	7,162	5.84	03/21/2021		
	14,208	16,792	6.64	02/13/2021		
	31,250	18,750	6.65	07/24/2023		
					8,438	32,402
					11,250	43,200
					20,125	77,280
Maheesh Jain	7,947	46,553	4.30	05/15/2022		
	23,534	56,183	5.07	08/04/2021		
	34,142	59,169	5.58	08/04/2021		
					20,125	77,280

(1) Except as otherwise noted, all option awards listed in the table vest over four years, with 1/4th of the shares subject to the option vesting on the first anniversary of the date of grant and the remainder vesting in equal monthly installments thereafter over the subsequent three years.

(2) Except as otherwise noted, all awards are RSUs that vest over four years, with 25% vesting each year on a quarterly basis. Market value calculated using the closing price of our common stock as of December 31, 2015 of $3.84.

(3) Option award vests monthly over four (4) years.

Employment Agreements and Change in Control Arrangements

In 2014, each of our named executive officers entered into our Form of Amended and Restated Change of Control Agreement for Senior Management, or the 2014 CIC Agreement, which provides that if the executive officer's employment is terminated by us without cause or the executive officer is constructively terminated on or following a change in control and he signs and does not revoke a release of claims with us, then he is entitled to: a lump sum payment equal to 12 months of his annual base salary in effect on his termination date and:

- as to options granted prior to the later of March 21, 2014 or, if applicable, the executive's 2014 hire date, accelerated vesting as to the greater of (a) the number of shares that would accelerate as provided in any existing option agreement(s) or (b) 50% of the unvested shares as of the termination date; and
- as to options and stock units granted on or after the later of March 21, 2014 or, if applicable, the executive's 2014 hire date, accelerated vesting as to 50% of the unvested shares as of the termination date.

For purposes of the 2014 CIC Agreement, the following definitions apply:

- The term "cause" is defined as (a) conviction of any felony or any misdemeanor where imprisonment is imposed, (b) the commission of any act of fraud, embezzlement or dishonesty with respect to the Company, (c) any unauthorized use or disclosure of confidential information or trade secrets, (d) willful misconduct or gross negligence in the commission of duties or (e) repeated, unexcused absences.
- The term "change in control" is defined as (a) a merger, consolidation or other corporate reorganization of CafePress if the persons who were not stockholders prior to the reorganization own 50% or more of the voting power of the company or a parent corporation after the reorganization, (b) a liquidation or sale of all or substantially all of CafePress' assets and (c) the acquisition by any individual or entity of enough CafePress shares to deem such individual or entity a beneficial owner of 50% or more of the voting power CafePress. The term "change in control", however, does not include a change in the state of CafePress' incorporation, the formation of a holding company that is owned in substantially the same proportions by the persons who held CafePress' shares immediately before the transaction or an initial or secondary public offering of our stock or debt.
- The term "constructive termination" is defined as voluntary resignation within 60 days of a (a) material change in position which materially reduces duties, but not a mere change in title or reporting responsibilities, (b) material reduction in base salary except where such change applies to all similarly situated officers or employees across the successor corporation or (c) change in place of employment more than 50 miles from the individual's current place of employment, provided that in each case the change was effected without the written concurrence of the officer and the change is not remedied within 30 days after written notice from the officer. The term "constructive termination" does not include a mere change in title, change in the person to whom the officer reports or the occurrence of a mere change in control or change in corporate status.

Additionally under the terms of the 2014 CIC Agreement, in the event of a change in control of CafePress where the acquirer does not assume or otherwise cash out the unvested options and stock units held by such executive, 50% of the unvested shares covered by such awards will accelerate immediately prior to the closing of the change in control. The Form of Amended and Restated Change in Control Agreement for Senior Management is attached as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2013.

REPORT OF THE AUDIT COMMITTEE

The following report of the audit committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing by CafePress under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The audit committee provides assistance to the Board in fulfilling its legal and fiduciary obligations in matters involving CafePress' accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by CafePress' independent accountants and reviewing their reports regarding CafePress' accounting practices and systems of internal accounting controls as set forth in a written charter adopted by the Board. CafePress' management is responsible for preparing CafePress' financial statements and the independent registered public accountants are responsible for auditing those financial statements. The audit committee is responsible for overseeing the conduct of these activities by CafePress' management and the independent registered public accountants.

In this context, the audit committee has met and held discussions with management and the independent registered public accountants. Management represented to the audit committee that CafePress' consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the audit committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accountants.

The audit committee has discussed with the independent registered public accountants, matters required to be discussed by the statement on Auditing Standards No. 16 (Communications with Audit Committees). In addition, the independent registered public accountants provided to the audit committee the written disclosures required by Public Company Accounting Oversight Board Rule 3526 (Communication with Audit Committees Concerning Independence) and the audit committee and the independent registered public accountants have discussed such accountants' independence from CafePress and its management, including the matters in those written disclosures. Additionally, the audit committee considered whether the provision of non-audit services was compatible with maintaining such accountants' independence. The audit committee has discussed with management the procedures for selection of consultants and the related competitive bidding practices and fully considered whether those services provided by the independent registered public accountants are compatible with maintaining such accountant independence.

The audit committee has discussed with CafePress' internal and independent registered public accountants, with and without management present, their evaluations of CafePress' internal accounting controls and the overall quality of CafePress' financial reporting.

In reliance on the reviews and discussions with management and the independent registered public accountants referred to above, the audit committee recommended to the Board, and the Board has approved, the inclusion of the audited financial statements in CafePress' Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for filing with the SEC.

Respectfully submitted on April 11, 2016, by the members of the audit committee of the Board:

Mr. Brad W. Buss, Chairman
Mr. Anthony C. Allen
Mr. Kenneth McBride

PROPOSAL 2

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The audit committee, which is composed entirely of non-employee independent directors, has selected BDO USA, LLP as independent accountants to audit our books, records and accounts and our subsidiaries for the fiscal year ending December 31, 2016. The Board has endorsed this appointment. Ratification of the selection of BDO USA, LLP by stockholders is not required by law. However, as a matter of good corporate practice, such selection is being submitted to the stockholders for ratification at the Annual Meeting of Stockholders. If the stockholders do not ratify the selection, the Board and the audit committee will reconsider whether or not to retain BDO USA, LLP, but may nonetheless retain BDO USA, LLP. Even if the selection is ratified, the audit committee in its discretion may change the appointment at any time during the year if it determines that such change would be in the best interests of CafePress and its stockholders. Representatives of BDO USA, LLP are expected to be present at the Annual Meeting of Stockholders. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

On June 12, 2015, the audit committee dismissed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm and appointed BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015.

PricewaterhouseCoopers LLP's reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2013 and 2014, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. BDO USA, LLP's reports on the Company's consolidated financial statements for the fiscal year ended December 31, 2015 also did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal years ended December 31, 2013 and 2014, and the subsequent interim periods through June 12, 2015 there were (i) no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, any of which, if not resolved to PricewaterhouseCoopers LLP's satisfaction, would have caused, PricewaterhouseCoopers LLP to make reference thereto in their reports on the financial statements for such fiscal years, and (ii) no "reportable events" within the meaning of Item 304(a)(1)(v) of Regulation S-K except for the material weakness existing at December 31, 2014 and March 31, 2015 as reported in the respective Forms 10-K and 10-Q:

> We did not maintain effective controls over the preparation, review and approval of certain account reconciliations. Specifically, the Company did not maintain effective internal controls over the underlying data supporting account reconciliations prepared for accounts payable and prepaid inventory.

The audit committee of the Board has discussed this reportable event with PricewaterhouseCoopers LLP, and has authorized PricewaterhouseCoopers LLP to respond fully to the inquiries of BDO USA, LLP related to this reportable event.

During the fiscal years ended December 31, 2013 and 2014, and the subsequent interim periods through June 12, 2015, neither the Company nor anyone on its behalf consulted with BDO USA, LLP regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report or oral advice was provided to the Company that BDO USA, LLP concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was the subject of a disagreement within the meaning of Item 304(a)(1)(iv) of Regulation S-K, or (iii) any reportable event within the meaning of Item 304(a)(1)(v) of Regulation S-K.

Audit and Non-Audit Fees

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP and BDO USA, LLP for the years ended December 31, 2015 and 2014, were as follows:

Auditor	Year	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All Other Fees(4)	Total Fees
PricewaterhouseCoopers LLP	2015	$ 101,500	$—	$ 67,000	$5,200	$ 173,700
	2014	$1,190,000	$—	$200,000	$5,200	$1,395,200
BDO USA, LLP	2015	$ 426,000	$—	$ —	$ —	$ 426,000
	2014	$ —	$—	$ —	$ —	—

(1) *Audit Fees*. The aggregate fees billed by PricewaterhouseCoopers LLP and BDO USA, LLP for the years ended December 31, 2015 and 2014, were for professional services rendered for the audits of our consolidated financial statements, statutory audits of our subsidiaries, reviews of our interim consolidated financial statements and services provided in connection with statutory and regulatory filings and matters related to our initial public offering and mergers and acquisitions.

(2) *Audit Related Fees*. The aggregate fees billed by PricewaterhouseCoopers LLP and BDO USA, LLP for the years ended December 31, 2015 and 2014 were for professional services rendered relating to due diligence relating to mergers and acquisitions and audits in connection with acquisitions.

(3) *Tax Fees*. The aggregate fees billed by PricewaterhouseCoopers LLP and BDO USA, LLP for the years ended December 31, 2015 and 2014 were for professional services rendered relating to Value Added tax compliance and other services.

(4) *All Other Fees*. All other fees billed by PricewaterhouseCoopers LLP and BDO USA, LLP for the years ended December 31, 2015and 2014 were related to fees for access to online accounting and tax research software applications and data.

Audit Committee Pre-Approval Policies and Procedures

The audit committee has implemented pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the audit committee pre-approves both the type of services to be provided by BDO USA, LLP and the estimated fees related to these services.

During the approval process, the audit committee considers the impact of the types of services and the related fees on the independence of the registered public accountant. The services and fees must be deemed compatible with the maintenance of such accountants' independence, including compliance with SEC rules and regulations.

Throughout the year, the audit committee will review any revisions to the estimates of audit and non-audit fees initially approved.

Required Vote

Ratification of the appointment of BDO USA, LLP requires the affirmative vote of a majority of the shares present and voting at the Annual Meeting of Stockholders in person or by proxy. Unless marked to the contrary, proxies received will be voted "FOR" ratification of the appointment.

Stockholder ratification of the selection of BDO USA LLP as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the Board is submitting the selection of BDO USA, LLP to the stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the audit committee will reconsider whether or not to retain that firm. Even if the selection is ratified,

the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in the best interests of our company and our stockholders.

The Board recommends a vote FOR the ratification of BDO USA, LLP as our independent registered public accountants.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten (10) percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission reports of ownership of Company securities and changes in reported ownership. Officers, directors and greater than ten (10) percent shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on a review of the reports furnished to the Company and written representations from reporting persons that all reportable transaction were reported, the Company believes that during the fiscal year ended December 31, 2015 the Company's officers, directors and greater than ten (10) percent owners timely filed all reports they were required to file under Section 16(a) with the exception of three late Forms 4 filed for Garett Jackson on July 30, 2015. One of the late Forms 4 filed by Mr. Jackson on July 30, 2015, included six transactions that were not reported on a timely basis. Four of those six transactions occurred in 2014 and the other two transactions were completed in 2015. The other two late Forms 4 filed by Mr. Jackson each contained one transaction that was not reported on a timely basis.

STOCKHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

If a stockholder wishes to present a proposal to be included in our Proxy Statement for the 2017 Annual Meeting of Stockholders, the proponent and the proposal must comply with the proxy proposal submission rules of the SEC. One of the requirements is that the proposal be received no later than December 12, 2016 by the Secretary at 6901 Riverport Drive, Louisville, Kentucky 40258. Proposals we receive after that date will not be included in the Proxy Statement. We urge stockholders to submit proposals by Certified Mail— Return Receipt Requested.

A stockholder proposal not included in our proxy statement for the 2017 Annual Meeting of Stockholders will be ineligible for presentation at the 2017 Annual Meeting of Stockholders unless the stockholder gives timely notice of the proposal in writing to the Secretary of CafePress at the principal executive offices of CafePress. Under our bylaws, in order for a matter to be deemed properly presented by a stockholder, timely notice must be delivered to, or mailed and received by, us not more than one hundred twenty (120) days nor less than ninety (90) days in advance of the one-year anniversary of the date of our proxy statement provided in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that we did not hold an annual meeting in the prior year or if the date of the annual meeting is more than thirty (30) days before or after the anniversary date of the prior year's annual meeting, we must receive the stockholder's notice by the close of business on the later of ninety (90) days prior to the annual meeting and the 10th day after the day we provided such public disclosure of the meeting date.

The stockholder's notice must set forth, as to each proposed matter, the following: (a) a brief description of the business desired to be brought before the meeting and reasons for conducting such business at the meeting; (b) the name and address, as they appear on our books, of the stockholder proposing such business; (c) the class and number of shares of our securities that are beneficially owned by the stockholder; (d) any material interest of the stockholder in such business; and (e) any other information that is required to be provided by such stockholder pursuant to proxy proposal submission rules of the SEC. The presiding officer of the meeting may refuse to acknowledge any matter not made in compliance with the foregoing procedure.

You may obtain a copy of the current rules for submitting stockholder proposals from the SEC at:

U.S. Securities and Exchange Commission
Division of Corporation Finance
100 F Street, N.E.
Washington, DC 20549

or through the Commission's Internet web site: www.sec.gov. Request SEC Release No. 34-40018, May 21, 1998.

STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding CafePress stock but who share the same address, we have adopted a procedure approved by the SEC called "householding." Under this procedure, certain stockholders of record who have the same address and last name will receive only one copy of our proxy materials until such time as one or more of these stockholders notifies us that they want to receive separate copies. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

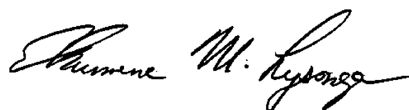
If you receive a single set of proxy materials as a result of householding, and you would like to have separate copies of our annual report or proxy statement mailed to you, please submit a request to 6901 Riverport Drive, Louisville, Kentucky 40258, Attention: Investor Relations, or call 415-489-2187, and we will promptly send you what you have requested. You can also contact our Secretary at the phone number above if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings.

OTHER MATTERS

The Board does not know of any other business that will be presented at the Annual Meeting of Stockholders. If any other business is properly brought before the Annual Meeting of Stockholders, your proxy holders will vote on it as they think best unless you direct them otherwise in your proxy instructions.

Whether or not you intend to be present at the Annual Meeting of Stockholders, we urge you to submit your signed proxy promptly.

By Order of the Board of Directors,



Ekumene Lysonge
Vice President, General Counsel & Secretary

Louisville, Kentucky
April 11, 2016

CafePress' 2015 Annual Report on Form 10-K has been mailed with this Proxy Statement. We will provide copies of exhibits to the Annual Report on Form 10-K, but will charge a reasonable fee per page to any requesting stockholder. Stockholders may make such request in writing to CafePress Inc. at 6901 Riverport Drive, Louisville, Kentucky 40258 Attention: Investor Relations. The request must include a representation by the stockholder that as of March 24, 2016, the stockholder was entitled to vote at the Annual Meeting of Stockholders. Our Annual Report on Form 10-K and the exhibits thereto are also available at investor.cafepress.com.

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-35468

CafePress Inc.
(Exact name of registrant as specified in its charter)

Delaware	**94-3342816**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6901 Riverport Drive, Louisville, KY	**40258**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502)-995-2258

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 $.0001 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

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 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 (section 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 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 Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $32,909,000 based upon the closing price of $4.50 of such common stock on the NASDAQ Global Select Market on June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter). Shares of common stock held as of June 30, 2015 by each director and executive officer of the registrant, as well as shares held by each holder of 10% of the common stock known to the registrant, have been excluded for purposes of the foregoing calculation. This determination of affiliate status is not a conclusive determination for other purposes.

As of March 18, 2016, there were 16,768,736 shares of the common stock of the registrant outstanding.

Documents Incorporated By Reference

All or a portion of Items 10 through 14 in Part III of this Form 10-K are incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A, which will be filed within 120 days after the end of the Registrant's fiscal year covered by this report on Form 10-K, or if the Registrant's Schedule 14A is not filed within such period, will be included in an amendment to this Report on Form 10-K which will be filed within such 120 day period.

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STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for the historical financial information contained herein, this annual report on Form 10-K (the "Report") contains certain forward-looking statements within the meaning of Section 27A of the Private Securities Litigation Reform Act of 1995, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by the Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "predict," "potential," "plan," or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements, include, but are not limited to, statements about: our strategy, including our focus on simplifying our business, simplifying product offerings, plans to stabilize revenue, rebuilding the user experience, creating long-term customer relationships, focusing on high quality content partners, and seeking viable international channels and enhancing back end tool sets, our financial performance, including revenues, cost of revenues and operating expenses; our plans for future services and enhancements of existing services; the results of any impairment of goodwill; the anticipated impact and benefits of our recent divestitures, including streamlining of the Company's operations; seasonal fluctuations in our business and statements about our expectations as to the variability of our growth rates from period to period; anticipated trends and challenges in our business and the markets in which we operate; customer acquisition costs as a predictor of future growth; our plans to address industry competition and related pressures; our anticipated cash needs and our estimates regarding capital requirements; our investment plans, our needs for additional financing and the potential dilutive effect thereof; our liability from user-generated content; our ability to recognize and remedy issues with internal controls; the expected results of any remediation plans; the impact of production issues and delayed orders; our responses to changing customer preferences, new technologies, requirements and industry standards; our anticipated growth strategies; our expectations with respect to raw materials, suppliers or inventory; our regulatory environment; benefit of non-GAAP financial measures; our legal proceedings to which we are a party and the impact and timing of costs related thereto; our content acquisition strategy; marketing and selling products and services beyond our existing target markets and our ability to develop new products, services and sources of revenues; our ability to protect intellectual property and other trade secrets; risks associated with our efforts to streamline our business and operations; risks related to the volatility of our stock and the impact of a large sale of stock by our stockholders and our repurchase program or any dividend program we put in place.

These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risks set forth throughout this Report, including under Item 1A, "Risk Factors."

These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q and 8-K reports filed with the Securities and Exchange Commission.

PART I

ITEM 1. Business

Overview

Founded in 1999, we completed our initial public offering in April 2012 and our common stock is listed on the Nasdaq Global Select Market under the symbol "PRSS."

We are a leading online retailer of personalized products offering a wide variety of expressive gifts and accessories including t-shirts and apparel, mugs and drinkware, and home goods such as custom shower curtains and bed coverings. We conduct most of our business on our primary United States based domain, CafePress.com and also operate CafePress branded websites for the markets in the United Kingdom, Canada, and Australia. We also sell CafePress branded products through other online retail partners. Our products are customized with expressive designs contributed through a variety of means including crowd-sourced user generated content, stock art licenses and licensed content relationships with large entertainment companies and brands.

Our facility in Louisville, Kentucky has innovative technology and manufacturing processes that enable us to provide high-quality customized products that are individually built to order. Our proprietary processes enable us to produce a broad range of merchandise efficiently, cost effectively and quickly. We also maintain a diverse network of contract manufacturers that give us the ability to broaden our manufacturing capabilities and produce in certain international locales.

In November 2014, we sold the primary assets and liabilities of our online custom stationery products business, InvitationBox.com. In March 2015, we sold the primary assets and liabilities of our Art business, which included our custom canvas production and printing facility in Raleigh, North Carolina, and the front-end direct e-commerce websites for CanvasOnDemand.com, GreatBigCanvas.com, and ImageKind.com. In March 2015, we also sold the primary assets and liabilities of our Groups business, which included our printing facility used by our Logosportswear.com brand operated in Cheshire, Connecticut. In September, 2015, we sold our EZ Prints business, which included our B2B printing facility in Norcross, Georgia, and provided a suite of enterprise class deployable software products and services focused on private label e-commerce customization services, including the retail website ezprints.com. We believe these divestitures are an integral part of our strategy to focus on the core CafePress.com business and to strengthen our balance sheet.

Our E-Commerce Platform Products and Services

CafePress receives content from a wide variety of sources including user-generated content, licensed content from various properties, and content from stock photo sources. These products are digitally rendered for consumers onto a variety of base goods, and the combination of the content and base good creates the range of products rendered on CafePress.com.

For CafePress.com, these products and the associated metadata will be marketed to draw both search engine traffic and direct traffic. Prices are typically set by CafePress when we control the marketing. This is what is typically called our Marketplace.

User-generated content can also be created on CafePress for personal purchase, or to be sold. If user-generated content is to be sold to others, the content generator is called a Shopkeeper, and may be paid a commission in one of two ways. The predominant method is a marketplace commission which is fairly standard for most Shopkeepers, and has the terms of the commission structure online. The Shopkeeper can also elect to create a "Shop". The Shopkeeper can use a suite of tools to provide a unique e-commerce experience, set their own markup above our standard product pricing, and drive their own marketing. Because the Shopkeeper drives its own traffic and sets its markup for their Shop, the commission is typically higher than through the Marketplace.

Our Retail Partner Channels typically refer to the fact that we are generating revenue from sources other than on the Cafepress domain of websites. Feeds refers to our platform for offering our more popular content and products to other e-commerce retail websites such as Amazon and Walmart. In addition, CafePress may offer its Corporate Shops tools to be used on other hosted websites in exchange for licensed content agreements that also benefit CafePress.com.

Whether sold on CafePress.com or Retail Partner Channels, the resulting order is electronically communicated to our fulfillment center in Louisville, KY, and then routed to the appropriate location to be manufactured on-demand. Most of our goods are manufactured in Louisville, KY, however we do have fulfillment arrangements with others with different product expertise, or geographical advantages such as Europe, Australia and Canada. Products are then produced, and shipped from the appropriate fulfillment location, where they are then billed to the customer's credit card.

Our strategy

Our goal is to help individuals establish connections and celebrate their identities, interests and obsessions through unique products and content. The desire to personalize products and express affinity through the things individuals surround themselves with, whether they are decorating their apparel, their home or office, remains strong, and as we improve the quality of our execution and services, we believe we can eventually capture more of that demand. Key elements of our strategy, both in 2015 and going forward, to achieve this goal include:

- *Simplify the business.* Our recent divestitures allow us to focus on our core business. By concentrating on fewer production facilities, products and website brands, we believe we can improve our quality and operational efficiency more quickly.
- *Simplify Product Offerings.* Our goal is to simplify and streamline our products and services, rather than trying to provide as many customizable options as possible. As a result, in 2015 we stopped producing over 200 base goods that had either low margins, low quality ratings, or little revenue. We plan to continue focusing on providing products that maximize customer satisfaction and that can be produced profitably.
- *Stabilize Revenue.* With our efforts to stabilize margin nearly complete, we are now turning our focus to the revenues we believe can be generated. A combination of new sales and marketing strategies will be developed, including tools to better capitalize quickly on market opportunities without needing cumbersome IT resources to implement them.
- *Rebuild the User Experience.* A key aspect of our ability to improve our retention and customer counts is to provide a site that removes as much friction from the purchasing funnel as possible. The cafepress.com site will undergo some transformation, including addressing how other devices such as tablets and mobile phones can comfortably shop the site.
- *Create long-term relationships with our customers.* We are focused on increasing both the average order size and the lifetime value received from our customers. We believe we will achieve this by establishing stronger relationships with our consumers, understanding their passions and interests, and connecting with them through the media channels that are most appropriate.
- *Focus on high quality content partners*. In 2015 we expanded our roster of licensed content partners as well as increased the range of content accessible on our site to attract new users. We continue to focus on film, television, sports, video game and other entertainment properties to bring content to our platform. For example, in 2015, we signed or implemented dozens of new licensed entertainment properties to make official and fan merchandise available through our platform, including The Peanuts Movie, Insurgent and Avengers 2: Age of Ultron.
- *Seek viable international channels.* We intend to support profitable growth in our international channels, focusing efforts on our top international properties. As a result of this strategy, we have exited various foreign domains that required expensive translation, had low margins, and were not areas of focus for the Company.

- *Enhance Back End Tool Sets.* Automating and expanding the back end tool sets is a key goal for 2016. This includes tools for various areas such as selling and marketing or finance to reduce manual processes and speed the delivery of timely information.

Competition

The market for customized products and services is large, fragmented and intensely competitive and we expect competition to increase in the future. We face competition from a wide range of companies, including the following:

- small, traditional offline printing, gifting and souvenir businesses for apparel, accessories, home, or other customized products;
- e-commerce companies, including large online retailers and marketplaces such as Amazon.com, Walmart.com, Target and eBay (who may also serve as our distribution partners);
- online providers of customized products such as RedBubble Inc., CustomInk LLC, Spreadshirt Inc., Threadless.com, TeeSpring or Zazzle Inc. as well as providers of distinctive goods like Etsy, Inc. or Uncommon LLC;
- online providers allowing users to customize goods in specific vertical markets, such as Cimpress N.V. for small businesses and Shutterfly, Inc. or SmugMug, Inc. for photographic products;
- physical and catalog retailers of personalized merchandise such as Red Envelope and Things Remembered; and
- small, but numerous, online providers who address niche customization services and product offerings, enabled by advances in digital printing technologies.

We also indirectly compete with Internet portals and shopping search engines that are involved in e-commerce or sell products or services either directly or in collaboration with other retailers and our reliance on Internet portals and other sources of Internet and referral traffic, such as Groupon and Facebook, impacts both the way we do business and our performance against competitors. Changes to their practices could drive traffic to our competitors and away from our e-commerce sites in ways we may not anticipate or that will cause us to expend further resources to successfully compete. The shift to mobile site access prevalence presents challenges as we cope with adapting our site to shifting traffic patterns and the different use characteristics which include lower average order size, amongst others. Furthermore, to the extent that other companies are able to replicate our processes or if advances in print-on-demand technologies reduce any technological or other early mover leads we may have, our business, prospects, financial condition and results of operations could be harmed.

Some of our current and potential competitors may have significantly greater financial, marketing and other resources than us, including significant brand recognition, sales volume and customer bases. In addition, other online retailers may be acquired by, receive investment from or enter into strategic relationships with, well-established and well-financed companies or investors which would help enhance their competitive positions. Some of our competitors may be able to secure goods and raw materials from suppliers on more favorable terms, devote greater resources to marketing activities and promotional campaigns, adopt more aggressive pricing policies and devote substantially more resources to website and system development than us. Increased competition may reduce our operating margins, market share and brand recognition, or force us to incur losses. We may not be able to compete successfully against current and future competitors, and competitive pressures may harm our business, prospects, financial condition and results of operations.

We believe the principal competitive factors in our industry include:

- favorable brand recognition and trust;
- technological expertise;

- quality, breadth and type of the products sold and services offered;
- competitive pricing;
- ability to source products efficiently and cost effectively;
- ease of use and convenience of our services;
- ability to anticipate and quickly adapt to changing customer demands and customer service needs; and
- effective marketing and distribution.

We believe that we compete favorably with respect to each of these factors.

Intellectual property

We rely primarily on a combination of patents, trade secrets, trademarks and copyrights, as well as employee and third-party confidentiality and invention agreements to safeguard our intellectual property. As of December 31, 2015, we had seven issued patents, and one patent application pending in the United States, generally covering our e-commerce services or proprietary printing and decorating services and our online platform for designing and generating framed products. We continually assess appropriate occasions for seeking patent protection for those aspects of our technology, designs and methodologies and processes that we believe may ultimately provide significant competitive advantages.

As of December 31, 2015, we held 21 U.S. trademark registrations (some of which are registered in multiple classes), which include, among others, CAFEPRESS.COM, CAFEPRESS, and the "cafepress" logo. We are in the process of registering additional trademarks supporting our business and we also claim common law trademark rights in numerous trademarks. We have registered our CAFEPRESS.COM and CAFEPRESS trademarks in numerous countries in Africa, Asia, Australia, Europe and North America. Several trademarks were included in the assets recently divested, including, but not limited to CanvasOnDemand, GreatBigCanvas, LogoSportswear, InvitationBox and EZPrints.

Our patents expire at various times between November 2025 and June 2031. In addition, in accordance with U.S. federal trademark law, our registered trademarks are registered for an initial period of 10 years, subject to subsequent 10-year renewal periods. We currently intend to maintain the registration of our trademarks indefinitely. We also register trademarks in dozens of international jurisdictions and likewise plan to renew our trademark registrations indefinitely wherever we conduct business. In the ordinary course of our business, we enter into hundreds of license agreements with content partners for the license of published entertainment content and consumer brands. We are not dependent on any specific content license agreement in the conduct of our business. We also license various forms of third-party technologies in the provision of our e-commerce services. We believe we have multiple sources for third-party technologies used in our business, and if we were to change licensor's for any reasons, it would result in minimal disruption to our operations, if any.

Our standard content license agreement is typically for a term of three years, subject to termination in the event of an uncured material breach of either party and renewable for one year terms thereafter. Our third-party technology licenses are typically for a term of one to two years, with optional renewal clauses upon mutual agreement of the parties.

We also rely upon certain unpatented proprietary manufacturing expertise, licensed third-party technologies, continuing technological innovation and other trade secrets to develop and maintain our competitive position. For certain of our proprietary know-how and processes, we rely on trade secret protection and confidentiality and invention agreements to safeguard our interests. We believe that many elements of our system, including technical processes, equipment and system designs, algorithms and procedures, which relate to our software controls, manufacturing process and methods of system design involve proprietary know-how, technology or data that are not covered by patents or patent applications. We have taken security measures to protect these elements.

For example, all of our research and development personnel are required to enter into proprietary information and inventions agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during the course of employment with us. We also require our customers and business partners to enter into non-disclosure agreements before we disclose any sensitive aspects of our technology, proprietary processes, sales data or business plans.

Government regulation

The legal environment of the Internet is evolving rapidly in the United States and around the world. The manner in which existing laws and regulations will be applied to the Internet in general, and how they will relate to our business in particular, are often unclear in many cases. For example, we often cannot be certain how existing laws will apply in the e-commerce and online context, including with respect to such topics as privacy, defamation, pricing, credit card fraud, advertising, taxation, sweepstakes, promotions, content regulation, quality of products and services and intellectual property ownership and infringement.

The nature of our user-generated content business models present legal challenges to our business and operations. Our content usage policies and policies surrounding infringement of intellectual property rights or the rights of third parties, such as rights of privacy and publicity, play a key role in our business operations and the systems and practices that support them are particularly important to our business, operations and reputation. Both in the United States and internationally, we must monitor and comply with a host of legal concerns regarding the content-based nature of our business. As an e-commerce platform, the scope of liability for third-party content uploaded to our site for sale on printed products requires analysis of varying definitions of political speech, hate speech, pornography, profanity and obscenity, among other speech-related concerns. We likewise must monitor our e-commerce platform for potential and alleged intellectual property infringement and violation of rights of privacy and publicity that can vary widely between countries and regions, and, accordingly, we frequently must navigate the legal and regulatory schemes of numerous countries outside the United States. Our ability to employ processes to quickly remove infringing or offending content from our automated upload website is an important tool in protecting us from exposure for the potentially infringing activities of our users worldwide.

Numerous laws and regulatory schemes have been adopted at the national and state level in the United States, and in some cases internationally, have a direct impact on our business and operations. These laws include the following:

- The Copyright Act of 1976 and all of the statutes and regulations associated with and enforced by the United States Patent and Trademark Office which protect the rights of third parties from infringement by users of our service. We maintain an automated service whereby users can upload any content they designate for use in creating customized products, but we likewise maintain content usage policies that prohibit intellectual property rights infringement or infringement of the rights of others, including rights of privacy and publicity. We maintain a robust Intellectual Property Rights policy and a proactive support operation which responds to and manages take-down requests and other concerns relating to third-party intellectual property that might appear on our sites despite policies forbidding the practice. As our business expands to other countries, we must respond to regional and country-specific intellectual property considerations, including take down and cease and desist notices in foreign languages and we must continue to build infrastructure to support these processes globally.
- The Digital Millennium Copyright Act, which provides relief for claims of infringement as it relates to circumvention of copyright protected technologies, but also includes a safe harbor intended to reduce the liability of online service providers for listing or linking to third-party websites that include materials that infringe copyrights or other rights of others. We maintain DMCA-complaint practices for notice and take-down as well as other required practices such as repeat offender management.
- The CAN-SPAM Act of 2003 and similar laws adopted by a number of states, which regulate unsolicited commercial e-mails, create criminal penalties for unmarked sexually-oriented material and e-mails

containing fraudulent headers and control other abusive online marketing practices. Similarly, the guidelines of the Federal Trade Commission imposes responsibilities upon us for communications with respect to consumers and imposes fines and liability for failure to comply with rules with respective advertising or marketing practices they may deem misleading or deceptive. Further, the European Union, or the E.U., also maintains standards and regulations with respect to communications with consumers that we must comply with as we expand our marketing practices into those countries.

- Numerous product safety and environmental regulations that apply to the manufacture, sale and distribution of products and apply to our products and services to varying degrees based on the individual types of products sold through our portfolio of e-commerce websites and the inks used in our decorating processes. These regulations include, without limitation, the Consumer Product Safety Act, The Fair Packaging and Labeling Act, the Federal Food, Drug and Cosmetic Act, California Proposition 65, the California Transparency in Supply Chains Act of 2010, as well as a number of other federal and state product safety and environmental regulatory schemes. Product safety regulations applicable to the E.U. in particular, where the majority of our international sales is currently shipped, are often more stringent than those in the United States and we therefore must evaluate and test applicable products to E.U. standards with respect to products intended for distribution in those markets.
- The Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) and other state laws and regulations that relate to credit card and gift certificate use fairness, including expiration dates and fees, as well as state laws surrounding escheat and abandonment of unclaimed property.
- In the United States and internationally, we must evaluate tax liabilities from transactions on our portfolio of e-commerce websites and maintain finance infrastructure to support the collection and remittance of applicable sales taxes. In the United States, sales tax nexus issues with respect to Internet sales to consumers in states where we do not have a physical presence, which create potential nexus through affiliate program marketing activities and other nascent efforts to imply tax nexus on royalties payable on content licenses. This continues to be an area of great uncertainty and legal scrutiny both on a federal and state level, with over 27 states evaluating or imposing new legislation on various e-commerce activities or engaging in lawsuits with e-retailers. In Europe, we must comply with regulations with respect to customs, duties and V.A.T. as they apply to our business, sometimes on a country-by-country basis, which requires complex tracking and remittance processes.
- The Communications Decency Act of 1996, which gives statutory protection to online service providers for claims against interactive computer services providers who distribute third-party content.
- The Children's Online Privacy Protection Act of 1998, which restricts the distribution of certain materials deemed harmful to children and imposes additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.
- Data privacy and security with respect to the collection of personally identifiable consumer information continues to be a focus of worldwide legislation and compliance review. Examples include statutes adopted by the State of California that require online services to report certain breaches of the security of personal data, and to report to California customers when their personal data might be disclosed to direct marketers. In the E.U., where U.S. companies must meet certain privacy and security standards, the Data Protection Directive requires comprehensive information privacy and security protections for consumers with respect to certain information collected about them. Compliance levels include disclosures, consents, transfer restrictions, notice and access provisions for which we may in the future need to build further infrastructure to further support.

We expect and plan for new laws and regulations to be adopted over time that will be directly applicable to the Internet and to our activities. Any existing or new legislation applicable to our business could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations and

potential penalties or fees for non-compliance, and could negatively impact the growth in the use of the Internet in general and our services in particular. We may also run the risk of retroactive application of new laws to our business practices that could result in liability or losses. As we continue to expand further into international territories, we expect the above-noted regulatory issues to also apply to such expansion as well as new issues to arise. Although we cannot presently anticipate all of the laws and regulations that might be applicable in new countries that we enter, we expect that legal issues applicable to our business in those countries will continue to arise as we assess and evaluate the scope of our operations in such countries.

We post on our website our privacy policies and practices concerning the use and disclosure of user data. Any failure by us to comply with our posted privacy policies, Federal Trade Commission requirements or other privacy-related laws and regulations could result in proceedings by governmental or regulatory bodies that could potentially harm our business, results of operations and financial condition. In this regard, there are a large number of legislative proposals before the United States Congress and various state legislative bodies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could harm our business through a decrease in user registrations and revenues. These decreases could be caused by, among other possible provisions, the required use of disclaimers or other requirements before users can utilize our services.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to change previous regulatory schemes or choose to regulate its transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments could harm our business, operating results and financial condition. We may be subject to legal liability for our online services. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and abroad. Due to the nature of our content-rich automated upload service, claims are frequently alleged or asserted against us for trademark and copyright infringement and violation of rights of publicity to which we rapidly and expeditiously respond. We maintain content usage review systems that, through a combination of manual and automated blocks, monitor potentially infringing content of which we become aware. Nevertheless, claims may continue to be brought and threatened against us for negligence, copyright or trademark infringement, or other theories based on the nature and content of information, its origin and its distribution and there is no guarantee that we will be able to resolve any such claims quickly and without damage to us, our business model, our reputation or our operations.

Raw Materials and Suppliers

We work with a wide range of suppliers which provide raw materials, primarily ink, and blank inventory for customization. We currently believe that we have multiple sources for the various types of raw materials and blank inventory used in our business, and are therefore not dependent on a single source. We have historically worked with, and currently expect to continue to work with, two primary suppliers for apparel inventory, Hanesbrands, Inc. and Sun Apparel, but have access to many additional and alternative apparel suppliers. With respect to raw materials used in the printing process, we work with a number of suppliers, primarily digital printing equipment manufacturers, for the inks used in our digital printing processes, and have access to multiple alternate suppliers for ink. We do not have long-term supply agreements with any of our suppliers.

We believe the successful management of our supplier relationships is a key aspect of our business. We source our blank products from domestic and foreign manufacturers and distributors. Our current suppliers may not continue to sell merchandise to us on terms acceptable to us, and we may be unable to establish new or extend current supplier relationships to ensure a steady supply of blank inventory in a timely and cost-efficient manner. Under some of our current supply agreements for blank inventory, we enjoy flexible policies for returning the unsold items to our suppliers. We also source raw materials, principally the inks used in many of our digital printing processes, from a variety of digital printing manufacturers. If we are unable to accurately predict demand for the products that we are committed to purchase, we will be responsible for covering the cost of the products that we are unable to sell.

Employees

As of December 31, 2015, within our continuing operations we had 357 full-time employees, including 173 in production and operations, 70 in engineering, 76 in sales and marketing and 38 in general and administrative.

In addition, each year during our fourth quarter, we hire significant numbers of short term seasonal employees through temporary staffing agencies. None of our employees are represented by labor unions or covered by a collective bargaining agreement. We consider relations with our employees to be good and have never experienced a work stoppage.

Corporate and available information

CafePress Inc. was incorporated in Delaware in 1999. We completed an initial public offering of our common stock in April 2012 and our common stock is traded under the NASDAQ Global Select Market symbol “PRSS.” We maintain our headquarters in Louisville, Kentucky as well as a satellite office housing certain marketing, development, and finance personnel in Hayward, California.

Our website is www.cafepressinc.com and our website’s investor relations page is investor.cafepress.com. We make available free of charge, on or through our website’s investor relations page, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, or the Exchange Act, as soon as reasonably practicable after electronically filing or furnishing these reports with the Securities and Exchange Commission, or SEC. Information contained on our website is not a part of this report. We have adopted a code of ethics applicable to our senior financial officers which is available free of charge, on or through our website’s investor relations page.

The SEC maintains an Internet site at http://www.sec.gov that contains our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, proxy and information statements. All reports that we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

This Report contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risk factors set forth below, and this Report should be read in conjunction with such risk factors. The risks and uncertainties described in this Report are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occur and have a material adverse effect on our business, our financial condition and results of operations could be seriously harmed.

Risks related to our business

Our results of operations are subject to significant quarterly and other fluctuations due to a number of factors that could adversely affect our business and, as a result, the trading price of our common stock.

Our revenues and operating results may fluctuate from period to period and are likely to continue to fluctuate due to a variety of factors, some beyond our control. Factors relating to our business and its operations that may contribute to these fluctuations include the following:

- seasonality of our revenues, including shifts in the timing and length of holiday selling seasons;
- macroeconomic cycles and consumer discretionary spending;
- demand for our user-designed products and services and the growth rate of the print-on-demand and e-commerce industry overall;
- fluctuations in sales and marketing costs, including website traffic acquisition costs and our ability to maintain or increase such traffic cost-effectively;
- market acceptance and competitiveness of our products and services on quality and pricing, and current competitors and new competitive entrants to the market for customized goods in our channels of distribution and marketing;
- the gain, loss, success, or delay of significant strategic relationships and partner programs;
- the development of, or changes to, new technologies and platforms for Internet use, such as mobile, and evolving marketing methods such as social media, flash promotions and any changes in website traffic acquisition algorithms, policies or practices supporting such development;
- conversion rates of website traffic, including the impact on conversion rates from increased traffic from mobile devices as compared to desktops or tablets;
- our ability to provide accurate search results and recommendations and to deliver long-tail content to our e-commerce partners;
- litigation and associated risks and expenses, including extraordinary expenses related to litigation and settlement costs;
- concerns about the data security of consumer personal information run through our e-commerce services and their vulnerability to attack and intrusions;
- any production issues which may in turn result in delayed orders or increased costs; and
- fluctuations in the cost of raw materials and inventory.

As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future revenues or operating performance. In particular, due to the seasonality of our business, our revenues in the first three quarters of each year are generally substantially lower than our revenues in the fourth quarter of the preceding year, and we expect this trend to continue for the foreseeable future.

We may not achieve or sustain profitability or avoid net losses in the future. Our growth rates in the future, if any, may fluctuate or not be sustainable or may decrease. In addition, our ability to be profitable depends in the foreseeable future on our ability to control our costs and operating expenses. We have incurred in the past, and expect to continue to incur in future periods, stock-based compensation expense, which will reduce our net income and may result in future losses. If we fail to increase revenues at the rate we anticipate or if our costs and operating expenses increase without a commensurate increase in our revenues, our business, financial condition and results of operations will be negatively affected.

A future downturn in our business, slow or no growth of new business opportunities, or a sustained decline in our stock price may result in an impairment of goodwill or intangible assets, which could adversely affect our results of operations.

We perform an analysis of our goodwill balances to test for impairment on an annual basis or whenever events occur that may indicate impairment possibly exists. We evaluate our finite-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset is impaired or the estimated useful lives are no longer appropriate. Goodwill is deemed to be impaired if the carrying amount of the reporting unit exceeds the estimated fair value. The impairment of a long-lived intangible asset other than goodwill is only deemed to have occurred if the sum of the forecasted undiscounted future cash flows related to the asset is less than the carrying value of the intangible asset we are testing for impairment.

As of December 31, 2015, we had goodwill of $20.9 million. Goodwill impairment analysis and measurement is a process that requires significant judgment. In addition to our annual goodwill impairment test at July 1, 2015, we have carried out additional goodwill impairment tests as of March 31, 2015, June 30, 2015, and September 1, 2015 due to the divestiture of our Art, Groups, and EZ Prints businesses in the first nine months of 2015. These tests have indicated that there was no impairment as of those dates. Our stock price has declined since our September 1, 2015 impairment test. We consider this decline temporary in nature as there were no material changes in our operations that caused such decline. Financial and credit market volatility directly impacts fair value measurement through our company's estimated weighted average cost of capital used to determine discount rate, and through our common stock price that is used to determine market capitalization. During times of volatility, significant judgment must be applied to determine whether credit or stock price changes are a short-term swing or a longer-term trend. continued adverse market conditions could have a further impact on the fair value of our reporting unit that could result in future impairments of goodwill, intangible and other long-lived assets.

A sustained decline in our stock price and resulting market capitalization, delays in expected new business opportunities associated with retail distribution channels and our CafePress Services partnerships, unforeseen losses of any significant existing retail distribution channel partners, our inability to achieve planned profitability improvements in 2016 or beyond, or significant changes to our profitability resulting from the risk factors mentioned above or throughout this section, could result in impairment of a material amount of our $20.9 million goodwill balance in the future. In addition, any future downturn in our business, slower than expected growth of new business opportunities associated with retail distribution channels or our CafePress Services partnerships, failure to achieve planned profitability improvements in the future, changes in market conditions or a sustained decline in the market price of our stock may result in an impairment of goodwill and the recognition of resulting expenses in future periods, which in turn could materially and adversely affect our results of operations for those periods.

We depend heavily on the continued success of our core business of selling user-designed products on CafePress.com, and any event that adversely affects our sales of user-designed products could harm our business and results of operations.

A significant proportion of our revenue is derived from the online sale of user-designed products through CafePress.com and through distribution channels derived therefrom. As a result, the continued performance of

our marketplace is dependent on continued flow of user-generated content into the creation of products. We expect that the sales of user-generated design products will continue to comprise a majority of the revenue of our business. Our users rarely exclusively use our e-commerce platform to sell their designs. Users who design products may choose not to use our e-commerce platform to create and sell their designs, and choose other platforms, thereby reducing the number of designs available through our websites and thus affecting future growth of our marketplace revenue. Customers who purchase user-designed products on our websites may also purchase other fulfillment and partner products through our e-commerce services as well, which aid the growth of our services. Our tools and platform offerings may not remain competitive with those of our competitors. If competitive services increase and/or we cannot successfully attract or retain users to design and sell products through our e-commerce platform or if we are unable to attract and retain our customers for user-designed and other products, our operating results may suffer. If we are unable to grow our core business or otherwise grow the core business through the additional e-commerce services noted, our business and our operating results could be harmed.

The seasonality of our business increases strain on our operations and if we are unable to scale sufficiently to support our operations during periods of peak demand, our business could suffer.

A significant portion of our net revenues and operating cash flows have historically been realized during the period from November through December each year, primarily due to increased retail activity during the holiday seasons. Disruption in our ability to process, produce and fulfill customer orders in the fourth quarter could have a negative effect on our quarterly and annual operating results. As described in our Management's Discussion & Analysis, in anticipation of increased fourth quarter sales activity, we typically incur significant incremental expenses prior to and during peak selling seasons, particularly October through December, including the costs associated with hiring a substantial number of temporary employees to supplement our existing workforce. If we are unable to hire enough qualified employees to support our production or customer service operations or if there is a disruption in the labor we hire from our third-party providers, our business, financial condition and results of operations could be adversely affected. In addition, if too many customers access our websites within a short period of time due to increased holiday demand or other periods of peak demand, we may experience system delays or interruptions that make our websites unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we sell and the attractiveness of our products and services. This in turn could harm our business, operating results and reputation. Any disruption in our business operations or other factors that could lead to a material shortfall compared to our expectations for the fourth quarter could then result in a material shortfall compared to our expectations for the full year, have a disproportionate effect on our operating results and cause our stock price to decline.

Intense competitive pressures, particularly failure to meet consumers' price expectations, may harm our business and results of operations.

Demand for our products and services may be impacted by consumer price sensitivity. Many external factors, including our production and personnel costs, the cost of raw materials, particularly the price of cotton, content selection or consumer sentiment or spending, available product mix and our competitors' pricing and marketing strategies, can significantly impact our pricing strategies. If we fail to meet consumers' price expectations, we could lose customers or fail to attract new customers, which would harm our business and results of operations.

Changes in our pricing strategies across channels have had, and may continue to have, a significant impact on our revenues and net income. We frequently make changes to our pricing structure in order to remain competitive, but that may result in lower profit margins. Most of our products are also offered by our competitors. In particular, competitive offerings in apparel have put pressure on pricing and increasingly impacted sales performance in that product category. If in the future, we significantly reduce prices on our products without a corresponding increase in volume or decrease in cost of goods sold, or raise prices without maintaining the volume of goods sold, it would negatively impact our revenues and could adversely affect our gross margins and overall profitability.

We generate a portion of our revenues from the fees we collect from shipping our products. We frequently offer discounted or free shipping, with minimum purchase requirements during promotional periods, to attract and retain customers. We also frequently offer coupons, promotional marketing giveaways and free or discounted products and services as a method to attract and retain customers, and such instances are generally unable to recoup shipping costs in such programs. In the future, if we continue to increase these coupon practices and discounted shipping offers to attract and retain customers and/or in response to actions taken by our competitors, our results of operations may be harmed.

We face intense competition and if we do not compete successfully against existing and new competitors, we may lose market share and customers.

The market for customized products and services is large, fragmented and intensely competitive and we expect competition to continue to increase in the future. Demand for customized products has increased, but so have competitive offerings in all of our product categories. We face competition from a wide range of companies, including the following:

- small traditional offline printing businesses;
- e-commerce companies, including large online retailers such as Amazon.com, Inc., Walmart.com, Target and eBay Inc. (who may also serve as our distribution partners);
- online providers of customized products such as Custom Ink LLC, RedBubble, Inc., Spreadshirt, Inc., Teespring, Threadless.com, or Zazzle Inc. and online providers of distinctive goods like Etsy, Inc. or Uncommon Goods;
- online providers allowing users to customize goods in specific vertical markets, such as Vistaprint N.V. for small businesses and Shutterfly, Inc., or SmugMug, Inc., for photographic products, or Minted, Inc., Smilebox Inc. or Blurb, Inc. for specific stationery and book products, and Art.com for wall art products;
- physical and catalog retailers of personalized merchandise such as American Stationery, Red Envelope and Things Remembered; and
- small, but numerous, online providers who address niche customization service and product offerings, enabled by advances in digital printing.

We also indirectly compete with Internet portals and shopping search engines that are involved in e-commerce or sell products or services either directly or in collaboration with other retailers. If more companies move into the customized products space, we will face further direct competition. Our reliance on Internet search engines and other sources of Internet and referral traffic to our e-commerce sites, such as Google, Bing and Facebook, impacts both the way we do business and our performance against competitors. Changes to their practices could drive traffic to our competitors and away from our e-commerce sites in ways we may not anticipate or that will cause us to expend further resources to successfully compete. The shift to mobile site access for e-commerce sites also presents challenges for us as we cope with shifting traffic patterns. Some of our current and potential competitors have significantly greater financial, marketing and other resources than us, including significant brand recognition, sales volume and customer bases. In addition, other online retailers may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would strengthen their competitive positions.

Some of our competitors may be able to secure licensing deals, goods and raw materials from suppliers on more favorable terms, devote greater resources to marketing activities and promotional campaigns, adopt more aggressive pricing policies and devote substantially more resources to website and system development than us. Increased competition may reduce our operating margins, market share and brand recognition, or force us to incur losses. We may not be able to compete successfully against current and future competitors. Competitive pressures may harm our business, prospects, financial condition and results of operations.

Our business depends heavily on the market recognition and reputation of our services, and any harm to our brand or failure to maintain and enhance our brand recognition may materially harm our business, financial condition and results of operations.

We believe that maintaining and enhancing the recognition and reputation of the level of services associated with our brand is critical to our success and ability to compete. Many factors, some of which are beyond our control, are important to maintaining and enhancing our services and may negatively impact our reputation if not properly managed, such as:

- our ability to maintain a convenient and reliable user experience as consumer preferences evolve for varying multi-channel experiences;
- our ability to increase brand awareness among existing and potential strategic distribution channels, corporate partners and consumers through various means of marketing and promotional activities;
- our ability to retain and expand our network of buyers and sellers through developing Internet communication methods, such as mobile platforms and social media channels;
- the efficiency, reliability and quality of our products, services and retail websites, or marketplace, experiences; and
- our ability to protect personally identifiable information and credit card data and perceived weaknesses in data privacy or security practices or product quality problems of our service or other e-commerce websites.

In developing our strategic distribution model, we have relied heavily on the reputation and brand awareness of the company's historic operations. In relying on such distribution partners to fuel revenue growth, we are in turn relying on the continued impact of our brand with such retail and corporate partners.

If we are unable to maintain our reputation, further enhance our brand recognition and increase positive awareness of our websites, our results of operations and business may suffer.

If we are unable to attract customers or increase Internet traffic to our websites and manage changes in the manner by which customers access of our websites in a cost-effective manner or at all, our business and results of operations could be harmed.

Our success depends on our ability to attract customers to our websites. We rely on a variety of methods to draw visitors to our websites and promote our products and services, such as Internet search engine marketing, email marketing, affiliate networks, social media outlets and flash deal promotions through various new types of group and socially curated e-commerce websites. We pay providers of online services, search engines and other websites and e-commerce businesses to provide content, marketing links, advertising banners and other links that direct customers to our websites. If these providers modify or terminate their relationship with us or increase the price they charge us or if our competitors offer them greater fees for traffic, our expenses could rise and traffic to our websites could decrease, which in turn would harm our revenue and results of operations.

We also devote substantial resources to optimizing our websites to increase the likelihood of our products and services appearing in unpaid search engine results; however there can be no assurance that these efforts will be successful. If our products and services receive low placement or do not appear within the listings of search engine results in response to relevant search queries, this could result in fewer customers clicking through to our websites, requiring us to resort to other more costly resources to replace this traffic. Search engines including Google, Yahoo! and Bing frequently refine and modify their search algorithms that determine placement of our relevant search queries. If we are unable to maintain or increase traffic to our websites, including through accurate search results and recommendations, our products or services receive low placement or do not appear due to changes in search engine algorithms, such changes could negatively impact the effectiveness of our search engine optimization or search engine marketing, and our business and financial performance would be adversely affected, potentially very materially. If our conversion rates decline, whether due to increased traffic from mobile devices or otherwise, our business and operating results could suffer.

We also promote our products and special offers through emails targeted to potential customers and our site members. However, if our customers deem such emails and other promotions to be intrusive, we could be forced to discontinue or significantly curtail our email marketing activities. In addition, we engage in flash promotions through websites, such as Amazon Local and LivingSocial. Such promotions involve significantly discounted product offers to customers with the goal of driving traffic to our websites for customer acquisitions and repeat purchases. Due to the low profit margin associated with the deep discounts offered to purchasers of such offers and the widespread availability of similar group buy offers by other e-commerce competitors, the flash promotions we choose to implement may not accomplish our long-term goal of customer acquisition in a cost-effective manner.

We continue to develop ways to optimize the consumer experience on our websites, products and services through mobile devices, which provide particular challenges given the graphics intensive user experience involved in shopping, creating and selling content based products online. If we are not able to successfully translate our websites for mobile use and traffic from mobile devices continues to accelerate at current rates, our results of operations may be impacted.

Lastly, we have terminated and expect to continue to terminate a number of affiliate marketing partners in states that have imposed sales tax nexus for such marketing activities, and to the extent we determine it prudent to continue to do so, we may be unable to achieve our strategic goals in those channels. If we are unable to develop or maintain an effective and cost efficient means of reaching content providers and consumers, if the costs of attracting customers using these methods significantly increase, or if we are unable to develop new cost-effective means to obtain customers, then our ability to attract new and repeat customers would be harmed, traffic to our websites would be reduced and our business and results of operations would be harmed.

Our strategy with respect to content acquisition may adversely affect our financial condition and future financial results.

We obtain content for our websites and our products from multiple sources, including our user designers, to whom we may pay fees on any subsequent sales of products created with such content. We also rely on entertainment, publishing and corporate content provider sources to generate content for our products and services. Due to designer relationship issues, including compensation provided by us compared to that provided by our competitors, users may decrease or cease providing content to our websites in the future. We face challenges in managing the payment infrastructure and taxation implications of these transactions and expect to continue to do so in the future as competitive pressures or new regulatory or other issues arise.

In connection with obtaining entertainment and other media content, we sometimes enter into multi-year, royalty-based licenses with content owners and production organizations for film and television and other media distributors. To date, we have largely been able to obtain those licenses without paying significant advance royalty payments but there is no guarantee that these licensors will renew their license agreements on the same or reasonable terms. Our competitors may be successful in obtaining exclusive licenses for content we wish to obtain for our site, making such content unavailable to us now or in the future. We may also, as we have in the past, enter into agreements with content providers that contain exclusivity provisions that may restrict our ability to sell certain products or in certain geographies or to partner with certain content providers. In order to compete effectively for these licenses, we could be forced to pay higher royalties or agree to significant advance payments. Our results of operations could be adversely affected as a result of these content licensing payment commitments in the event that sales or revenue growth do not meet our expectations. In addition, our flexibility in planning for, or reacting to, changes in our business and the market segments in which we operate could be limited.

In connection with the selection and popularity of specific content, we employ licensing and business development professionals and Internet traffic analysts who evaluate popular culture trends and potential properties to support the content on our site and drive traffic to it. To the extent they are unsuccessful in

identifying or obtaining content sources that will be popular with consumers and that will generate sales of our products, our results could materially be harmed. To the extent the content we do choose to obtain proves unpopular or unsuccessful and we have agreed to contractual minimums, we may not achieve the planned return on royalty advances and may incur losses or impairment charges.

If any of the above circumstances increase the cost of obtaining content, our margins may suffer.

If we are unable to market and sell products and services beyond our existing target markets and develop new products and services to attract new customers and new strategic partnerships and business relationships, our results of operations may suffer.

We believe we will need to address additional markets and sales channels, and attract new business partners, content providers and consumers to grow our business. To access new sales channels, we must build and maintain new processes in which to feed our product catalogues to corporate distribution partners. To access new markets and consumers, we will need to develop, market and sell new products and services. There is no guarantee we will be successful in this expansion. We continually seek to offer our array of e-commerce customization and products and services to new customers in existing channels and to expand the reach of our distribution channel partnerships. If we are unsuccessful in expanding the scope of those relationships, we may not grow our operations and businesses as fast as we would like.

Any failure to develop new products and services, or a lack of adoption of the new products and services we do develop to expand our business beyond our existing target markets or to address additional market opportunities could harm our business, financial condition and results of operations.

As we continue to expand our new strategic and sales channel partnerships, our dependence on third parties for the generation of significant revenue growth increases. Partners may make changes to their technology or product road maps or choose to enter the customization business themselves and we thus may have little control over those strategic choices.

If we are unable to manage scale or growth of our business or to execute our strategies effectively, our business and prospects may be materially and adversely affected.

We anticipate that we will need to continue to implement new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting, legal and other internal management and control systems. We will need to continue to expand, recruit, train, manage and motivate our workforce and manage our relationships with existing and new business partners, suppliers, third-party service providers and content providers. Our strategies also include streamlining our product and service offerings, which will require us to work with different groups of suppliers and address the needs of different kinds of consumers. We may incur significant costs in trying to expand our offerings into these new areas or fail to successfully execute the roll-out of these new offerings. All of these endeavors involve risks and require substantial management effort and significant additional expenditures. We cannot assure you that we will be able to manage our growth or execute our strategies effectively, and any failure to do so may have a material adverse effect on our business and prospects, as well as our operating results.

Our business may be adversely affected by transitions in our senior management team or by our inability to effectively handle any future succession planning.

We are highly dependent on the executive leadership of members of our senior management and key employees as our success depends, in large part, on their continued contributions and strategic vision. In addition, we have not entered into long-term employment agreements or non-compete agreements with members of our senior management team. Our employees can terminate their employment with us at any time. The loss of members of our senior management team or key personnel could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

If we are unable to attract, train, integrate and retain qualified personnel with relevant corporate, industry and operational expertise, we may be unable to effectively execute our business plan or maintain or, in the future, expand our operations, which in turn would harm our business.

Our future success will depend in part on our ability to retain key managers or employees and to identify, hire and retain additional personnel to support our business and its growth. Our finance, legal and engineering staff are key to the maintenance of our compliance and public company status. Our retail e-commerce sites depend on the sales and marketing talent of our retail operations staff. Our production facilities also depend on skilled personnel trained in our proprietary printing and production techniques and others knowledgeable about back end operations of the online retail industry. Our future success depends, to a significant extent, on our ability to attract, train, integrate and retain qualified personnel with relevant experience and skill sets. Recruiting and retaining capable personnel, particularly those with expertise in the retail, e-commerce and printing industries, is vital to our success. If we are unable to attract and retain qualified personnel for each of our e-commerce sites, our business may suffer.

We may not realize the anticipated benefits of our recent divestitures or of any prior or future divestitures or acquisitions, which in turn could materially and adversely affect our business, financial condition and prospects.

We completed the divestitures of our Arts and Groups businesses in March 2015 and our EZ Prints business in September 2015 as part of our previously announced review of strategic alternatives. We may not fully realize the anticipated benefits, if any, of these divestitures, such as streamlining our business and enabling us to focus more resources on strengthening our core business.

In addition, we have previously engaged in acquisition opportunities, including businesses of which we have subsequently divested ourselves as discussed above. We may be unable to successfully integrate any businesses that we may acquire in the future or may fail to realize the anticipated benefits of any such acquisitions. The successful integration of any acquired business as well as the retention of personnel require significant attention from our management and could divert resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not achieve the anticipated benefits we expect due to a number of factors including: unanticipated costs or liabilities associated with the acquisition, incurrence of acquisition-related costs, harm to our relationships with existing customers as a result of the acquisition, harm to our brand and reputation, the loss of key employees in the acquired businesses, use of resources that are needed in other parts of our business, and use of substantial portions of our available cash to consummate the acquisition. In addition, our ability to impose appropriate internal controls, including accurate forecasting, accounting integration of inventory, costs and reporting, to successfully manage these businesses requires significant investments of resources and management time. Finally, acquisitions could result in the use of substantial amounts of cash, earn-outs, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. In some of our prior acquisitions, earn-out targets were not achieved and in some instances either disputes occurred or modifications were made. We may enter into other modifications or settlements of certain acquisition terms over time which could result in cash payments, potentially dilutive issuances, goodwill impairment charges and other potential unknown liabilities. Failure to realize the anticipated benefits of our divestitures, or of any prior or future acquisitions, could materially and adversely affect our business, financial condition and prospects.

If we fail to successfully identify and respond to constantly changing consumer preferences, adopt new technologies or adapt our websites and systems to customer requirements or emerging industry standards, our business, prospects and financial results may be materially and adversely affected.

The e-commerce and retail industries as well as the content-provider industry are subject to ever changing trends and consumer preferences. Consequently, we must anticipate emerging consumer trends for customized retail merchandise that will appeal to existing and potential consumers both with base products and licensed and

user-generated content. If our consumers cannot find their desired products on or service through our websites, they may stop visiting our websites, visit less often or stop purchasing products on our websites or seek out our competitors' services. If we do not anticipate, identify and respond effectively to consumer preferences and changes in consumer trends at an early stage, we may not be able to generate the desired level of sales. Likewise, we must anticipate and capitalize on trends in user-generated content and popular culture that will continue to drive consumer interest in our websites.

Internet business models and the online content distribution generally are characterized by rapid technological evolution, changes in user requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our websites and systems. Such systems include complex interactions of our proprietary software tools, such as designer and builder software and content review tools, data storage and reporting, order management and plant printing automation software. Like all systems, failures or errors made in the maintenance or operation of those systems could lead to operational and logistics challenges or lost, cancelled or delayed orders, which in turn could lead customers to make alternative choices in a provider of custom goods. The development of our websites and other proprietary technology entails significant technical and business risks. We may be unable to use new technologies or systems to effectively adapt our websites, proprietary technologies and transaction-processing systems to customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations would be materially adversely affected.

If we are unable to successfully address the rapidly evolving market for transactions on mobile devices, our results of operations may suffer.

Mobile devices are increasingly used for e-commerce transactions. A significant and growing portion of our users access our platforms through mobile devices. We may lose users if we are not able to continue to meet our users' mobile and multi-screen experience expectations. The variety of technical and other configurations across different mobile devices and platforms increases the challenges associated with this environment. In addition, a number of other companies with significant resources and a number of innovative startups have introduced products and services focusing on mobile markets.

Our ability to successfully address the challenges posed by the rapidly evolving market for mobile transactions is crucial to our continued success, and any failure to continuously increase the volume of mobile transactions effected through our platforms could harm our business.

Our business model focuses on user-generated content and as a result, controversial political and social expressions appear on our site that may impact our brand name or with which current or potential customers or business partners may not wish to be associated.

We have built our business by providing consumers an outlet for self-expression through unique or customized goods that they can share with their friends, their communities and the world. Our service is often used for the expression of political and cause-related issues that may generate strong opinions on many sides of a given issue, including in other customers and potentially with the business partners who supply us with content or inventory and to those who choose to invest in our company. As a result, our websites frequently attract the attention of media outlets that may not understand the user-generated nature of our business model and attribute sentiments expressed by our users to our company or its management team. Additionally, because our service provides a platform for the expression of controversial ideas and humor, our site could be the target of negative social media or petition campaigns, computer attacks or boycotts by well-organized special interest groups or filtered by foreign countries, which may adversely impact our growth and operations. Our distribution and channel partners may likewise become uncomfortable with aspects of our user-generated content business model in light of their

own content usage policies and may cut back or refuse to display our products or otherwise limit our merchandising opportunities thus impacting our results of operations. We believe we must maintain a balance among the encouragement of self-expression in our users that creates a content-rich experience, the needs and concerns of our business partners and our mutual desire to protect our brand and our companies. If we fail to maintain this balance and lose partners, customers, or potential customers due to judgments made about the content on our websites, or conversely if we alienate corporate partners or businesses who wish to employ our customization services for their content or products without fear of negative reflection on their brand images, we risk damage to our brand and reputation and ultimately our business and results of operations.

Because our sales and revenues rely on consumer spending of discretionary income, uncertain macroeconomic conditions in the United States and world economies may materially and adversely affect our financial results.

The majority of our revenues are generated from sales through our consumer e-commerce websites and our customized products are largely found in categories of consumer goods that would be deemed non-essentials. As a result, our sales are driven largely by discretionary consumer spending habits and preferences. Historically, consumer purchasing on discretionary items declines during economic downturns and periods of uncertainty regarding future economic prospects or when disposable income or consumer lending is lower. While not always directly related to actual consumer behavior, macro-economic conditions such as global currency and debt concerns, stock market volatility, levels of unemployment, increased fuel or commodity prices and transportation costs, and conditions in the commercial consumer lending and housing markets, among other factors, fuel uncertainty over future macro-economic conditions and prospects of a prolonged recessionary spending climate. Many other factors contribute to economic conditions in the U.S., including taxation and distribution concerns. Deterioration of macroeconomic conditions in the near term or long term, or the perception that such deterioration might occur, could reduce demand for our products either temporarily or in the long term. Our revenues could likewise decline and our results could be materially and adversely affected by such trends. Our ability to anticipate, identify and respond quickly to consumer spending pressures and prevailing economic conditions will be challenged if such economic uncertainties continue or particularly during peak periods for our sales that historically have occurred in our fiscal fourth quarter.

The proper functioning of our websites is essential to our business and any failure to maintain the satisfactory performance, security and integrity of our websites will materially and adversely affect our business, reputation, financial condition and results of operations.

The satisfactory performance, reliability and availability of our websites, our marketing activities, our transaction-processing systems and our network infrastructure are critical to our success. Our revenues depend on the number of visitors who shop on our websites and the volume of orders we fulfill. Any system delays, interruptions or disruptions to our servers caused by telecommunications failures, computer viruses, physical break-ins, domain attacks, hacking or other attempts to harm our systems or servers that result in the unavailability or slowdown of our websites, loss of data or reduced order fulfillment performance would reduce the volume of products sold and the attractiveness of product offerings on our websites. We may also experience interruptions caused by reasons beyond our control.

We use internally developed systems for all aspects of transaction processing, including order management, content review and purchasing and inventory management. We rely on third-party providers for debit card and credit card processing services, other payment services and shipping. We periodically upgrade and expand our systems, and in the future, we intend to further upgrade and expand our systems and to integrate newly developed or purchased software with our existing systems to support increased transaction volume. Any inability to add additional software and hardware or to develop and upgrade our existing technology, transaction-processing systems or network infrastructure to accommodate increased traffic on our websites or increased sales volume through our transaction-processing systems may cause unanticipated system disruptions, slower response time, degradation in levels of customer service and impaired quality and speed of order fulfillment, which would cause our business, reputation, financial condition and results of operations to suffer.

If our production and fulfillment operations are interrupted for any significant period of time or either facility where our computer and communications software or hardware is located fails, our business and results of operations would be substantially harmed.

Our success depends on our ability to successfully receive, produce and fulfill orders and to promptly and securely deliver our products to our customers, which in turn depends in part on the efficient and uninterrupted operation of our computer and communications systems. A significant portion of our production, inventory management, packaging, labeling and shipping processes are performed in a single production and fulfillment center located in Louisville, Kentucky and such single location reliance presents risks. In addition, substantially all of the computer hardware necessary to operate our principal websites is located at third-party hosting facilities in Las Vegas, Nevada and hosted through Amazon AWS. These facilities are susceptible to damage or interruption from human error, fire, flood, ice storms, power loss, insufficient power availability, telecommunications failure, terrorist attacks, acts of war, break-ins, earthquakes and similar events. In addition Louisville, Kentucky, our principal production site, is particularly susceptible to flooding and extreme weather patterns. Our production operations are dependent on order management and other automation software systems that may be especially subject to human error in programming.

We also maintain offices and operations in Northern California, an area where the risk of an earthquake is significant due to the proximity of major earthquake fault lines. Any catastrophic loss to any of these facilities would likely disrupt our operations, delay production, shipments and revenues and result in significant expenses to repair or replace the facility. Our business interruption insurance may be insufficient to compensate us for losses that may occur, particularly from interruption due to an earthquake, which is not covered under our current policy. Any interruptions in our production, fulfillment center or systems operations, particularly for any significant period of time, could damage our reputation and brand and substantially harm our business and results of operations.

Shipment of merchandise sold in our marketplaces could be delayed or disrupted by factors beyond our control and we could lose buyers and sellers as a result.

We largely rely upon third-party carriers such as Federal Express, Inc., or FedEx, and United Parcel Service, or UPS, for timely delivery of our merchandise shipments, particularly in the United States where the majority of our sales occur. As a result, we are subject to carrier disruptions and increased costs due to factors that are beyond our control, including labor difficulties, inclement weather, terrorist activity and increased fuel costs. We do not have a long-term agreement with any other third-party carriers, and we cannot be sure that our relationships with FedEx or UPS will continue on terms favorable to us, if at all. If our shipping relationships are terminated or impaired or if our carriers are unable to deliver merchandise for us, we would be required to use alternative carriers for the shipment of products to our buyers. We may be unable to engage alternative carriers on a timely basis or on terms favorable to us, if at all. Potential adverse consequences include:

- reduced visibility of integrated order status and package tracking;
- delays in merchandise receipt and delivery;
- increased cost of shipment; and
- reduced shipment quality, which may result in damaged merchandise.

Any failure to receive merchandise at our distribution centers or deliver products to our buyers in a timely and accurate manner could lead to client dissatisfaction and cause us to lose sellers and buyers.

Many of our suppliers are located in regions that are subject to weather instability, earthquakes and other natural disasters.

The facilities of our third-party suppliers are subject to risk of catastrophic loss due to fire, flood or other natural or man-made disasters. The majority of our suppliers are located in the United States and China in areas with

above-average catastrophic weather instability and seismic activity and which are subject to typhoons, tsunamis and other natural disasters. Additionally, since a significant portion of our revenues are attributed to cotton apparel and because we do not currently engage in any cotton or other commodity-related hedging activities, we are particularly susceptible to issues affecting the cotton growing and production industry. Any catastrophic loss to any of these facilities or disruptions in the production of cotton would likely disrupt our operations, delay production and shipments, and result in a delay or loss of revenues or cause us to incur significant expenses to repair or replace the facility or to purchase critical inventory for creation of our products.

If we become subject to liability for content that we print and distribute through our service, our results of operations would be adversely affected.

As an Internet service provider that prints content provided by others, we face allegations related to, and potential liability for, negligence, copyright or trademark infringement or other claims related to the goods created from user-generated uploads to our service. Intellectual property law for secondary liability for copyright infringement is particularly uncertain in many jurisdictions. We also may face allegations related to, and potential liability for, content uploaded from our users in connection with claims of defamation, racism, hate speech, obscenity or pornography that may be embodied in user expression. As globally available websites, we also receive inquiries about content that may be illegal or insensitive to cultural norms not only in the United States but worldwide, and those sensitivities may differ widely.

Despite our status as a service provider and not a publisher, we also face allegations of infringement and potential liability for negligence, copyright, patent or trademark infringement or other claims based on the nature and content of materials that we distribute. In addition, a number of our entertainment, publishing and corporate content providers impose limitations and conditions on our use of their licensed content, and our failure to implement and abide by these terms could result in our loss of these licenses, damages to our reputation and potential liability for breach of contract and copyright or trademark infringement. In particular, any legislative developments or litigation outcomes in copyright law under the Digital Millennium Copyright Act that negatively impact our protections from liability for infringement could have consequences for us in our operations and increase litigation costs for the defense of any litigation that might arise due to such changes or developments.

We maintain strict content usage policies that are frequently evaluated and updated and we maintain processes that review uploaded content for compliance with our terms of service and other policies. We also require users uploading content to attest that they have all necessary rights to upload content to our service and further require such users to indemnify us in the event that claims are made against us relating to such content. We maintain a content review process that includes evaluation and take-down of uploaded content on our site that fails to meet our policies and compliance with all safe harbors under relevant laws. Nevertheless, we receive significant volumes of cease and desist demands on a regular basis with respect to claims of intellectual property infringement and violation of the rights of third parties, such as rights of privacy and publicity, and expect this may grow with the volume of content made available through our service. We maintain an active dispute resolution process for intellectual property rights claimants so that allegations of infringement can be resolved expeditiously. Notwithstanding our efforts to monitor and manage content and promptly resolve all issues, these measures may not be effective in removing violative content nor sufficient to shield us from potential liability, including situations where users do not have the financial ability to fully indemnify us against liabilities.

Despite our status as a service provider and not a publisher, we are exposed to risks associated with varying laws in other jurisdictions, including heightened risk of secondary liability on defamation suits in the United Kingdom and increased statutory penalties available for alleged trademark infringement in Germany. Further, we maintain relationships with law enforcement agencies to manage issues related to child pornography or other illegal uses of our service and must monitor our services for such impermissible, unauthorized and illegal activities. We also may be subject to subpoenas or other law enforcement or regulatory requests for information about our users or our website's services and the handling of such information requests may expose us to risk of suit from our users

if not correctly and consistently managed in light of applicable law and consumer expectations of data privacy and judicial action or regulatory enforcement is not processed with appropriate alacrity.

Failure to protect confidential or personally identifiable information of our customers and our network against security breaches or failure to comply with privacy and security laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.

A significant challenge to e-commerce and communications is the secure transmission of confidential information over public networks. Our failure to prevent security breaches could damage our reputation and brand and substantially harm our business and results of operations. A majority of our sales are billed to our customers' credit card accounts directly, orders are shipped to a customer's address, and customers log on using their email address. In addition, some online payments for our products are settled through third-party online payment services. In such transactions, maintaining complete security for the transmission of confidential information on our websites, such as customers' credit card numbers and expiration dates, personal information and billing addresses, is essential to maintain consumer confidence. We have limited influence over the security measures of third-party online payment service providers. In addition, we hold certain private information about our customers, such as their names, addresses, phone numbers and browsing and purchasing records.

We rely on encryption and authentication technology licensed from third parties to effect the secure transmission of certain confidential information, including credit card numbers and personally identifiable customer information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. In addition, any party who is able to illicitly obtain a user's password could potentially access the user's transaction data or personal information. We may not be able to prevent third parties, such as hackers or criminal organizations, from stealing information provided by our customers to us through our websites. In addition, our third-party merchants and delivery service providers may violate their confidentiality obligations and disclose information about our customers. Any compromise of our security could damage our reputation and brand and expose us to a risk of loss or litigation and possible liability, which would substantially harm our business and results of operations. In addition, anyone who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations.

Significant capital and other resources may be required to protect against security breaches or to alleviate problems caused by such breaches. While we maintain insurance coverage at levels we deem reasonable to manage liabilities relating to potential cyber-security risks, such coverage may be inadequate to cover all losses with respect to an actual breach. The methods used by hackers and others engaged in online criminal activity are increasingly sophisticated and constantly evolving. Even if we are successful in adapting to and preventing new security breaches, any perception by the public that e-commerce and other online transactions, or the privacy of user information, are becoming increasingly unsafe or vulnerable to attack could inhibit the growth of e-commerce and other online services generally, which in turn may reduce the number of orders we receive. Any failure, or perception of failure, to protect the confidential information of our customers or our network could damage our reputation and harm our business.

We maintain industry standard privacy policies and practices with respect to the personally identifiable information of our users that we maintain. Any failure or perceived failure by us to comply with our privacy policies or privacy-related obligations to customers, sellers or other third parties may result in Federal or state governmental enforcement actions, litigation, or negative public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

We accept payment by a variety of methods and a substantial majority of our net revenues are derived from credit card sales. This in turn exposes us to increased risks of dependence on third-party payment processing service providers, as well as risks associated with higher transaction fees, compliance matters and fraud.

We accept payments for our products and services on our websites by a variety of methods, including credit card, debit card and other payment services. As we offer new payment options to our customers, we may be subject to additional fees, additional regulations, compliance requirements and fraud. To date, the substantial majority of our net revenues have been derived from credit card sales. As a result, we believe our business is vulnerable to any disruption in our customer payment processing capabilities and third-party processor disruptions. In most geographic regions, we rely on three or four third-party companies to provide payment processing services, including the processing of credit cards, debit cards and other payment services. If any of these companies became unwilling or unable to provide these services to us, then we would need to find and engage replacement providers. We may not be able to do so on terms that are acceptable to us or at all, or to process the payments ourselves, which could be costly and time consuming. Additionally, as we typically experience increased activity from November through December each year due to increased retail activity during the holiday season, any disruption in our ability to process customer payments in the fourth quarter could have a significant and disproportionate negative impact on our business.

For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins or require that we charge our customers more for our products. We are also subject to payment card association and similar operating rules and requirements, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules and requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers or facilitate other types of online payments, and our business and operating results could be materially and adversely affected.

If we fail to manage our relationships with our suppliers, our business and prospects may suffer.

To address customer demand for a wider range of customizable products, we intend to continue to expand our merchandise selection. This in turn increases our reliance on suppliers of such merchandise. Additionally, our business and reputation depend in large part on our ability to process and ship orders quickly, including during unanticipated or seasonal periods of increased demand. As a result, we believe the successful management of our supplier relationships is a key aspect of our business and our ability to compete. We source our blank products from domestic and foreign manufacturers and distributors. Maintaining good relationships with suppliers that compete with each other can be difficult. For example, suppliers of similar products may compete for more prominent placement on our websites. Our current suppliers may not continue to sell merchandise to us on terms acceptable to us, and we may be unable to establish new or extend current supplier relationships to ensure a steady supply of blank inventory in a timely and cost-efficient manner. If we are unable to develop and maintain good relationships with suppliers, it may inhibit our ability to offer products demanded by our customers or to offer them in sufficient quantities and at prices acceptable to them. In addition, if our suppliers cease to provide us with favorable pricing or payment terms or return policies, our working capital requirements may increase and our operations may be materially and adversely affected. In addition, we subcontract certain activities to third-party vendors. Any deterioration in our supplier or subcontractor relationships, or a failure to resolve disputes with, or complaints from, our suppliers in a timely manner, could materially and adversely affect our business, prospects and results of operations.

We may suffer losses if we are unable to efficiently manage our inventory risks.

We must anticipate the popularity of products and purchase blank inventory and secure sufficient supplies before customizing and selling them to our customers. Across our businesses, we must manage differing demand and inventory controls to accurately forecast and protect against risks. If we fail to adequately predict demand and experience an unexpected peak in production, our production times will suffer, which may result in damage to

our reputation and business. For example, if we do not have an adequate supply of ink due to periods of unexpected peak demand, our ability to print and deliver products may be delayed. Conversely, any over purchase of ink or other supplies exposes us to risks of obsolete or excess inventory. Some of our contracts with suppliers contain restrictions on our ability to return products, such as caps on the amount of products that can be returned, and we may lose preferential pricing terms for such products if we exceed these caps, which could materially affect our profit margins. If we are unable to correctly predict demand for the products that we are committed to purchase, we will be responsible for covering the cost of the products that we are unable to sell, and our financial condition and results of operations would likely suffer.

We largely depend on overseas suppliers for blank inventory and if we do not appropriately manage the risks related to product safety and quality, we may face regulatory actions or recalls and our operating results will be harmed.

Manufacturers in China are the source of much of the blank inventory we utilize in the creation of customized products for sale on our websites, whether sourced from vendors directly by our supply managers or purchased through our business or fulfillment partners. Regulatory oversight of manufacturing in China is not subject to the same standards of product safety or supply chain scrutiny as may be expected in the United States. One or more of our vendors might not adhere to U.S. quality or legal standards, and we might not identify the deficiency before merchandise ships to our customers. As an example, the *Transparency in Supply Chains Act of 2010 in California* requires us to audit our vendors with respect to risks of human trafficking and slavery and mitigate these risks in our operations. Any failure to disclose issues or other non-compliance could subject us to action by the California Attorney General or other regulatory authorities. Our distribution partners also maintain global sourcing policies with which we must comply in order to maintain business relationships. Such policies require us to monitor our supply chain and there is no guarantee we will be able to do so consistently and successfully over time and secure a price that is not otherwise damaging to our business. In addition, our vendors may have difficulty adjusting to our changing demands and growing business. Our vendors' failure to manufacture or import quality merchandise in a timely and effective manner could damage our reputation and brand, and could lead to an increase in customer litigation against us and an increase in our routine litigation costs. We rely on indemnities from suppliers and manufacturers with respect to the goods we customize and that protection may or may not be enough to shield us from liability for quality deficiencies. Further, any merchandise that we receive, even if it meets our quality standards, could become subject to a later recall, which could damage our reputation, our brand and our customers' brands and harm our business. While we have never been subject to a product recall, there can be no guarantee that we will not face one in the future and the costs associated with such a recall may be substantial. Recently enacted legislation has given the United States Consumer Product Safety Commission increased regulatory and enforcement power, particularly with regard to children's safety, among other areas. As a result, companies such as ours may be subject to more product recalls and incur higher recall-related expenses. Any recalls or other safety issues could harm our business and operating results.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and time-consuming.

Protection of our proprietary technology is critical to our business. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and prevent us from maintaining a leading market position. We rely primarily on patents, trademarks, trade secrets, copyrights and other contractual restrictions to protect our intellectual property. As of December 31, 2015, we had seven issued patents and one patent pending in the United States, which relate to our e-commerce services, and our proprietary printing and decorating services. We may have, on occasion, disclosed inventions prior to making the relevant filings, which may make our patent applications and any resulting issued patents vulnerable to validity challenges. Our pending patent applications may not result in issued patents, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies.

We also rely upon certain unpatented proprietary manufacturing expertise and modeling methods and designs, licensed third-party technologies, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we enter into confidentiality and invention assignment agreements with our employees and third parties to protect our intellectual property, certain confidentiality and invention assignment agreements may be limited in duration or deemed by a court to be unenforceable. Moreover, these confidentiality and invention assignment agreements could be breached, potentially in ways that we may not immediately detect, and thus may not provide meaningful protection for our trade secrets or proprietary manufacturing expertise. Adequate remedies may not be available in the event of unauthorized use or disclosure of our trade secrets and manufacturing expertise. In addition, others may obtain knowledge of our trade secrets through independent development or legal means. The failure of our patents or confidentiality agreements to protect our processes, equipment, technology, trade secrets and proprietary manufacturing expertise, methods of system design, other methods and materials could have a material adverse effect on our business. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in some foreign countries. In some countries where we operate, we have not applied for patent, trademark or copyright protection.

Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could harm our business, financial condition or operating results. Policing unauthorized use of proprietary technology can be difficult and expensive and potentially subjects our intellectual property rights to validity and enforceability challenges. Also, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and time-consuming and may divert management attention and other resources away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation.

We may face infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards or prohibit us from conducting our business.

Our success depends largely on our ability to use and develop our technology and know-how without infringing or misappropriating the intellectual property rights of third parties. The validity and scope of claims relating to business process patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We have been and may continue to be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties, including allegations of patent infringement asserted by patent holding companies or other adverse patent owners who have no relevant product revenues and against whom our own patents may therefore provide little or no deterrence. E-commerce companies and divisions have been particularly the target of speculative patent infringement claims in recent years. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, which may not be available on reasonable terms, or at all, pay ongoing royalties, or subject us to injunctions prohibiting the use of our technologies. Protracted litigation could also result in our customers or potential partner customers of our products or services deferring, limiting or ceasing their purchase or use of our website services until resolution of such litigation.

We are involved in legal proceedings that may result in adverse outcomes.

In addition to the potential infringement claims described above, we may be involved in claims, suits, government investigations, and regulatory proceedings arising in the ordinary course of our business, including actions with respect to privacy, data protection, law enforcement, taxes, labor and employment claims as well as stockholder derivative actions, class actions lawsuits and other matters.

Regardless of the outcome, such legal proceedings can have an adverse impact on us because of the legal defense costs, diversion of our Board of Directors, management and other personnel’s time and resources, and other

factors and expenses. In addition, it is possible that resolution of one or more such proceedings could result in liability, penalties or sanctions, as well as judgments, penalties, consent decrees or orders preventing us from offering certain features in our product offerings or services, requiring changes in our business practices or revenue models, or damaging our reputation with customers, business partners or investors, any of which in turn could adversely affect our business, operating results, and financial condition.

We are subject to, and will soon be subject to additional regulatory compliance requirements, including Section 404 of the Sarbanes-Oxley Act of 2002, and our management has limited experience managing a public company.

We have limited experience as a public company and will incur significant legal, accounting and other expenses, particularly after we cease to be an "emerging growth company" that we did not incur as a private company. The individuals who constitute our management team have limited experience managing a publicly traded company, and limited experience complying with the increasingly complex and changing laws pertaining to public companies. Our management team and other personnel will need to devote a substantial amount of time to compliance initiatives and we may not successfully or efficiently manage our transition into a public company. In addition, the Sarbanes-Oxley Act and the Dodd-Frank Act of 2010, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, or Nasdaq, impose a number of requirements on public companies, including requiring changes in corporate governance practices. The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and disclosure controls and procedures quarterly. While the Jumpstart Our Business Startups Act, also known as the JOBS Act, enacted in April 2012, provided us with additional time to achieve full compliance, the regulations surrounding Section 404 of the Sarbanes-Oxley Act has required us to, and will continue to, incur substantial accounting expense and expend significant management time on compliance-related issues. Moreover, these rules and regulations will continue to increase our legal, accounting and financial compliance costs and will make some corporate activities more time-consuming and costly than private company compliance. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our board committees or as executive officers and will make securing directors' and officers' liability insurance more expensive.

We have previously disclosed a material weakness in our internal control over financial reporting which management believes has been fully remediated. Should we have inadequately remediated this material weakness or should we otherwise fail to maintain effective internal control over financial reporting and disclosure controls and processes, our ability to report our financial condition and results of operations accurately and on a timely basis could be adversely affected.

In connection with the preparation of our consolidated financial statements for the year 2014, we identified a material weakness in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the U.S.A. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weakness related to improper reconciliation procedures that did not identify the incorrect processing of certain accounts payable, prepaid inventory and receiving procedures mostly related to additional charges on international orders, such as freight and import duty, which led to the balances in certain liability accounts being understated, certain asset accounts being overstated, and costs of goods sold expenses being understated in prior years. Our independent registered public accounting firm did not and was not required to perform an evaluation of our internal control over financial reporting as of and for the years ended December 31, 2013 and 2014 in accordance with the provisions of the JOBS Act.

We believe that as of December 31, 2014 the balances are properly stated. After detecting the material weakness, additional close procedures were performed, including a full review of the vendors associated with the misstatement, (which are an isolated subset of the total population relating to international vendors) and an

updated reconciliation process. Management has specifically tested the revised processes and key controls over accounts payable for all four quarters of 2015 and concludes those processes are effectively operating as of December 31, 2015, therefore, management has concluded the previously reported material weakness has been remediated. However, we cannot be certain that other material weaknesses and control deficiencies will not be discovered in the future. If other material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately or on a timely basis, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting and cause the trading price of our common stock to decline. As a result of such failures, we could also become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm our reputation, financial condition or divert financial and management resources from our core business.

If we are unable to successfully improve internal controls, or detect weaknesses or errors in our internal controls, our ability to report our financial results on a timely and accurate basis may be adversely affected as well as our ability to attract investors in our stock.

We have implemented and continue to adopt measures to improve our internal controls. If the procedures we have adopted and implemented are insufficient, we may fail to meet our future reporting obligations, our financial statements may contain material misstatements and our operating results may be harmed. As discussed above, we had identified a material weakness in our internal controls over financial reporting for the years ended December 31, 2013 and December 31, 2014, which was remediated as of December 31, 2015. In addition, we have in the past experienced deficiencies in internal controls, and while the dollar amounts involved were not material and we believe we have remediated these deficiencies, there can be no assurance that similar or other significant deficiencies or material weaknesses in our financial reporting will not occur in the future. Any failure to maintain or implement required new or improved controls, or difficulties we encounter in their implementation, could result in significant deficiencies or material weaknesses, cause us to fail to meet our future reporting obligations or cause our financial statements to contain material misstatements. Internal control deficiencies could also result in a revision or restatement of our financial statements in the future or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Since we are an "emerging growth company," as defined by the JOBS Act and for as long as we maintain such status, we are not required at this time to include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Such report will be required with the filing of our 2017 Annual Report on Form 10-K. If we fail to maintain effective and appropriate internal controls over financial reporting processes or modify them as necessary to maintain such controls, investors could lose confidence in the accuracy and completeness of our financial reports. If we fail to properly manage internal operational controls across our businesses and our websites, confidence in our business and results of operations may suffer and the price of our common stock may decline. If the reliability of our internal control over financial reporting is in question, the price of our common stock may decline or be otherwise adversely affected. Such doubts about the efficacy of internal controls could also impair our ability to attract new investors and may adversely affect our ability to continue our growth and meet our forecasts.

If our management of internal controls is not effective, there may be errors in our financial information that could require a restatement or delay our SEC filings, and investors may lose confidence in our reported financial information or significantly increased costs in rectifying such issues, which could lead to a decline in our stock price.

We have incurred and may continue to incur high corporate governance costs to ensure our controls practices meet the required standards. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could cause us to fail to meet our periodic reporting obligations, or result in material misstatements in our financial information or cause us to incur material increase in the costs associated with our corporate governance. Any such delays or restatements could cause investors to

lose confidence in our reported financial information and lead to a decline in our stock price. Any dramatic increased costs could impact our results in operations and stock price could be materially adversely impacted.

Risks related to our industry

Uncertainties regarding the growth and sustained profitability of business-to-consumer e-commerce could adversely affect our revenues and business prospects and the trading price of our common stock.

The long-term viability and prospects of e-commerce remain relatively uncertain. Our future operating results will depend on numerous industry-related factors, including:

- the trust and confidence level of consumers in online shopping, as well as changes in consumer demographics and consumers' tastes and preferences;
- concerns about buying customized and personalized products without face-to-face interaction with sales personnel;
- our ability to provide high-quality customization capabilities and printing output, including design tools, resolution quality, color and sizing accuracy of images;
- the selection, price and popularity of products that we and our competitors offer on websites;
- whether alternative retail channels or business models that better address the needs of consumers emerge;
- the impact of new technology platforms for Internet access, such as mobile, and methods of marketing, such as social media;
- the development of fulfillment, payment and other ancillary services associated with online purchases; and
- general economic conditions, particularly economic conditions affecting discretionary consumer spending.

A decline in the popularity of shopping on the Internet in general or a shift in the devices used that are not optimal for viewing our sites, a decline in interest in customized goods as a retail trend or any failure by us to adapt our websites and improve the online shopping experience of our customers in response to consumer requirements and tastes, will harm our revenues and business prospects.

Our international sales and operations subject us to additional risks that may materially and adversely affect our business and operating results.

We maintain websites localized to the markets in the United Kingdom, Australia and Canada. Additionally, we utilize contract manufacturing operations through partners in the Czech Republic and Australia. In connection with our international presence we are subject to a variety of risks including:

- the need to develop new production, supplier and customer relationships;
- difficulties in enforcing contracts, collecting accounts receivables and longer payment cycles;
- regulatory, political or contractual limitations on our ability to operate and sell in certain foreign markets, including trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses as well as tax nexus issues for royalties paid to non-U.S. content providers;
- varying and more extensive data privacy and security laws and regulations in other countries;
- challenges of international delivery and customs requirements;
- varying product safety requirements and content restrictions in other countries;
- difficulties of language translations, increased travel, infrastructure and legal compliance and enforcement costs associated with international operations;

- currency translation and transaction risk, which may negatively affect our revenues, cost of net revenues and gross margins, and could result in exchange losses;
- difficulty with managing widespread international operations and fulfillment partnerships;
- reduced protection for intellectual property rights in some countries;
- the need to defend against intellectual property infringement claims against us in unfamiliar foreign legal regimes and to comply with unfamiliar foreign regulatory schemes and laws;
- lower per capita Internet usage and lack of appropriate infrastructure to support widespread Internet usage as well as broadband connections on which our content-rich services depend;
- heightened exposure to political instability, war and terrorism; and
- changes in the general economic and political conditions.

We have ceased providing translated sites in Germany, Spain, France, Ireland and New Zealand as part of our efforts to better focus on growing our business in our core international regions including the UK, Canada and Australia. Our success globally will depend on our ability to anticipate and effectively manage these and other risks associated with our international presence. Our failure to manage any of these risks successfully could harm our international reputation and reduce our international sales, adversely affecting our business, operating results and financial condition.

If use of the Internet, particularly with respect to e-commerce, decreases or does not increase, our business and results of operations will be harmed.

Our future revenues are substantially dependent upon the continued growth in the use of the Internet as an effective medium of business and communication by our target customers. Internet use may not continue to develop at historical rates and consumers may not continue to use the Internet and other online services as a medium for commerce for several reasons including the following:

- actual or perceived lack of security of information or privacy protection;
- attacks on or attempts to hijack our domain or website traffic or similar damage to our domains or servers;
- possible disruptions, computer viruses, spyware, phishing, attacks or other damage to the Internet servers, service providers, network carriers and Internet companies or to users' computers; and
- excessive governmental regulation and new taxation measures.

Our success will depend, in large part, upon third parties maintaining the Internet infrastructure to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services. Our business, which relies on contextually rich websites that require the transmission of substantial secure data, is also significantly dependent upon the availability and adoption of broadband Internet access and other high speed Internet connectivity technologies.

If we do not properly account for our unredeemed gift certificates, gift cards, merchandise credits and flash deal promotions through group-buying websites, our operating results will be harmed.

We account for unredeemed gift cards, gift certificates, and flash deal promotions through group-buying websites and merchandise credits based on historical redemption data. In the event that our historical redemption patterns change in the future, our estimates for redemption would change, which would affect our financial position or operating results. Further, in the event that a state or states were to require that the unredeemed amounts be escheated to such state or states, our business and operating results would be harmed. As mentioned above, we also participate in flash deal promotions through group-buying websites such as Amazon Local. Due to the emerging development of this business model, the terms and conditions of these programs continue to evolve and

the taxation, legal and other potential regulatory implications of these sales activities have yet to be fully settled. Based on the terms of the agreements that we have entered into to date, and based on management's judgment in the evaluation of the criteria in the authoritative accounting guidance, we have concluded that we are the primary obligor in these transactions and have recorded revenues on a gross basis and the fees retained by the group-buying website as sales and marketing expense. We will continue to evaluate changes in the terms and conditions of these programs, or changes in accounting guidance in determining our accounting for these programs. There can be no guarantee that the legal, accounting and customer service approaches we have taken to these programs will be deemed appropriate in the future. Changes in the terms and conditions of these programs or our evaluation of our performance obligations and associated tax, escheatment and other obligations associated with these programs could have a material adverse effect on our business, operating results or financial position or otherwise harm our business.

Taxation risks could subject us to liability for past sales and cause our future sales to decrease.

United States Supreme Court precedents currently restrict the imposition of obligations to collect state and local sales and use taxes with respect to sales made over the Internet. However, in recent years, a number of states have attempted or are considering adoption of initiatives that limit or supersede the Supreme Court's position regarding sales and use taxes on Internet sales or with respect to affiliate marketing programs we employ to generate sales on our websites. If these initiatives are successful, we could be required to collect sales taxes in additional states or change our business practices and we may be exposed to retroactive liability on sales. In recent years, numerous bills have been introduced in the U.S. Congress, including the *Marketplace Equity Act* and the *Marketplace Fairness Act*, reintroduced in 2013, which covered similar subject matters. That bill passed the U.S. Senate in May 2013, then stalled in the House and committee and no further action was taken by the 113th Congress. In March of 2015, the *Marketplace Fairness Act of 2015* (a slightly modified version of the 2013 Act) was again introduced in the Senate. That Bill was referred to the Committee on Finance and no further Action has been taken by the 114th Congress. On June 15, 2015 an analogous bill—*The Remote Transactions Parity Act of 2015*—was introduced in the House of Representatives. In July 2015, the House Bill was referred to the House Subcommittee on Regulatory Reform, Commercial and Antitrust Law and no further action has yet been taken. We expect similar bills to continue to be introduced in the future covering similar subject matters. The imposition of a Federal tax scheme or the imposition by individual state and local governments of taxes upon Internet commerce or affiliate programs could create administrative burdens for us in the future that may pose operational challenges. We currently collect sales tax in states in which we believe we have established sales tax nexus based on our operations and physical presence and in compliance with existing law. We have elected to discontinue affiliate marketing programs residing in states that have enacted affiliate sales tax nexus statutes. Under some of our agreements, another company is the seller of record, but we are nevertheless obligated to collect sales tax on transactions. We may enter into additional agreements requiring similar tax collection obligations. We expect the complexity of the application of various taxation schemes to continue to pose challenges to our business on a go forward basis.

We also make payments to our users where they upload content and license to us for the creation of online products and/or storefronts. We believe it is our content owners' obligation to pay taxes on their percentage of proceeds from such sales from sales. In the U.S., we issue appropriate tax forms disclaiming the withholding on taxes on such sales. U.S. law remains unsettled on taxation of sales made in the U.S. for which we may owe payments to licensors who reside outside the U.S., and we are continuing to evaluate potential withholding obligations in connection with those sales. There is no guarantee that such procedures will be appropriate to disclaim taxable nexus in every state and foreign country in the future and we continually review such positions on a regular basis for recent developments.

We comply with tax liability obligations, including value added tax and provincial sales tax, in foreign jurisdictions as applicable but additional foreign countries may seek to impose sales or other tax collection obligations on us and as our international sales grow and we expand localized language sites our exposure to liability likewise grows.

A successful assertion of taxable nexus with respect to any of our sales, affiliate marketing or user royalty payment activity by one or more states or foreign countries that we should collect sales or other taxes on the sale of merchandise could result in substantial tax liabilities for past sales, decrease our ability to compete with traditional retailers or competitors, negatively impact our financial position or otherwise harm our business.

Risks related to ownership of our common stock

Our stock price has been volatile, may continue to be volatile and may decline regardless of financial performance.

The market price for our common stock has fluctuated and may continue to fluctuate in response to a number of factors, including:

- actual or anticipated fluctuations, including seasonal variations, in our financial condition and operating results;
- changes in the economic performance or market valuations of other e-commerce companies or companies perceived by investors to be comparable to us;
- our announcement of actual results for a fiscal period that are higher or lower than projected results, our announcement of revenues or earnings guidance that is higher or lower than expected, our withdrawal of previously issued guidance or our decision not to provide guidance;
- loss of a significant amount of existing business;
- issuance of new or updated research reports by securities analysts, including the publication of unfavorable reports or changes in recommendation or downgrading of ratings on our common stock;
- actual or anticipated fluctuations in our competitors' operating results or changes in their growth rates;
- lack of coverage of us by industry or securities analysts;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- fluctuations in the supply and prices of materials used in our products, such as cotton;
- share price and volume fluctuations attributable to inconsistent or low trading volume levels of our shares, to erratic or unpredictable investor activity, or to purchases or sales or large amounts of our stock, including by institutional or other investors;
- commencement of, our involvement in, litigation;
- terrorist attacks or natural disasters or other such events impacting countries where we or our customers have operations; and
- general economic and market conditions.

For example, from March 29, 2012 through December 31, 2015, our stock price has fluctuated from a high of $22.69 on March 29, 2012 to a low of $1.95 on December 15 and 16, 2014. As of December 31, 2014 and December 31, 2015, our stock price closed at $2.35 and $3.84, respectively.

We have a relatively small public float, which may further contribute to volatility in our stock price.

We have a relatively small public float due to the ownership percentage of our executive officers and directors and greater than 10% stockholders. In addition, in May 2015, the Company announced a share repurchase program approved by the Board of Directors of the Company, authorizing, but not obligating, the repurchase of up to an aggregate amount of 3,500,000 shares of its common stock from time to time through April 30, 2016. Through December 31, 2015, 931,664 shares had been repurchased, and 2,568,336 shares remained available for purchase under this program. As a result, our common stock may be less liquid and have greater stock price

volatility than the common stock of companies with broader public ownership. In addition, the trading of a relatively small volume of shares of our common stock may result in significant volatility in our stock price. If and to the extent ownership of our common stock becomes more concentrated, whether due to increased ownership by our directors and executive officers or other significant stockholders, any future repurchase of our common stock, or other factors, our public float would further decrease, which in turn would likely result in increased stock price volatility.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of shares of our common stock to decline. As an e-commerce company, we believe our stock price may be particularly susceptible to volatility as the stock prices of technology and e-commerce companies have often been subject to wide fluctuations. Additionally, because a large amount of our stock is closely held, we may experience low trading volume or large fluctuations in share price and volume due to large sales by institutional investors.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have in the past, and in the future may be, the target of this type of litigation. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

We are an "emerging growth company," and we intend to comply with reduced public company reporting requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act and, for as long as we continue to be an "emerging growth company," we may choose to take advantage of exemptions from various reporting requirements afforded to such companies, including, but not limited to, exemptions from compliance with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act of 2002, or the Sarbanes Oxley Act, exemptions from certain of the disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an "emerging growth company." At such time, our independent registered accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or are operating.

We cannot predict if investors will find our common stock less attractive because 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 more volatile.

Anti-takeover provisions in our amended and restated certificate of incorporation, amended and restated bylaws and in Delaware law generally contain provisions that could discourage a takeover.

In addition to the effect that the concentration of ownership by our officers, directors and significant stockholders may have, our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that may enable our management to resist a change of control. These provisions may discourage, delay or prevent a change in our ownership or a change in our management. In addition, these provisions could

limit the price that investors would be willing to pay in the future for shares of our common stock. Such provisions as set forth in our amended and restated certificate of incorporation or amended and restated bylaws include:

- our Board of Directors is authorized, without prior stockholder approval, to create and issue preferred stock, commonly referred to as "blank check" preferred stock, with rights senior to those of common stock;
- advance notice is required of stockholders to nominate candidates to serve on our Board of Directors or to propose matters that can be acted upon at stockholder meetings;
- stockholder action by written consent is prohibited;
- special meetings of the stockholders will be permitted to be called only by a majority of our Board of Directors, the chairman of our Board of Directors or our chief executive officer;
- newly created directorships resulting from an increase in the authorized number of directors or vacancies on our Board of Directors will be filled only by majority vote of the remaining directors, even though less than a quorum is then in office, or by a sole remaining director;
- the requirement that the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for certain derivative and other actions;
- our Board of Directors is expressly authorized to modify, alter or repeal our amended and restated bylaws; and
- stockholders will be permitted to amend our amended and restated bylaws only upon receiving at least two-thirds of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

We are also subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our amended and restated certificate of incorporation, our amended and restated bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our Board of Directors or initiate actions that are opposed by our then-current Board of Directors, including delaying or impeding a merger, tender offer or proxy contest involving us. Any delay or prevention of a change of control transaction or changes in our Board of Directors could cause the market price of our common stock to decline.

Our stock price has been volatile historically, and may continue to be volatile. Further, sales of our common stock by stockholders with significant holdings may cause the price of our common stock to decrease.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements by us or our competitors, including announcements relating to strategic decisions or key personnel, service disruptions, changes in financial estimates and recommendations by security analysts, the operating and stock price performance of other companies that investors may deem comparable to us, volatility in the financial markets and news reports relating to trends in our markets or general economic conditions. The impact of these events and factors on our stock price is amplified by the relatively low number of our shares on the market.

In addition, several of our stockholders own significant portions of our common stock. If these stockholders were to sell all or a large portion of their holdings of our common stock, the market price of our common stock could be negatively impacted. The effect of such sales, or of significant portions of our stock being offered or made available for sale, could result in strong downward pressure on our stock price. Investors should be aware that they could experience significant short-term volatility in our stock if such stockholders decide to sell all or a portion of their holdings of our common stock at once or within a short period of time.

Repurchases of our common stock or other investments we may make may not prove to be the best use of our cash resources.

We have and plan to continue to opportunistically repurchase shares of our common stock. Since the inception of our stock repurchase program in 2015, we have repurchased an aggregate of 931,664 shares for a total of $4.2 million. We are authorized to repurchase up to 3.5 million shares of common stock under the repurchase program, which terminates in May 2016.

These repurchases and any repurchases we may make in the future may not prove to be at optimal prices and our use of cash for the stock repurchase program may not prove to be the best use of our cash resources and may adversely impact our future liquidity.

In addition, we have used in the past, and may use in the future, our cash and cash equivalents to make investments in certain businesses and ventures as our management thinks appropriate. These investments may decline in value after they are made or we may entirely lose the cash associated with the investment.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Facilities

As of March 30, 2016, our properties consisted of the following locations:

Principal use	Location	Square footage	Lease expiration
Corporate offices (1)(4)	Hayward, California	10,995	February 1, 2019
Corporate offices and production facilities (2)(4)	Louisville, Kentucky	195,745	July 31, 2018
Corporate offices (3)	Louisville, Kentucky	24,968	N/A

We believe that our current facilities are sufficient to meet our needs for the foreseeable future and should additional space be needed, such space can be leased on commercially reasonable terms to accommodate any future growth.

(1) Lease agreement signed in July 2015 with a commencement date of January 1, 2016.
(2) See Note 12, *Restructuring*.
(3) Office building located on 1.61 acres of land purchased December 2015.
(4) Leased real property.

ITEM 3. Legal Proceedings

We may be subject to lawsuits, claims and proceedings incident to the ordinary course of business, particularly with respect to content that appears on our website. Any claims against us, whether material, meritorious or not, could be time consuming, result in costly litigation, require significant amounts of legal resources, management time and result in the diversion of significant operational resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. We are not currently a party to any other litigation matters that, individually or in the aggregate, are expected to have a material adverse effect on our business, financial condition or results of 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 for our common equity

After the pricing of our initial public offering on March 29, 2012, our common stock has traded on the NASDAQ Global Select Market under the symbol "PRSS." Prior to that date, there was no public market for our common stock. The following table sets forth the high and low closing sale prices of our common stock as reported by NASDAQ for the periods indicated:

Fiscal Year 2014	High	Low
First Quarter	$6.80	$5.26
Second Quarter	$6.04	$5.09
Third Quarter	$5.35	$3.13
Fourth Quarter	$3.29	$1.96

Fiscal Year 2015	High	Low
First Quarter	$3.89	$2.10
Second Quarter	$5.28	$3.80
Third Quarter	$4.81	$4.08
Fourth Quarter	$4.79	$3.65

On March 18, 2016, the last sale price for our common stock on NASDAQ was $3.55 per share.

Stockholders

As of March 18, 2016, according to the records of our transfer agent, there were approximately 95 registered holders of our Common Stock excluding stockholders whose shares were held in nominee or street name by brokers.

Dividends

We have never declared or paid any cash dividends on shares of our capital stock. Our Board of Directors will determine whether to declare any future dividends, if any, in its discretion subject to applicable laws. Any such determination will depend on our financial condition, results of operations, capital requirements, bank covenants, general business conditions and any other factors our Board of Directors may deem relevant

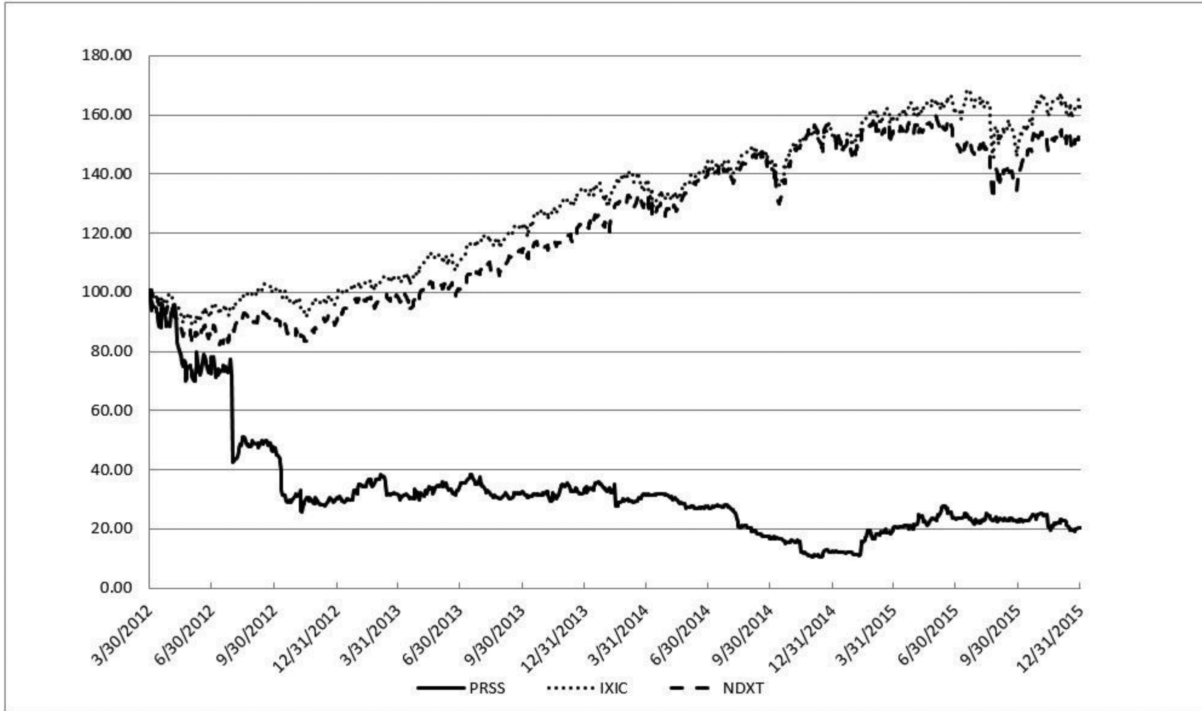
Securities authorized for issuance under equity compensation plans

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

Stock performance graph

We have presented below the cumulative total return to our stockholders during the period from March 29, 2012 (the date our common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2015 in comparison to the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index. All values assume a $100 initial investment and assume reinvestment of dividends.

COMPARISON OF CUMULATIVE TOTAL RETURN
Among CafePress, Inc., the NASDAQ Composite Index
And the NASDAQ-100 Technology Sector Index



This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of CafePress, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The comparisons in the graph above are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of our common stock.

Unregistered sales of equity securities

None.

Issuer purchases of equity securities

The following table provides information regarding purchases of the Company's common stock by the Company during the quarter ended December 31, 2015:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (a) (in thousands)
October 1, 2015 - October 31, 2015	96,358	$4.33	96,358	$12,400
November 1, 2015 - November 30, 2015	124,425	$4.24	124,425	$11,872
December 1, 2015 - December 31, 2015	73,311	$3.99	73,311	$11,579
Total	294,094	$4.21	294,094	

(a) On May 4, 2015, the Company announced a share repurchase program approved by the Board of Directors of the Company, authorizing, but not obligating, the repurchase of up to an aggregate amount of 3,500,000 shares of its common stock from time to time through April 30, 2016. Any stock repurchases may be made through open market and privately negotiated transactions, or as otherwise may be determined by management, at times and in such amounts as management deems appropriate. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act. Through December 31, 2015, 931,664 shares had been repurchased, and 2,568,336 shares remained available for purchase under this program.

ITEM 6. Selected Financial Data

The following selected consolidated financial data should be read together with the consolidated financial statements and the notes to the consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this report. Prior year financial statements have been recast to reflect the sale of our Invitation box.com business assets as of December 31, 2014, the sale of our Art and Groups business assets in the first fiscal quarter of 2015, and the sale of our EZ Prints business assets in the third fiscal quarter of 2015, within discontinued operations. See Note 5, *Discontinued Operations*, in the accompanying Notes to Consolidated Financial Statements.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Consolidated statements of operations data:					
Net revenues	$104,508	$132,054	$146,195	$148,350	$141,636
Cost of net revenues(1)	63,069	85,016	92,462	91,077	80,948
Gross profit	41,439	47,038	53,733	57,273	60,688
Operating expenses:					
Sales and marketing(1)	20,485	31,488	36,003	33,141	29,574
Technology and development(1)	12,490	13,448	13,461	11,937	11,628
General and administrative(1)	12,560	18,590	12,668	13,015	11,645
Acquisition-related costs	—	50	112	719	—
Impairment charges	788	—	—	—	—
Restructuring costs	1,311	42	—	—	—
Total operating expenses	47,634	63,618	62,244	58,812	52,847
(Loss) income from operations	(6,195)	(16,580)	(8,511)	(1,539)	7,841
Interest income	64	18	40	76	56
Interest expense	(62)	(77)	(113)	(158)	(185)
Other (expense) income, net	58	6	(7)	—	—
(Loss) income before income taxes	(6,135)	(16,633)	(8,591)	(1,621)	7,712
Provision (benefit) for income taxes	128	(1,700)	6,973	(471)	2,475
Net (loss) income from continuing operations	(6,263)	(14,933)	(15,564)	(1,150)	5,237
Income (loss) from discontinued operations, net of tax	8,418	(974)	1,651	762	(1,751)
Net income (loss)	$ 2,155	$ (15,907)	$ (13,913)	$ (388)	$ 3,486
Net income (loss) per share of common stock(2):					
Basic:					
Continuing operations	$ (0.36)	$ (0.86)	$ (0.91)	$ (0.08)	$ 0.36
Discontinued operations	$ 0.49	$ (0.06)	$ 0.10	$ 0.05	$ (0.20)
Diluted:					
Continuing operations	$ (0.36)	$ (0.86)	$ (0.91)	$ (0.08)	$ 0.34
Discontinued operations	$ 0.49	$ (0.06)	$ 0.10	$ 0.05	$ (0.20)
Shares used in computing net income (loss) per share of common stock(2):					
Basic	17,239	17,308	17,143	15,021	8,798
Diluted	17,296	17,308	17,318	15,416	9,403

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	$32,663	$ 26,971	$ 32,205	$ 28,765	$29,700
Short-term investments	17,610	—	3,475	9,403	8,437
Working capital	40,892	39,199	10,093	13,265	17,707
Total assets	91,383	122,485	141,201	157,811	89,114
Total indebtedness	912	1,404	2,529	2,701	3,174
Convertible preferred stock	—	—	—	—	22,811
Total stockholders' equity	70,323	70,185	82,670	92,737	25,354

(1) Amounts include stock-based compensation expense as follows:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cost of net revenues	$ 163	$ 162	$ 177	$ 204	$ 136
Sales and marketing	300	359	304	515	504
Technology and development	180	280	222	226	258
General and administrative	1,063	2,000	2,172	2,317	1,319
Total stock-based compensation expense	$1,706	$2,801	$2,875	$3,262	$2,217

(2) Please see Notes 2 and 10 to our audited consolidated financial statements for an explanation of the calculations of our basic and diluted net income per share of common stock.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except key operating metrics) (unaudited)				
Other financial and non-GAAP financial data:					
Adjusted EBITDA(3):	$ 3,861	$ (6,393)	$ 1,660	$ 7,960	$ 15,627
% of revenue	3.7%	(4.8)%	1.1%	5.4%	11.0%
Contribution margin(4)	$ 28,260	$ 22,751	$ 26,029	$ 32,171	$ 39,363
% of revenue	27%	17%	18%	22%	28%
Capital expenditures	$ 5,249	$ 5,705	$ 10,274	$ 11,012	$ 5,373
Key operating metrics:					
Total number of orders	2,883,704	3,436,401	3,614,963	3,577,277	3,145,178
Average order size(5)	$ 36	$ 39	$ 40	$ 42	$ 45

(3) Adjusted EBITDA is a non-GAAP financial measure that our management uses to assess our operating performance and it is a factor in the evaluation of the performance of our management in determining compensation. We define Adjusted EBITDA as net income (loss) less interest and other income (expense), provision for income taxes, depreciation and amortization, amortization of intangible assets, acquisition-related costs, stock-based compensation, restructuring costs, and impairment charges.

We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures (affecting net interest expense), tax positions (such as the impact on periods of changes in effective tax rates or fluctuations in permanent differences or discrete quarterly items), the impact of depreciation and amortization, amortization of intangible assets, acquisition-related costs, stock-based compensation, restructuring costs, and impairment charges. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes and to incentivize and compensate our management personnel.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP as the excluded items may have significant effects on our operating results and financial condition. When evaluating our performance, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
			(in thousands) (unaudited)		
Net income (loss) from continuing operations	$(6,263)	$(14,933)	$(15,564)	$(1,150)	$ 5,237
Non-GAAP adjustments:					
Interest and other (income) expense	(60)	53	80	82	129
Provision (benefit) for income taxes	128	(1,700)	6,973	(471)	2,475
Depreciation and amortization	6,251	7,294	7,184	5,518	5,569
Stock-based compensation	1,706	2,801	2,875	3,262	2,217
Acquisition-related costs	—	50	112	719	—
Impairment charges	788	—	—	—	—
Restructuring costs	1,311	42	—	—	—
Adjusted EBITDA	$ 3,861	$ (6,393)	$ 1,660	$ 7,960	$15,627

(4) Contribution margin (a non-GAAP financial measure which we reconcile to "Gross profit" in our consolidated statements of operations) consists of gross profit plus stock-based compensation included in cost of net revenues less variable sales and marketing expenses and reflects an additional way of viewing our results. When viewed together with our GAAP results, we believe contribution margin provides management and users of the financial statements information about our ability to cover our operating costs, such as Technology and Development and General and Administrative expenses. Contribution margin is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. You should review our financial statements and publicly-filed reports in their entirety and not rely on any single financial measure. One material limitation associated with the use of contribution margin is that it is an incomplete measure of profitability as it does not include all operating expenses or non-operating income and expenses. Management compensates for these limitations when using this measure by looking at other GAAP measures, such as operating income and net income.

The following table presents the calculation of contribution margin from continuing operations for the periods indicated (in thousands):

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Net revenues	$104,508	$132,054	$146,195	$148,350	$141,636
Cost of net revenues	63,069	85,016	92,462	91,077	80,948
Gross profit	41,439	47,038	53,733	57,273	60,688
Non-GAAP adjustments:					
Add: Stock-based compensation	163	162	177	204	136
Less: Variable sales and marketing costs	(13,342)	(24,449)	(27,881)	(25,306)	(21,461)
Contribution Margin (from continuing operations)	$ 28,260	$ 22,751	$ 26,029	$ 32,171	$ 39,363

(5) Average order size is calculated as billings for a given period divided by the total number of associated orders in the same period. Due to timing of meeting revenue recognition criteria, billings may not be recognized as revenues until the following period.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Recent Strategic Transactions

EZ Prints business asset sale

On September 1, 2015, we sold our EZ Prints business, which provided a suite of enterprise class deployable software products and services focused on private label e-commerce customization services, pursuant to an asset purchase agreement with EZ Prints Holdings, Inc. ("EZP Holdings"). Vincent Sarrecchia, the chief executive officer of EZP Holdings, was previously serving as the interim chief executive officer of the EZ Prints business pursuant to a consulting agreement. Total consideration for the sale was $0.6 million, of which $0.1 million has been received and $0.5 million is in the form of a non-interest bearing note receivable due on or before December 31, 2018. As part of the closing of the sale, we agreed to pay a current obligation of $1.25 million to one of EZ Prints' current customers.

In connection with the EZ Prints asset purchase agreement, we entered into a transition services agreement with EZP Holdings for a maximum period of one year from the closing date, a license agreement whereby we continue to have the right to use certain software, and cross fulfillment agreements whereby each party agrees to fulfill certain products for the other party.

Groups business asset sale

On March 6, 2015, we completed the sale of our Groups business, which provided personalized apparel and merchandise for groups and organizations through our e-commerce websites ("Groups"), pursuant to an asset purchase agreement with Logo Sportswear Inc. ("Logo Sportswear"). We received proceeds of $9.2 million, net of expenses, of which $1.0 million is in escrow for our indemnification obligations pursuant to an escrow agreement between us, Logo Sportswear and the escrow agent.

In connection with the Groups business asset purchase agreement, we also entered into a transition services agreement and a referral agreement with Logo Sportswear. The transition services agreement with Logo Sportswear provides certain corporate support services that our Groups business has historically received from us, is effective as of the closing date, and certain services can be provided for up to one year after close. Under the referral agreement we will continue to promote Logo Sportswear product types on our websites and redirect potential customers from our websites to a Logo Sportswear website. The initial term of the referral agreement is for a period of two years following the closing date.

Art business asset sale

On March 1, 2015, we sold our Art business, which enabled users to transform photographs and images into canvas works of art, pursuant to an asset purchase agreement with Circle Graphics, Inc. ("Circle Graphics"). We received proceeds of $28.5 million, net of expenses, of which $2.4 million is in escrow for its indemnification obligations pursuant to an escrow agreement between Circle Graphics, the escrow agent, and us.

In connection with the Art business asset purchase agreement, we also entered into a transition services agreement and a commercial agreement with Circle Graphics. The transition services agreement with Circle Graphics provides certain corporate support services that our Art business has historically received from us, is effective as of the closing date, and certain services can be provided for up to one year after close. The commercial agreement permits us to continue to sell Art products on our websites. If the fulfillment price provided by Circle Graphics is consistent with market prices, the Art products we sell on our websites must be exclusively fulfilled by Circle Graphics, provided that Circle Graphics meets certain pricing criteria. The initial term of the commercial agreement is for a period of three years following the closing date.

Invitationbox.com business asset sale

On November 5, 2014, we entered into an asset purchase agreement with Phoenix Online LLC, a related party who subsequently separated from CafePress, which sold certain assets and liabilities of our InvitationBox.com business for a nominal amount of cash and quarterly revenue share payments equal to: a) 5% of the gross revenue generated by the InvitationBox.com business for a period of five years; b) 3% of the gross revenue generated by the InvitationBox.com business for a period of five years as consideration for our guaranty of a certain assumed lease for up to $900,000; and c) 2% of the gross revenue generated by the InvitationBox.com business for a period of five years as consideration for certain transition services to be provided by us. If and when such corporate guaranty is released or the underlying lease is terminated, and/or the transition services end then the additional cash revenue payments will cease.

The divested businesses together represented approximately 43% of our total revenue in 2014. We believe these strategic steps will provide us the resources required to focus on improving our core business, further enhance stockholder value and strengthen our balance sheet.

The consolidated statements of operations for all periods presented have been recast to reflect the sale of our Invitation box.com business assets in 2014, the sale of our Art and Groups business assets in the first fiscal quarter of 2015, and the sale of our EZ Prints business assets in the third fiscal quarter of 2015 within discontinued operations. Results of discontinued operations are excluded from Management's Discussion and Analysis of Financial Condition and Results of Operations for all periods presented, unless otherwise noted. See Note 5, *Discontinued Operations*, in the accompanying Notes to Consolidated Financial Statements.

As previously disclosed, our Board of Directors authorized the review of various strategic alternatives to streamline our operations, unlock shareholder value and strengthen our balance sheet, and retained Raymond James & Associates as our exclusive independent financial advisor to assist the Board of Directors in this review. The closed divestitures of our Art, Groups and Invitation Box.com businesses are the successful result of our formal strategic evaluations process, which is now complete. Additionally, we divested our EZ Prints business in September 2015 using internal management resources as this divestiture was not part of the scope of our agreement with Raymond James. There are no additional planned divestitures being considered by management.

Our Business

We are a leading online retailer of personalized products offering a wide variety of expressive gifts and accessories including t-shirts and apparel, mugs and drinkware, and home goods such as custom shower curtains and bed coverings. We conduct most of our business on our primary United States based domain, CafePress.com, and also operate CafePress branded websites for the markets in the United Kingdom, Canada, and Australia. We also sell CafePress branded products though other online retail partners. Our products are customized with expressive designs contributed through a variety of means including crowd-sourced user generated content, stock art licenses and licensed content relationships with large entertainment companies and brands.

Our facility in Louisville, Kentucky has innovative technology and manufacturing processes that enable us to provide high-quality customized products that are individually built to order. Our proprietary processes enable us to produce a broad range of merchandise efficiently, cost effectively and quickly. We also maintain a network of third-party contract manufacturers to produce customized products on our behalf to satisfy demand for certain product lines or for geographic considerations.

The majority of our net revenues are generated from sales of customized products through our e-commerce websites, associated partner websites or through storefronts hosted by CafePress. In addition, we generate revenues from fulfillment services, including print and production services provided to third parties. Customized products include user-designed products as well as products designed by our content owners.

An important revenue driver is customer acquisition, primarily through online marketing efforts including paid and natural search, email, social, affiliate and an array of other channels, as well as the acquisition efforts of our content owners. As a result, our sales and marketing expenses are our largest operating expense.

Our consumers and content owner customers are increasingly accessing e-commerce sites from their mobile devices. This shift to mobile site access presents challenges for us as we cope with shifting traffic patterns, and we have experienced lower conversion rates on traffic from mobile devices. We expect that this shift to mobile site access will continue for the foreseeable future.

Seasonal and cyclical influences impact our business volume. A significant portion of our sales are realized in conjunction with traditional retail holidays, with the largest sales volume in the fourth quarter of each calendar year. Our offering of custom gifts for the holidays combined with consumers' continued shift to online purchasing drive this trend. As a result of this seasonality, our revenues in each of the first three quarters of the year are generally substantially lower than our revenues in the fourth quarter of the preceding year, and we expect this to continue for the foreseeable future.

We monitor several key operating metrics including (from continuing operations):

	Three Months Ended							
	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015
Key operating metrics:								
Total number of orders	649,016	734,775	659,566	1,393,044	616,938	608,956	566,540	1,091,270
Average order size	$ 42	$ 39	$ 39	$ 37	$ 36	$ 36	$ 35	$ 36

Total number of orders

Total number of orders represents the number of individual transactions that are shipped during the period. We monitor the total number of orders as a leading indicator of revenue trends.

Average order size

Average order size is calculated as billings for a given period based on shipment date divided by the total number of associated orders in the same period. Due to timing of meeting revenue recognition criteria, billings may not be recognized as revenues until the following period. We closely monitor the average order size as it relates to changes in order volume, product pricing and product mix.

Basis of presentation

Net revenues

We generate revenues from online transactions through our e-commerce websites and through our partners' websites.

We recognize revenues associated with an order when all revenue recognition criteria have been met. Revenues are recorded at the gross amount when we are the primary obligor in a transaction, are subject to inventory and credit risk, have latitude in establishing prices and selecting suppliers, or have most of these indicators. For transactions where we act as principal and record revenues on a gross basis, applicable royalty payments to our content owners are recorded in cost of net revenues.

We have entered into arrangements with certain customers to provide fulfillment services under which we are not the primary obligor. These arrangements constitute a smaller component of our business. We consider ourselves as acting as an agent in such transactions. The net fees received on such transactions are recorded as revenues.

Cost of net revenues

Cost of net revenues includes materials, labor, royalties and fixed overhead costs related to our manufacturing facilities, as well as outbound shipping and handling costs. The cost of materials may vary based on revenues as well as the price we are able to negotiate. Shipping fluctuates with volume as well as the method of shipping and fuel surcharges. Labor varies primarily by volume and product mix, and to a lesser extent, based on whether the employee is an hourly or a salary employee. We rely on temporary employees to augment our permanent staff particularly during periods of peak demand. Our royalty expenses are comprised of fees we pay to our content owners for the use of their content on our products. Such fees vary based primarily on sales channel and volume. Certain sales transactions under our create & buy program do not incur royalties. Royalty-based obligations are expensed to cost of net revenues at the contractual rate for the relevant product sales.

Operating expenses

Operating expenses consist of sales and marketing, technology and development, general and administrative expenses and acquisition-related costs, impairment charges, and restructuring costs.

Sales and marketing

Sales and marketing expenses consist primarily of customer acquisition costs, personnel costs and costs related to customer support, order processing and other marketing activities. Customer acquisition, customer support and order processing expenses are variable and historically have represented the majority of our overall sales and marketing expenses.

Our customer acquisition costs consist of various online media programs, such as paid search engine marketing, email, flash deal promotions through group-buying and social websites, display advertising and affiliate channels. We believe this expense is a key lever that we can use within our business as we adjust volumes to our target return on investment. We expect to continue to invest in sales and marketing expense in the foreseeable future to fund new customer acquisition, increase focus on driving repeat customer purchases, and build our brand.

Technology and development

Technology and development expenses consist of costs incurred for engineering, network operations, and information technology, including personnel expenses, as well as the costs incurred to operate our websites. Technology and development costs are expensed as incurred, except for certain costs related to the development of internal use software and website development, which are capitalized and amortized over the estimated useful lives ranging from two to three years.

General and administrative

General and administrative expenses consist of personnel, professional services and facilities costs related to our executive, finance, human resources and legal functions. Professional services consist primarily of outside legal and accounting services. General and administrative expenses also include headcount and related costs for operations related to our content usage and fraudulent review personnel.

Acquisition related costs

Acquisition related costs include performance-based compensation payments, any changes in the estimated fair value of performance-based contingent consideration payments which were initially recorded in connection with our acquisitions and third-party fees incurred in connection with our acquisition activity.

We have fulfilled our obligations related to our previous acquisitions and therefore maintained no accrual for performance-based contingent consideration payments as of December 31, 2015 and 2014.

Critical accounting policies and estimates

The discussion and analysis of our financial condition and results of operations are based upon our audited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue recognition

We recognize revenues from product sales, net of estimated returns based on historical experience, when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured.

We evaluate whether it is appropriate to record the gross amount of product sales and related costs as product revenues or the net amount earned as fulfillment revenues. Revenues are recorded at the gross amount when we are the primary obligor in a transaction, are subject to inventory and credit risk, have latitude in establishing prices and selecting suppliers, or have most of these indicators. When we are not the primary obligor and do not have most of these indicators, revenues will be recorded at the net amount received.

Product sales and shipping revenues are recognized net of promotional discounts, rebates, and return allowances. Revenues from product sales and services rendered are recorded net of sales and consumption taxes. We periodically provide incentive offers to customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases, and other similar offers. Current discount offers, when used by customers, are treated as a reduction of revenues. We maintain an allowance for estimated future returns and credit card chargebacks based on current period revenues and historical experience.

We account for flash deal promotions through group-buying and social websites as gift certificates. Deferred revenue is recorded at the time of the promotion based on the gross fee payable by the end customer as we are the primary obligor in the transaction. We defer the costs for the direct and incremental sales commission retained by group-buying websites and record the associated expense as a component of sales and marketing expense at the time revenue is recognized. Revenue is recognized on redemption of the offer and delivery of the product to our customers.

We recognize gift certificate breakage from flash promotions, our internally managed voucher promotions, and gift certificate sales as a component of revenues. We monitor historical breakage experience and when sufficient history of redemption exists, we record breakage revenue in proportion to actual gift certificate redemptions. When we conclude that insufficient history of redemption and breakage experience exists, breakage revenue is recognized upon expiration of the flash deal promotion or in the period we consider the obligation for future performance related to such breakage to be remote. Changes in customers' behavior could impact the amounts that are ultimately redeemed and could affect the breakage recognized as a component of revenues.

We recognized breakage revenue for flash promotions of $0.2 million, $0.7 million and $0.7 million and the associated direct sales commission of $0.1 million, $0.2 million and $0.1 million for the years ended

December 31, 2015, 2014 and 2013, respectively. This increased operating income by $0.1 million, $0.5 million and $0.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Internal use software and website development costs

We incur costs associated with website development and for software developed or obtained for internal use. We expense all costs that relate to the planning associated with website development and for the post-implementation phases of development as product development expense. Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life of two to three years. Costs associated with repair or maintenance are expensed as incurred.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed related to a business combination. Goodwill is presumed to have an indefinite life and is not subject to amortization. We conduct a quantitative test for the impairment of goodwill at least annually, as of July 1 of each year, and also whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be fully recoverable. The quantitative impairment test is a two-step process. The first step is a comparison of the fair value of the reporting unit with its carrying amount, including goodwill. If this step indicates impairment, then the loss is measured as the excess of recorded goodwill over its implied fair value, or the excess of the fair value of the reporting unit over the fair value of all identified assets and liabilities.

We determine our reporting units for goodwill impairment testing by identifying those components at, or one level below, our operating segments that (1) constitute a business, (2) have discrete financial information available, and (3) are regularly reviewed by segment management.

As of the date of our annual goodwill impairment tests in 2015, we determined we had one operating segment and one reporting unit, which is consistent with 2014.

In performing our quantitative impairment tests, we determine the fair value of our reporting unit through a combination of the income and market approaches. Under the income approach, we estimate fair value based on a discounted cash flow model using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Under the market approach, we estimate the fair value of our overall business based on our current market capitalization, market comparables, or other objective evidence of fair value.

During fiscal year 2014, our market value dropped to below its book value, we had management changes, and we had changes to certain strategic objectives and operations. We considered these items to be triggering events which resulted in additional goodwill impairment tests carried out at September 30, 2014 and December 31, 2014. As a result, we updated our quantitative impairment test using a combination of the income and market approaches. Based on our updated impairment analyses performed as of September 30, 2014 and as of December 31, 2014, which considered cash flows from continuing operations, excluding the sale of our InvitationBox.com, Art, and Groups businesses, there was excess fair value over carrying value of 20% and 27%, respectively. Accordingly, we concluded that step two of the goodwill impairment tests was not required at either of these dates and no impairment was recorded.

In the first quarter of 2015, we closed the sale of our Art and Groups businesses and in the second quarter of 2015 classified our EZ Prints business as "Assets Held for Sale" and "Liabilities Held for Sale" in accordance with ASC 205-20-55, Presentation of Financial Statements and ASC 360, Property, Plant, and Equipment. We considered these items to be triggering events, and accordingly, performed goodwill impairment tests as of March 31, 2015 and June 30, 2015. These tests resulted in estimated excess fair value over carrying value of 3% and 6%, respectively. Accordingly, we concluded that step two of the goodwill impairment tests was not required at either of these dates and no impairment was recorded.

In the third quarter of 2015, we performed our annual impairment test as of July 1, 2015 and, subsequently, performed an impairment test as of September 1, 2015 upon the sale of our EZ Prints business, which we considered a triggering event. These tests resulted in estimated excess fair value over carrying value of 6% and 7%, respectively. Accordingly, we concluded that step two of the goodwill impairment tests was not required at either of these dates and no impairment was recorded.

As of December 31, 2015, our market capitalization was approximately $64.4 million compared to our carrying value of $70.3 million, which did not, in management's view, suggest that the fair value estimates used in its impairment assessment required any adjustment as this shortfall is considered to be a temporary event. In addition, since September 1, 2015, the date of our last goodwill impairment analysis, there have been no material changes to our operations or our financial forecasts, and we exceeded our fourth quarter Adjusted EBITDA (see definition on page 34) target. Subsequent to the end of the year and up through March 22, 2016, the market price of the Company's stock fluctuated from a high of $3.99 on February 25th to a low of $3.11 on January 19th. Management believes this short-term volatility represents the temporary nature of our market capitalization as of December 31, 2015, and does not warrant an additional triggering event.

The application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Significant judgment, and the use of significant estimates and assumptions, is required to estimate the fair value of reporting units, including estimating future cash flows, future market conditions, and determining the appropriate discount rates, growth rates, and operating margins, among others.

Our discounted cash flow analyses factor in assumptions on revenue and expense growth rates. These estimates are based upon our historical experience and projections of future activity, factoring in customer demand, and a cost structure necessary to achieve the related revenues.

Additionally, these discounted cash flow analyses factor in expected amounts of working capital and weighted average cost of capital. We believe our assumptions are reasonable, however, there can be no assurance that our estimates and assumptions made for purposes of our goodwill impairment testing, at the annual date and the interim testing date, will prove to be accurate predictions of the future. Changes in these estimates and assumptions as noted above, could lead us to conduct an additional interim goodwill impairment test and ultimately result in a significant goodwill impairment charge. In addition, a change in reporting units from any further reorganization, could materially affect the determination of reporting units or fair value for each reporting unit, which could trigger impairment in the future. It is not possible at this time to determine if any such future impairment charge would result. We will continue to review our results against forecasts and assess our assumptions to ensure they continue to be appropriate.

We evaluate our finite-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset is impaired or the estimated useful lives are no longer appropriate. Intangible assets resulting from the acquisition of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets received. Our intangible assets have an economic useful life and/or expire after a specified period of time and thus are classified as finite-lived intangible assets on our balance sheets. Amortization of finite-lived intangible assets is computed using the straight-line method over the estimated economic life of the assets which range from three years to eight years. If indicators of impairment exist and the undiscounted projected cash flows associated with such assets are less than the carrying amount of the asset, an impairment loss is recorded to write the asset down to its estimated fair value. Fair value is estimated based on discounted future cash flows. Factors that could result in an impairment review include, but are not limited to, significant underperformance relative to projected future operating results, significant negative industry or economic trends and changes in the planned use of assets. During the third and fourth quarters of 2014, we considered the impact of our annual and interim goodwill impairment tests, as well as the change in management and in certain strategic objectives and operations, on the recoverability of our long-lived assets. We concluded that there was no impairment of our long-lived intangible assets as of December 31, 2014.

In the second quarter of 2015, we committed to a plan to divest our EZ Prints business. Certain assets and liabilities of the EZ Prints business have been classified as assets and liabilities held for sale in accordance with ASC 205-20-55 on our Consolidated Balance Sheets and have been included in discontinued operations for all periods presented. In addition, condensed cash flow information for all periods presented is included. At this time, we reviewed the carrying value of the EZ Prints assets as compared to the fair value of such assets as measured by the offers received. Accordingly, as prescribed by ASC 360, *Impairment or Disposal of Long-Lived Assets*, we recorded an impairment charge of $7.3 million to lower the carrying value of the assets to fair value and such charge is included in the operating section of "Discontinued Operations" in the Consolidated Statement of Operations. We completed the sale of our EZ Prints business in the third quarter of 2015 and recorded a gain on the sale of $0.3 million which is included in the "Other (expense) income, net" section of "Discontinued Operations" in the Consolidated Statement of Operations.

In connection with the sale of the InvitationBox.com, Art and Groups businesses, the Company eliminated $18.9 million of goodwill in 2014. In 2015, $0.4 million of Goodwill was added back due to an adjustment to the final sales price of the Art business.

Income taxes

We use the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized by applying the statutory tax rates in effect in the years in which the differences between the financial reporting and tax filings basis of existing assets and liabilities are expected to reverse.

During the quarter ended December 31, 2013, we recorded a non-cash income tax provision of $9.3 million to establish a valuation allowance, and further increased the valuation allowance to $11.4 million as of December 31, 2015.

Management periodically evaluates the realizability of our net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets.

During the quarter ended December 31, 2015, we weighed both positive and negative evidence and determined that there is a need for the valuation allowance due to the existence of three years of historical cumulative losses and a forecast that projected future losses from operations in 2016, which we considered significant verifiable negative evidence. We intend to maintain the valuation allowance until sufficient positive evidence exists to support reversal of the valuation allowance.

Stock-Based Compensation Expense

We measure our stock based awards at fair value and recognize compensation expense for all share-based payment awards made to our employees and directors, including employee stock options and restricted stock awards.

We estimate the fair value of stock options granted using the Black-Scholes valuation model. This model requires us to make estimates and assumptions including, among other things, estimates regarding the length of time an employee will retain vested stock options before exercising them, the estimated volatility of our common stock price using historical and implied volatility and the number of options that will be forfeited prior to vesting. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Changes in these estimates and assumptions can materially affect the determination of the fair value of stock-based compensation and consequently, the related amount recognized in our consolidated statements of operations.

Results of operations

The following table presents the components of our statement of operations as a percentage of net revenues:

	Year Ended December 31,		
	2015	2014	2013
Net revenues	100%	100%	100%
Cost of net revenues	60	64	63
Gross profit	40	36	37
Operating expenses:			
Sales and marketing	20	24	25
Technology and development	12	10	9
General and administrative	12	14	9
Acquisition-related costs	—	—	—
Impairment charges	1	—	—
Restructuring costs	1	—	—
Total operating expenses	46	48	43
Income (loss) from operations	(6)	(13)	(6)
Interest income	—	—	—
Interest expense	—	—	—
Other (expense) income	—	—	—
Loss before income taxes	(6)	(13)	(6)
Provision (benefit) for income taxes	—	(1)	5
Net loss from continuing operations	(6)%	(11)%	(11)%
Effective tax rate	(2.1)%	10.2%	(81.2)%

Comparison of the years ended December 31, 2015 and December 31, 2014

The following table presents our statements of operations for the periods indicated:

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Net revenues	$104,508	$132,054	$ (27,546)	(21)%
Cost of net revenues	63,069	85,016	(21,947)	(26)
Gross profit	41,439	47,038	(5,599)	(12)
Operating expenses:				
Sales and marketing	20,485	31,488	(11,003)	(35)
Technology and development	12,490	13,448	(958)	(7)
General and administrative	12,560	18,590	(6,030)	(32)
Acquisition-related costs	—	50	(50)	(100)
Impairment charges	788	—	788	NM
Restructuring costs	1,311	42	1,269	NM
Total operating expenses	47,634	63,618	(15,984)	(25)
Loss from operations	(6,195)	(16,580)	10,385	(63)
Interest income	64	18	46	256
Interest expense	(62)	(77)	15	(19)
Other (expense) income, net	58	6	52	867
Loss (income) before income taxes from continuing operations	(6,135)	(16,633)	10,498	(63)
Provision (benefit) for income taxes	128	(1,700)	1,828	(108)
Net loss from continuing operations	$ (6,263)	$ (14,933)	$ 8,670	(58)%

NM = Not meaningful

Net revenues

Net revenues decreased $27.5 million, or 21%, in 2015 compared to 2014. The change in revenue resulted from a decline in orders primarily within our CafePress.com marketplace and in our international domains. In addition, revenues within our Retail Partner Channel declined modestly compared to 2014. The decline in revenue from CafePress.com is primarily attributable to changes to our pricing and promotional strategy and a reduction in our variable advertising expenses intended to maximize profit margins. The decline in international revenue is due in part to a reduction in the number of international website domains that we maintain which occurred in the first quarter of 2015. Throughout 2015, net revenues were negatively impacted by the continued shifts in customer behavior resulting in a shifting traffic mix toward mobile devices. Within our Retail Partner Channel, growth in net revenues from our retail partner feeds was more than offset by a decline within our Corporate Shops platform. Our net revenues have historically varied from period to period and we expect this trend to continue.

Cost of net revenues

Cost of net revenues decreased $21.9 million, or 26%, in 2015 compared to 2014. As a percentage of net revenues, cost of net revenues was 60% in 2015, compared to 64% in 2014. Changes to our pricing and promotional strategy and improvements in the optimization of our manufacturing processes have yielded improvements in gross profit margins. Within cost of net revenues, materials, shipping, and labor decreased as a percentage of net revenues by approximately 2.9 percentage points. As a percentage of net revenues, commission expense also decreased by approximately 1.1 percentage points. Production overhead remained flat as a percentage of net revenues compared to last year despite the decline in revenue.

Sales and marketing

Sales and marketing expenses decreased $11.0 million, or 35%, in 2015 compared to 2014. Sales and marketing expenses were 20% of net revenues in 2015 compared to 24% in 2014. The decrease in absolute dollars in sales and marketing expenses consists of an $11.1 million decline in variable expenses, partially offset by a $0.1 million increase in fixed expenses. The decline in variable expenses was primarily due to lower keyword and online advertising expenses as we changed the focus of our advertising programs to achieve higher levels of return on investment. To a lesser extent, variable expenses also declined due to lower customer service costs, and a decrease in credit card processing fees. The increase in fixed costs is due primarily to increased spending on marketing services related to our brand development and customer retention initiatives.

Technology and development

Technology and development expenses decreased $1.0 million, or 7%, in 2015 compared to 2014. Technology and development expenses were 12% of net revenues in 2015 compared to 10% in 2014. The decrease in absolute dollars is primarily due to a $0.9 million decrease in depreciation expense and a $0.7 million decrease in our co-location facility hosting and data costs. These declines more than offset $0.5 million of increased personnel expense primarily caused by a decline in the amount of labor spent on capitalizable development projects.

General and administrative

General and administrative expenses decreased $6.0 million, or 32%, in 2015 compared to 2014. General and administrative expenses were 12% of net revenues in 2015 compared to 14% in 2014. The decrease in absolute dollars was primarily due to a $4.0 million decline in professional services fees, consisting primarily of lower legal costs from decreased litigation activity this year. In addition, personnel-related costs declined by $2.0 million, primarily from lower stock-based compensation expense and, to a lesser extent, from one-time costs associated with the resignation of our former Chief Executive Officer in 2014.

Acquisition-related costs

There were no acquisition-related costs in 2015, compared to an expense of $50 thousand in 2014. As of December 31, 2015 we had fulfilled our obligations related to our previous acquisitions for performance-based contingent consideration payments and no remaining liability exists.

Restructuring costs

Restructuring costs were $1.3 million in 2015, compared to $42 thousand in 2014. In 2015, this expense consists of $0.8 million related to the reduction of our production capacity within our Louisville, Kentucky facility, primarily the write-off of the building, which is under a capital lease, and leasehold improvements which will no longer be in use and $0.5 million related to the early termination of our lease and the downsizing of our San Mateo, California office. Restructuring costs in 2014 related to the early termination of a facility lease.

Impairment charges

Impairment charges were $0.8 million in 2015, which related to capitalized internally developed software and website applications which are no longer being utilized. There were no impairment charges in 2014.

Provision for income taxes

The provision for income tax was $0.1 million in 2015 compared to a benefit of $1.7 million in 2014. Our effective tax rate was (2.1)% and 10.2% in 2015 and 2014, respectively. For the year ended December 31, 2015, the effective tax rate was different than our statutory rate primarily due to the net loss from continuing operations while maintaining a full valuation allowance against our deferred tax assets. For the year ended December 31, 2014, the effective tax rate was different than the statutory tax rate primarily due to the effect of the reduction of the estimated fair value of contingent consideration and a tax loss carryback generated in the period while maintaining a full valuation allowance against our deferred tax assets. We intend to maintain the valuation allowance until sufficient positive evidence exists to support reversal of the valuation allowance.

Comparison of the years ended December 31, 2014 and December 31, 2013

The following table presents our statements of operations for the periods indicated:

	Year Ended December 31,			
	2014	**2013**	**$ Change**	**% Change**
	(in thousands, except for percentages)			
Net revenues	$ 132,054	$ 146,195	$(14,141)	(10)%
Cost of net revenues	85,016	92,462	(7,446)	(8)
Gross profit	47,038	53,733	(6,695)	(12)
Operating expenses:				
Sales and marketing	31,488	36,003	(4,515)	(13)
Technology and development	13,448	13,461	(13)	—
General and administrative	18,590	12,668	5,922	47
Acquisition-related costs	50	112	(62)	(55)
Restructuring costs	42	—	42	NM
Total operating expenses	63,618	62,244	1,374	2
Loss from operations	(16,580)	(8,511)	(8,069)	95
Interest income	18	40	(22)	(55)
Interest expense	(77)	(113)	36	(32)
Other (expense) income, net	6	(7)	13	(186)
Loss before income taxes	(16,633)	(8,591)	(8,042)	94
(Benefit) provision for income taxes	(1,700)	6,973	(8,673)	(124)
Net loss from continuing operations	$(14,933)	$(15,564)	$631	(4)%

NM = Not meaningful

Net revenues

Net revenues decreased $14.1 million, or 10%, in 2014 compared to 2013. The decrease in net revenues resulted from a decline in orders primarily within our CafePress.com site, which more than offset growth within our Retail Partner Channel. The decline in revenue from CafePress.com is primarily attributable to changes to our pricing and promotional strategy and a reduction in our variable advertising expenses in the third and fourth quarters of 2014. Throughout 2014 net revenues were also impacted by the continued shifts in customer behavior resulting in increased traffic from mobile devices. Within our Retail Partner Channel, growth in net revenues from new and expanded retail partner feeds more than offset a modest decline within our Corporate Shops platform. Our net revenues have historically varied from period to period and we expect this trend to continue.

Cost of net revenues

Cost of net revenues decreased $7.4 million, or (8)%, in 2014 compared to 2013. As a percentage of net revenues, cost of net revenues was 64% in 2014, compared to 63% in 2013. Within cost of net revenues, the variable components of materials, shipping, and labor collectively increased by approximately 1 percentage point due to changes in product mix and increases in outsourced manufacturing. Plant overhead costs increased by approximately 1 percentage point due to higher depreciation and facility rent expense and overall loss of leverage due to a decline in revenue. These increases were partially offset by a 1 percentage point decline in commission costs.

Sales and marketing

Sales and marketing expenses decreased $4.5 million, or 13%, in 2014 compared to 2013. Sales and marketing expenses were 24% of net revenues in 2014 compared to 25% in 2013. The decrease in absolute dollars in sales and marketing expenses consists of a $4.0 million decline in variable expenses and a $0.5 million decline in fixed expenses. The decline in variable expenses was primarily due to lower keyword and other online advertising expenses as we changed the focus of our advertising programs to achieve higher levels of return on investment in the latter portion of the year. To a lesser extent, our variable expenses also declined due to lower flash deal promotion expense and a decline in affiliate commissions. The decline in fixed costs is primarily due to a reduction in personnel related expenses.

Technology and development

Technology and development expenses were essentially flat in 2014 and 2013. Technology and development expenses were 10% of net revenues in 2014 compared to 9% in 2013. In 2014, a modest decline in personnel expense caused by increased levels of capitalization of labor was offset by higher third party contractor costs and increased stock-based compensation expense.

General and administrative

General and administrative expenses increased $5.9 million, or 47%, in 2014 compared to 2013. General and administrative expenses were 14% in 2014 and 9% in 2013. The increase in absolute dollars was primarily due to a $4.3 million increase in professional services fees, consisting primarily of legal fees from increased litigation activity and accounting fees, and personnel related costs increased by approximately $1.1 million, primarily due to costs associated with the resignation of our former chief executive officer in 2014. In addition, other expenses increased by $0.4 million, primarily driven by higher insurance costs and the effect of a gain on fixed asset disposal recorded in 2013.

Acquisition-related costs

Acquisition-related costs were $50 thousand in 2014 and $0.1 million in 2013. These expenses consisted of legal and professional fees related to our acquisition activity.

Restructuring costs

Restructuring costs were $42 thousand in 2014, compared to none in 2013. Restructuring costs in 2014 related to the early termination of a facility lease.

Provision (benefit) for income taxes

The benefit from income tax was $1.7 million in 2014 compared to a provision of $7.0 million in 2013. Our effective tax rate was 10.2% and (81.2)% in 2014 and 2013, respectively. For the year ended December 31, 2014, the effective tax rate was different than the statutory tax rate primarily due to the effect of the reduction of the estimated fair value of contingent consideration and a tax loss carryback generated in the period while maintaining a full valuation allowance against our deferred tax assets. For the year ended December 31, 2013, our effective tax rate provision is higher than the statutory rate primarily due to the recording of a non-cash income tax provision of $9.3 million to establish a valuation allowance. We weighed both positive and negative evidence and determined that there is a need for the valuation allowance due to the existence of three years of historical cumulative losses, which we considered significant verifiable negative evidence.

Quarterly trends

Our business is subject to seasonal fluctuations. In particular, we generate a significant portion of our revenues during the fourth quarter, primarily due to increased retail activity during the holiday seasons. During the fourth quarter, we typically see our largest increases in orders and customers. As a result of this seasonality, our revenues in the first quarter of each year are generally substantially lower than our revenues in the fourth quarter of the preceding year, and we expect this to continue for the foreseeable future.

Liquidity and capital resources

As of December 31, 2015 we had cash, cash equivalents, and short term investments totaling $50.3 million. In the first quarter of 2015, we sold the assets of our Art and Groups businesses for a total of $37.7 million, net of expenses, $3.4 million of which is being held in escrow accounts to be released to us 15 months after each respective closing date if there are no claims for indemnification outstanding against us at that time. In the third quarter, we sold the assets of our EZ Prints business for $0.1 million in cash and a non-interest bearing note receivable for $0.5 million due in 2018. As part of the transaction, the buyer retained $3.3 million in cash and we paid a $1.25 million obligation to a current customer.

In March 2013, we entered into a loan and security agreement which provided for a revolving credit facility of $5.0 million to fund acquisitions, share repurchases and other general corporate needs through June 2016 and which bears interest at either the London Inter Bank Offer Rate +1.75% or the bank's prime rate +.75%.

In July 2014, we amended our loan and security agreement, which extended the maximum amount available under our revolving credit facility from $5.0 million to $6.5 million, and simultaneously entered into a letter of credit in connection with our amended facility lease agreement for $1.5 million. The letter of credit will expire no later than September 15, 2020. All other terms, conditions, covenants and the interest rate under the original March 2013 credit facility remain the same. Excluding the $1.5 million letter of credit, there were no draws against the facility as of December 31, 2015 and $5.0 million remained available.

This credit agreement requires us to comply with various financial covenants, including the maintenance of a 1.5 to 1 liquidity to debt ratio, all of which we were in compliance with at December 31, 2015, and is secured through all of our assets. With our current cash levels and forecasts, we expect to continue to meet this covenant. If we require additional capital resources to grow our business or to acquire complementary technologies and businesses at any time in the future, we may seek to sell additional equity or raise funds through debt financing or other sources. The sale of additional equity could result in additional dilution to our stockholders. If we raise

additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operating flexibility, and would also require us to incur interest expense. We can provide no assurance that additional financing will be available at all or, if available, that we would be able to obtain financing on terms favorable to us.

On May 4, 2015, our Board of Directors approved a stock repurchase program of up to 20% of the outstanding shares of our common stock or an aggregate of 3.5 million shares of our common stock, whichever is less, over a period of one year. As of December 31, 2015, we have used $4.2 million of cash to repurchase 931,664 shares of our common stock. The stock repurchase program may be modified, extended or terminated by our Board of Directors at any time and there is no guarantee as to the exact number of shares that will be repurchased under the program. The stock repurchase program is expected to be funded by available working capital.

Our future capital requirements may vary materially from those currently planned and will depend on many factors, including, among other things, market acceptance of our products, our growth, and our operating results, as well as any potential investments, acquisitions or stock repurchases. We anticipate that our current cash and cash equivalent balances and cash generated from operations, and cash available from our credit line will be sufficient to meet our strategic and working capital requirements for at least the next twelve months.

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
		(in thousands)	
Net cash provided by (used in) operating activities	$(1,883)	$ 1,032	$ 9,717
Net cash provided by (used in) investing activities	$ 8,174	$(2,155)	$(4,006)
Net cash used in financing activities	$(4,277)	$(1,563)	$(3,574)

Cash flows from operating activities

Our primary source of cash from operating activities is cash collections from our customers and partners. The substantial majority of our net revenues are generated from credit card transactions and credit card accounts receivable and are typically settled within one and five business days. Our primary uses of cash for operating activities are for settlement of accounts payable to vendors and personnel-related expenditures. Our quarterly cash flows from operations are impacted by the seasonality of our business. We generate a significant portion of our cash flow from operations in the fourth quarter and cash flows in the first three to nine months have generally been negative due to the timing of settlements of accounts payable and accrued liabilities related to our fourth quarter holiday business, and to a lesser extent, operating losses. We expect that cash provided by operating activities may fluctuate in future periods due to a number of factors, including volatility in our operating results, seasonality, accounts receivable collections performance, inventory and supply chain management, and the timing and amount of personnel-related payments.

In 2015, $4.0 million in net income adjusted for non-cash items and a $5.8 million reduction in working capital items primarily due to the timing of vendor payments resulted in net cash provided by operations of $1.9 million. Non-cash items, which totaled $1.8 million, included impairment charges of $8.1 million, depreciation and amortization of $6.8 million, stock-based compensation of $1.8 million, amortization of intangible assets of $1.2 million, and a loss on disposal of fixed assets of $1.1 million, offset by a gain on the sale of businesses of $17.3 million. The impairment charges of $8.1 million consist of $7.3 million from the write-down of EZ Prints assets prior to its sale and $0.8 million related to the write off of capitalized website development that will no longer be used. The $1.0 million loss on the disposal of assets includes $0.8 million related to the capacity reduction in our Louisville, Kentucky facility and is included in restructuring costs. Working capital decreased primarily due to the increase in accounts payable related to the timing of payments for raw material purchases.

In 2014, $2.4 million in net income adjusted for non-cash items and a $1.3 million reduction in working capital items primarily due to the timing of vendor payments resulted in net cash provided by operations of $1.0 million.

Non-cash items, which totaled $18.3 million, included depreciation and amortization of $9.8 million, amortization of intangible assets of $4.2 million, stock-based compensation of $2.9 million, a $0.2 million loss on fixed assets, offset by a $0.7 million reduction in the deferred tax liability and a $0.7 million change in the fair value of contingent consideration. In 2014, we sold assets resulting in a loss of $2.6 million. Working capital increased primarily due to the increase in accounts payable related to the timing of payments for raw material purchases.

In 2013, $7.5 million in net income adjusted for non-cash items and a $2.2 million change in working capital items resulted in net cash provided by operations of $9.7 million. Non-cash items, which totaled $21.4 million, included depreciation and amortization of $9.1 million, amortization of intangible assets of $5.0 million, stock-based compensation of $3.8 million, and deferred income tax of $8.3 million, offset by a change in the fair value of contingent consideration of $4.5 million. Working capital decreased primarily due to the increase in accounts payable related to the timing of payments for raw material purchases.

Cash flows from investing activities

In 2015, net cash provided by investing activities was $8.2 million, consisting primarily of the net proceeds received from the sale of the Art, Groups, and EZ Prints businesses of $34.4 million, of which $3.4 million was placed in escrow and classified as restricted cash. This was partially offset by purchases of $17.6 million in short term investments, net of maturities, and $5.2 million in capital expenditures. The capital expenditures consisted primarily of $1.8 million for the purchase of land and a building to be used for our corporate offices, $1.9 million of software and website development costs, and $1.5 million for the purchase of production and computer equipment.

In 2014, net cash used in investing activities was $2.2 million, consisting primarily of $2.7 million in capital expenditures related to the purchase of property and equipment and the capitalization of $3.0 million of software and website development costs, offset by $3.5 million in maturing short term investments.

In 2013, net cash used in investing activities was $4.0 million, consisting primarily of $6.3 million for capital expenditures related to the purchase of property and equipment and the capitalization of $4.0 million of software and website development costs, offset by $5.9 million in maturing short term investments, net of purchases.

Cash flows from financing activities

In 2015, net cash used by financing activities was $4.3 million, primarily due to $4.2 million in repurchases of common stock and $0.5 million in payments on capital lease obligations, partially offset by $0.4 million of proceeds from stock option exercises.

In 2014, net cash used by financing activities was $1.6 million, primarily due to $1.2 million cash paid in connection with settlement of contingent consideration, and $0.8 million in payments on capital lease obligations and insurance premium financing, partially offset by $0.5 million of proceeds from stock option exercises.

In 2013, net cash used by financing activities was $3.6 million, primarily due to $2.5 million cash paid in connection with settlement of contingent consideration, and $1.4 million in payments on short term borrowings and capital lease obligations, offset by net borrowings under insurance financing of $0.7 million.

Non-GAAP financial measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles, or Non-GAAP, financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. We closely monitor Adjusted EBITDA which meets the definition of a Non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) less interest and other income (expense), provision

for (benefit from) income taxes, depreciation and amortization, stock-based compensation, acquisition-related costs, restructuring costs and impairment charges.

We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures (affecting net interest expense), tax positions (such as the impact on periods of changes in effective tax rates or fluctuations in permanent differences or discrete quarterly items), the impact of depreciation and amortization, stock-based compensation, acquisition-related costs, restructuring costs and impairment charges. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes and to incentivize and compensate our management personnel.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP as the excluded items may have significant effects on our operating results and financial condition. When evaluating our performance, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results. The following shows the trend of Adjusted EBITDA as a percentage of net revenue, for each of the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except for percentages)		
Net revenues	$104,508	$132,054	$146,195
Non-GAAP Adjusted EBITDA	$ 3,861	$ (6,393)	$ 1,660
% of net revenues	3.7%	(4.8)%	1.1%

The following table presents a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net income (loss) from continuing operations	$(6,263)	$(14,933)	$(15,564)
Non-GAAP adjustments:			
Interest and other (income) expense	(60)	53	80
Provision for (benefit from) income taxes	128	(1,700)	6,973
Depreciation and amortization	6,251	7,294	7,184
Stock-based compensation	1,706	2,801	2,875
Acquisition-related costs	—	50	112
Impairment charges	788	—	—
Restructuring costs	1,311	42	—
Adjusted EBITDA	$ 3,861	$ (6,393)	$ 1,660

Contribution Margin

Contribution margin (a non-GAAP financial measure which we reconcile to "Gross profit" in our consolidated statements of operations) consists of gross profit plus stock-based compensation included in cost of net revenues less variable sales and marketing expenses and reflects an additional way of viewing our results. When viewed together with our GAAP results, we believe contribution margin provides management and users of the financial statements information about our ability to cover our operating costs, such as Technology and Development and General and Administrative expenses. Contribution margin is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures.

You should review our financial statements and publicly-filed reports in their entirety and not rely on any single financial measure. One material limitation associated with the use of contribution margin is that it is an incomplete measure of profitability as it does not include all operating expenses or non-operating income and expenses. Management compensates for these limitations when using this measure by looking at other GAAP measures, such as operating income and net income.

The following table presents the calculation of contribution margin from continuing operations for the periods indicated (in thousands, except for percentages):

	Year Ended December 31,					
	2015		2014		2013	
	(in thousands, except for percentages)					
Net revenues	$104,508	100%	$132,054	100%	$146,195	100%
Cost of net revenues	63,069	60	85,016	64	92,462	63
Gross profit	41,439	40	47,038	36	53,733	37
Non-GAAP adjustments:						
Add: Stock-based compensation	163	—	162	—	177	—
Less: Variable sales and marketing costs	(13,342)	(13)	(24,449)	(19)	(27,881)	(19)
Contribution Margin (from continuing operations)	$ 28,260	27%	$ 22,751	17%	$ 26,029	18%

Off-balance sheet arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt and we have not entered into any synthetic leases. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Table of Contractual Obligations:

	Payments due by period			
	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
	(in thousands)			
Capital lease obligations	$ 607	$ 355	$—	$—
Operating lease obligations	947	1,554	19	—
Purchase obligations	633	—	—	—
	$2,187	$1,909	$ 19	$—

Recent accounting pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products*. The ASU exempts prepaid gift certificates from the guidance on extinguishing financial liabilities. The gift certificates will be subject to breakage accounting consistent with the new revenue standard, see below. Breakage should only be recognized to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. The ASU is effective for or fiscal years beginning after December 15, 2017, and is applied either using a modified retrospective transition method or retrospectively. Early adoption is permitted. Adoption of the standard is not expected to have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2018. We are currently in the process of evaluating the impact of adoption of ASU 2016-02 on our financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes.* The ASU is part of the Board's simplification initiative aimed at reducing complexity in accounting standards. The new guidance may impact balance sheet presentation and working capital for many reporting entities, even in cases where there is a full valuation allowance. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied either prospectively or retrospectively. Early adoption is permitted. We early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this ASU did not have a material effect on our financial statements as of December 31, 2015. No prior periods were retrospectively adjusted.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement Period Adjustments.* The new guidance requires that adjustments made to provisional amounts recognized in a business combination be recorded in the period such adjustments are determined, rather than retrospectively adjusting previously reported amounts. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are evaluating the impact, if any, of adopting this new accounting guidance on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory—Simplifying the Measurement of Inventory (Topic 330).* ASU 2015-11 requires inventory to be subsequently measured using the lower of cost and net realizable value, thereby eliminating the market value approach. Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied prospectively. Early adoption is permitted. We are evaluating the impact, if any, of adopting this new accounting guidance on its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern,* that provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and related footnote disclosures. The new standard is effective for us in the fourth quarter of fiscal 2016 with early adoption permitted. We are currently evaluating adoption methods and whether this standard will have a material impact on our financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for us beginning January 1, 2018. Early

application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating adoption methods and whether this standard will have a material impact on our financial statements and related disclosures.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* that limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, and requires expanded disclosures for discontinues operations. The new standard will be effective prospectively for disposals that occur in fiscal years beginning after December 15, 2014. The adoption of this standard did not have a material impact on our financial statements and related disclosures.

In 2013, the FASB issued a ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* The ASU will require the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Consolidated Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new standard requires adoption on a prospective basis in the first quarter of 2015; however, early adoption is permitted. The adoption of this standard did not have a material impact on our financial statements and related disclosures.

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 risk related to interest rate, foreign currency exchange rate sensitivities and inflation.

Interest rate sensitivity

We had cash and cash equivalents and short-term investments of $50.3 million and $27.0 million as of December 31, 2015 and December 31, 2014, respectively. These amounts were held primarily in cash deposits, money market funds and certificates of deposit. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of the interest rates in the United States. Due to the short-term nature of these instruments, a change in market interest rates would not be expected to have a material impact on our financial condition or our results of operations.

Foreign currency exchange rate sensitivity

Our sales to international customers are denominated in multiple currencies, including the United States dollar, the British Pound, the Euro, the Canadian dollar and the Australian dollar. As the substantial majority of our sales are charged to credit cards, accounts receivables are generally settled in short time duration and accordingly, we have limited exposure to foreign currency exchange rates on our accounts receivable. To date, our operating costs have been denominated primarily in United States dollars. As a result of our limited exposure to foreign currency exchange rates, we do not currently enter into foreign currency hedging transactions. If our international operations increase, our exposure to foreign currency exchange rate fluctuations may increase.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 8. Financial Statements and Supplementary Data

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Form 10-K

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of CafePress Inc.:

We have audited the accompanying consolidated balance sheet of Cafepress, Inc. as of December 31, 2015 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. In connection with our audit of the consolidated financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cafepress, Inc. at December 31, 2015, and the results of its operations and its cash flows for the year then ended**,** in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP
Edina, Minnesota
March 30, 2016

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of CafePress Inc.:

In our opinion, the consolidated balance sheets as of December 31, 2014 and the related consolidated statements of operations, stockholders' equity and cash flows for each of two years in the periods ended December 31, 2014 and 2013 present fairly, in all material respects, the financial position of CafePress and its subsidiaries at December 31, 2014, and the results of their operations and their cash flows for each of the two years in the periods ended December 31, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for each of the two years in the period ended December 31, 2014 and 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these 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
San Jose, California

March 31, 2015, except with respect to our opinion on the consolidated financial statements insofar as it relates to the effects of the discontinued operation as discussed in Note 5, as to which the date is March 30, 2016.

CAFEPRESS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amounts)

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,663	$ 26,971
Short-term investments	17,610	—
Accounts receivable	680	1,029
Inventory, net	3,850	6,750
Deferred costs	619	1,948
Assets held for sale	—	48,835
Restricted cash	3,417	—
Prepaid expenses and other current assets	2,413	4,517
Total current assets	61,252	90,050
Property and equipment, net	8,624	11,659
Goodwill	20,899	20,535
Other assets	608	241
TOTAL ASSETS	$ 91,383	$122,485
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,938	$ 8,015
Partner commissions payable	—	1,100
Accrued royalties payable	4,292	5,883
Accrued liabilities	10,701	12,007
Deferred revenue	864	2,448
Capital lease obligation, current	565	494
Liabilities held for sale	—	20,904
Total current liabilities	20,360	50,851
Capital lease obligation, non-current	347	910
Other long-term liabilities	353	539
TOTAL LIABILITIES	21,060	52,300
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $0.0001 par value: 10,000 shares authorized as of December 31, 2015 and 2014; none issued and outstanding	—	—
Common stock, $0.0001 par value: 500,000 shares authorized; 16,766 and 17,417 outstanding as of December 31, 2015 and 2014, respectively	2	2
Treasury stock; 50 shares at December 31, 2015	(203)	—
Additional paid-in capital	99,344	101,158
Accumulated deficit	(28,820)	(30,975)
TOTAL STOCKHOLDERS' EQUITY	70,323	70,185
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 91,383	$122,485

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

CAFEPRESS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except per share data)		
Net revenues	$104,508	$132,054	$146,195
Cost of net revenues	63,069	85,016	92,462
Gross profit	41,439	47,038	53,733
Operating expenses:			
Sales and marketing	20,485	31,488	36,003
Technology and development	12,490	13,448	13,461
General and administrative	12,560	18,590	12,668
Acquisition-related costs	—	50	112
Impairment charges	788	—	—
Restructuring costs	1,311	42	—
Total operating expenses	47,634	63,618	62,244
Loss from operations	(6,195)	(16,580)	(8,511)
Interest income	64	18	40
Interest expense	(62)	(77)	(113)
Other income (expense), net	58	6	(7)
Loss before income taxes	(6,135)	(16,633)	(8,591)
Provision (benefit) for income taxes	128	(1,700)	6,973
Net loss from continuing operations	(6,263)	(14,933)	(15,564)
Income (loss) from discontinued operations, net of tax (Note 5)	8,418	(974)	1,651
Net income (loss)	$ 2,155	$ (15,907)	$ (13,913)
Net income (loss) per share of common stock:			
Basic:			
Continuing operations	$ (0.36)	$ (0.86)	$ (0.91)
Discontinued operations	$ 0.49	$ (0.06)	$ 0.10
Diluted:			
Continuing operations	$ (0.36)	$ (0.86)	$ (0.91)
Discontinued operations	$ 0.49	$ (0.06)	$ 0.10
Shares used in computing net income (loss) per share of common stock:			
Basic	17,239	17,308	17,143
Diluted	17,296	17,308	17,318

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

CAFEPRESS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total Stockholders' equity
	Shares	Amount				
Balance as of December 31, 2012	17,114	$ 2	$ —	$ 93,890	$ (1,155)	$ 92,737
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	59	—	—	60	—	60
Stock-based compensation expense	—	—	—	3,855	—	3,855
Tax benefit (short-fall) from stock-based compensation	—	—	—	(69)	—	(69)
Net loss	—	—	—	—	(13,913)	(13,913)
Balance as of December 31, 2013	17,173	2	—	97,736	(15,068)	82,670
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	244	—	—	451	—	451
Stock-based compensation expense	—	—	—	2,971	—	2,971
Net loss	—	—	—	—	(15,907)	(15,907)
Balance as of December 31, 2014	17,417	2	—	101,158	(30,975)	70,185
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	281	—	—	399	—	399
Repurchase of common stock	(932)		(203)	(3,981)		(4,184)
Stock-based compensation expense	—	—	—	1,768	—	1,768
Net income	—	—		—	2,155	2,155
Balance as of December 31, 2015	16,766	$ 2	$(203)	$ 99,344	$(28,820)	$ 70,323

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

CAFEPRESS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash Flows from Operating Activities:			
Net income (loss)	$ 2,155	$(15,907)	$(13,913)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	6,808	9,770	9,081
Amortization of intangible assets	1,229	4,239	4,976
(Gain) loss on disposal of fixed assets	1,147	206	(160)
Stock-based compensation	1,753	2,929	3,773
Impairment charges	8,099	—	—
Change in fair value of contingent consideration liability	—	(741)	(4,490)
(Gain) loss on sale of businesses	(17,319)	2,579	—
Deferred income taxes	88	(710)	8,272
Tax short-fall from stock-based compensation	—	—	(69)
Changes in operating assets and liabilities, net of effect of divestitures:			
Accounts receivable	349	(346)	2,080
Inventory	2,900	107	272
Prepaid expenses and other current assets	3,433	393	(921)
Other assets	38	398	34
Accounts payable	(4,100)	(7,071)	8,181
Partner commissions payable	(1,100)	(624)	(2,241)
Accrued royalties payable	(1,591)	69	113
Accrued and other liabilities	(1,580)	4,393	(452)
Income taxes payable	—	—	(765)
Assets and liabilities held for sale	(2,608)	—	—
Deferred revenue	(1,584)	1,348	(4,054)
Net cash provided by (used in) operating activities	(1,883)	1,032	9,717
Cash Flows from Investing Activities			
Purchase of short-term investments	(27,570)	—	(3,475)
Proceeds from maturities of short-term investments	9,960	3,475	9,403
Purchase of property and equipment	(3,346)	(2,665)	(6,279)
Capitalization of software and website development costs	(1,903)	(3,040)	(3,995)
Proceeds from disposal of fixed assets	12	—	170
Change in restricted cash	(3,417)	75	170
Proceeds from sale of business, net of expenses paid	34,438	—	—
Net cash provided by (used in) investing activities	8,174	(2,155)	(4,006)
Cash Flows from Financing Activities:			
Principal payments on equipment loan	—	—	(894)
Principal payments on capital lease obligations	(492)	(558)	(545)
Payments under insurance financing	—	(256)	(684)
Borrowings under insurance financing	—	—	940
Proceeds from exercise of common stock options	399	451	60
Payment of contingent consideration	—	(1,200)	(2,451)
Repurchase of common stock	(4,184)	—	—
Net cash used in financing activities	(4,277)	(1,563)	(3,574)
Change in cash of discontinued operations	3,678	(2,548)	1,303
Net increase (decrease) in cash and cash equivalents	5,692	(5,234)	3,440
Cash and cash equivalents—beginning of period	26,971	32,205	28,765
Cash and cash equivalents—end of period	$ 32,663	$ 26,971	$ 32,205
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 77	$ 143	$ 178
Income taxes paid (refunded) during the period	(1,094)	(2,571)	997
Non-cash Investing and Financing Activities:			
Accrued purchases of property and equipment	$ 30	$ 7	$ 173
Note receivable from sale of business	405	—	—
Property and equipment acquired under capital leases	—	—	345
Property and equipment acquired under rent agreement	—	—	321

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

CAFEPRESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Company

Business

CafePress Inc., or the Company, formerly CafePress.com, Inc., was incorporated under the laws of the State of California on October 18, 1999. On January 19, 2005, the Company was reincorporated under the laws of the State of Delaware. On June 7, 2011, the name of the Company was changed to CafePress Inc.

The Company is a leading online retailer of personalized products offering a wide variety of expressive gifts and accessories including t-shirts and apparel, mugs and drinkware, and home goods such as custom shower curtains and bed coverings. The Company conducts most of its business on its primary United States based domain, CafePress.com and also operates CafePress branded websites for the markets in the United Kingdom, Canada, and Australia. The Company also sells CafePress branded products through other online retail partners. The Company's products are customized with expressive designs contributed through a variety of means including crowd-sourced user generated content, stock art licenses and licensed content relationships with large entertainment companies and brands.

The Company's facility in Louisville, Kentucky has innovative technology and manufacturing processes that enable the Company to provide high-quality customized products that are individually built to order. The Company's proprietary processes enables the Company to produce a broad range of merchandise efficiently, cost effectively and quickly. The Company also maintains a diverse network of contract manufacturers that gives the Company the ability to broaden its manufacturing capabilities and produce in certain international locales.

2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany transactions and balances have been eliminated.

Segments

The Company's chief operating decision maker is its Chief Executive Officer, who manages the Company's operations on a consolidated basis for purposes of allocating resources. As a result, the Company has a single reporting unit and operating segment which is the Company's single reportable segment. All of the Company's principal operations and decision-making functions are located in the United States.

Discontinued operations

Prior year financial statements have been recast to reflect the sale of the Company's InvitationBox.com business assets in the fourth quarter of 2014, the sale of its Art and Groups businesses in the first fiscal quarter of 2015, and the sale of its EZ Prints, Inc. assets in the third quarter of 2015 in accordance with the Financial Accounting Standards Board Accounting Standards Codification 205-20 within discontinued operations. Results of discontinued operations are excluded from the accompanying notes to the consolidated financial statements for all periods presented, unless otherwise noted. See Note 5, *Discontinued Operations*, in the accompanying Notes to Consolidated Financial Statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including but not limited to those related to revenue recognition, provisions for doubtful accounts, credit card chargebacks, sales returns, inventory write-downs, stock-based compensation, legal contingencies, depreciable lives, asset impairments, accounting for business combinations, and income taxes including required valuation allowances. The Company bases its estimates on historical experience, projections for future performance and other assumptions that it believes to be reasonable under the circumstances. Actual results could differ materially from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity or remaining maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents consist primarily of deposits in money market funds. The Company's cash is deposited primarily with U.S. financial institutions. The deposits in money market funds are not federally insured.

Short-term investments

Short-term investments are securities with original maturities greater than three months but less than one year. Short-term investments, consisting of certificates of deposit, are classified as available-for-sale securities and are carried at fair value. The fair value of short-term investments approximate their carrying value and unrealized gains and losses and realized gains and losses have not been material for all periods presented.

Accounts receivable

Accounts receivable consist primarily of trade amounts due from customers and from uncleared credit card transactions at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest. The Company has not experienced significant credit losses from its accounts receivable. The Company performs a regular review of its customers' payment histories and associated credit risks and it does not require collateral from its customers.

Fair value of financial instruments

The Company records its financial assets and liabilities at fair value. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

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

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, short-term borrowings, accounts payable, partner commissions payable and accrued liabilities have carrying amounts which approximate fair value due to the short-term maturity of these instruments.

Concentration of credit risk and other risks and uncertainties

The Company’s cash, cash equivalents and short-term investments are deposited primarily with financial institutions and money market funds in the United States. At times, such deposits may be in excess of the amount of insurance provided on such deposits. The Company has not experienced any losses on its cash, cash equivalents or short-term investments.

The Company’s products and services are concentrated in the e-commerce industry, which is highly competitive and rapidly changing.

The Company’s net revenues are settled primarily through credit cards, and to a lesser extent, amounts invoiced to fulfillment services customers and group-buying service providers. For all periods presented, the substantial majority of net revenues were settled through payments by credit card and for the years ended December 31, 2015, 2014 and 2013, no customer accounted for more than 10% of total net revenues. Credit card receivables settle relatively quickly and the Company maintains allowances for potential credit losses based on historical experience. To date, such losses have not been material and have been within management’s expectations.

The Company’s accounts receivable are derived primarily from customers located in the United States and consist primarily of amounts due from partners and group-buying service providers. The Company performs an initial credit evaluation at the inception of a contract and regularly evaluates its ability to collect outstanding customer invoices. Two customers accounted for 31% (18% and 13%, respectively) of gross accounts receivable as of December 31, 2015. Two customers accounted for 28% (17% and 11%, respectively) of gross accounts receivable as of December 31, 2014.

The Company’s accounts payable are settled based on contractual payment terms with its suppliers. Two suppliers accounted for 29% (16% and 13%, respectively) of accounts payable as of December 31, 2015. One supplier accounted for 14% of accounts payable as of December 31, 2014.

The Company’s partner commissions payable are derived from B2B business and are settled based on contractual payment terms with its partners. As of December 31, 2015 the Company had no partner commissions payable and as of December 31, 2014, one partner accounted for 100% of partner commissions payable.

Inventory

Inventory is comprised primarily of raw materials and is stated at lower of cost or market using the first-in, first-out (“FIFO”) method. The cost of excess or obsolete inventory is written down to net realizable value when the Company determines inventories to be slow moving, obsolete or excess, or where the selling price of the product is insufficient to cover product costs and selling expense. This evaluation takes into account expected demand, historical usage, product obsolescence and other factors. Recoveries of previously written down inventory are recognized only when the related inventory is sold and revenue has been recognized.

Property and equipment

Property and equipment, which includes property and equipment acquired under capital leases, are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Amortization expense of assets acquired through capital leases is included in depreciation and amortization expense in the statements of operations.

The useful lives of the property and equipment are as follows:

Building	40 years
Office furniture and computers	3 years
Computer software	2 to 3 years
Production equipment	3 to 7 years
Leasehold improvement	Shorter of lease term or estimated useful life

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in the statement of operations. Major additions and improvements are capitalized, while replacements, maintenance and repairs that do not extend the lives of the assets are charged to expense as incurred.

Internal use software and website development costs

The Company incurs costs associated with website development and for software developed or obtained for internal use. The Company expenses all costs that relate to the planning associated with website development and for the post-implementation phases of development as product development expense. Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life of two to three years. Costs associated with repair or maintenance are expensed as incurred. For the years ended December 31, 2015, 2014 and 2013, the Company capitalized $1.7 million, $2.3 million and $2.1 million, respectively, of website development costs and software development costs related to software for internal use.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed related to a business combination. Goodwill is presumed to have an indefinite life and is not subject to amortization. The Company conducts a quantitative test for the impairment of goodwill at least annually, as of July 1 of each year, and also whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be fully recoverable. The quantitative impairment test is a two-step process. The first step is a comparison of the fair value of the reporting unit with its carrying amount, including goodwill. If this step indicates impairment, then the loss is measured as the excess of recorded goodwill over its implied fair value, or the excess of the fair value of the reporting unit over the fair value of all identified assets and liabilities.

The Company determined its reporting units for goodwill impairment testing by identifying those components at, or one level below, the operating segments that (1) constitute a business, (2) have discrete financial information available, and (3) are regularly reviewed by segment management.

As of the dates of the Company's annual goodwill impairment test and other impairment analyses in 2015, it had one operating segment and one reporting unit, which is consistent with 2014.

In performing the Company's quantitative impairment tests, it determines the fair value of its reporting unit through a combination of the income and market approaches. Under the income approach, the Company estimates fair value based on a discounted cash flow model using a discount rate determined by management to be commensurate with the risk inherent in the Company's current business model. Under the market approach, the Company estimates the fair value of its overall business based on its current market capitalization, market comparables, or other objective evidence of fair value.

During fiscal year 2014, the Company's market value dropped below its book value, it had management changes, and it had changes to certain strategic objectives and operations. The Company considered these items to be triggering events which resulted in additional goodwill impairment tests carried out at September 30, 2014 and December 31, 2014. As a result, the Company updated its quantitative impairment test using a combination of the

income and market approaches. Based on the Company's goodwill impairment analyses performed as of September 30, 2014 and as of December 31, 2014, which considered cash flows from continuing operations, excluding the sale of its InvitationBox.com, Art, and Groups businesses there was excess fair value over carrying value of 20% and 27%, respectively. Accordingly, the Company concluded that step two of the goodwill impairment tests were not required at either of these dates and no impairment was recorded.

In the first quarter of 2015, the Company closed the sale of its Art and Groups businesses and in the second quarter of 2015 classified its EZ Prints business as "Assets Held for Sale" and "Liabilities Held for Sale" in accordance with FASB Accounting Standards Codification ("ASC") 205-20-55, Presentation of Financial Statements and ASC 360, Property, Plant, and Equipment. The Company considered these items to be triggering events, and accordingly, performed goodwill impairment tests as of March 31, 2015 and June 30, 2015. These tests resulted in estimated excess fair value over carrying value of 3% and 6%, respectively. Accordingly, the Company concluded that step two of the goodwill impairment tests was not required at either of these dates and no impairment was recorded.

In the third quarter of 2015, the Company performed its annual impairment test as of July 1, 2015 and, subsequently, performed an impairment test as of September 1, 2015 upon the sale of its EZ Prints business assets, which it considered a triggering event. These tests resulted in estimated excess fair value over carrying value of 6% and 7%, respectively. Accordingly, the Company concluded that step two of the goodwill impairment tests was not required at either of these dates and no impairment was recorded.

As of December 31, 2015, our market capitalization was approximately $64.4 million compared to our carrying value of $70.3 million, which did not, in management's view, suggest that the fair value estimates used in its impairment assessment required any adjustment as this shortfall is considered to be a temporary event. In addition, since September 1, 2015, the date of our last goodwill impairment analysis, there have been no material changes to our operations or our financial forecasts and we exceeded our fourth quarter Adjusted EBITDA (see definition on page 34) target. Subsequent to the end of the year and up through March 22, 2016, the market price of the Company's stock fluctuated from a high of $3.99 on February 25th to a low of $3.11 on January 19th. Management believes this short-term volatility represents the temporary nature of our market capitalization as of December 31, 2015, and does not warrant an additional triggering event.

The application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Significant judgment, and the use of significant estimates and assumptions, is required to estimate the fair value of reporting units, including estimating future cash flows, future market conditions, and determining the appropriate discount rates, growth rates, and operating margins, among others.

The Company's discounted cash flow analyses factor in assumptions on revenue and expense growth rates. These estimates are based upon the Company's historical experience and projections of future activity, factoring in customer demand, and a cost structure necessary to achieve the related revenues. Additionally, these discounted cash flow analyses factor in expected amounts of working capital and weighted average cost of capital. The Company believes its assumptions are reasonable, however, there can be no assurance that its estimates and assumptions made for purposes of its goodwill impairment testing, at the annual date and the interim testing dates, will prove to be accurate predictions of the future. Changes in these estimates and assumptions as noted above, could lead the Company to conduct an additional interim goodwill impairment test and ultimately result in a significant goodwill impairment charge. It is not possible at this time to determine if any such future impairment charge would result.

In connection with the sale of the InvitationBox.com, Art and Groups businesses, the Company eliminated $18.9 million of goodwill in 2014. In 2015, $0.4 million of Goodwill was added back due to an adjustment to the final sales price of the Art business.

Impairment of long-lived assets and intangible assets

The Company reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company reviews long-lived assets and intangible assets for impairment at the lowest level for which identifiable cash flows are largely independent of other assets and liabilities. For all periods presented, no assets were tested for impairment at the consolidated entity level and impairment assessments were performed at the reporting unit or at a lower-level asset group level. Recoverability is measured by comparison of the carrying amount of the future net cash flows which the assets are expected to generate. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset. In 2015, the Company recorded impairment charges of $8.1 million. There were no impairment charges in 2014 or 2013.

In the second quarter of 2015, the Company committed to a plan to divest its EZ Prints business. Certain assets and liabilities of the EZ Prints business had been classified as assets and liabilities held for sale in accordance with ASC 205-20-55 on our Consolidated Balance Sheets and are included in discontinued operations for all periods presented. In addition, condensed cash flow information for all periods presented is included. At this time, the Company reviewed the carrying value of the EZ Prints assets as compared to the fair value of such assets as measured by the offers received. Accordingly, as prescribed by ASC 360, *Impairment or Disposal of Long-Lived Assets*, the Company recorded an impairment charge of $7.3 million to lower the carrying value of the assets to fair value and such charge is included in the operating section of “Discontinued Operations” in the Consolidated Statement of Operations. The Company completed the sale of its EZ Prints business in the third quarter of 2015 and recorded a gain on the sale of $0.3 million which is included in the “Other (expense) income, net” section of “Discontinued Operations” in the Consolidated Statement of Operations.

In the fourth quarter of 2015, the Company recorded an impairment charge of $0.8 million related to capitalized internally developed software and website applications.

Minimum royalty and content license commitments

The Company pays royalties to branded content owners for the use of their content on the Company’s products. Royalty-based obligations are generally either paid in advance and capitalized on the balance sheet as prepaid royalties or accrued as incurred and subsequently paid. Royalty-based obligations paid in advance are generally non-refundable. Royalty-based obligations are expensed to cost of net revenues at the contractual royalty rate for the relevant product sales on a per transaction basis.

The Company’s contracts with some licensors include minimum guaranteed royalty payments, which are payable regardless of the ultimate volume of sales. When no significant performance remains with the licensor, the Company initially records each of these guarantees as an asset and as a liability at the contractual amount. The Company records an asset for the right to use the content on its merchandise because it represents a probable future economic benefit. When significant performance remains with the licensor, the Company records prepaid royalty payments as an asset when actually paid. The Company recorded royalty assets of $0.3 million and $0.6 million as of December 31, 2015 and 2014, respectively. The Company recorded a minimum guaranteed liability of $0.2 million and $0.5 million as of December 31, 2015 and 2014, respectively. The Company classifies accrued minimum royalty obligations as current liabilities to the extent they are contractually due within twelve months.

Each quarter, the Company evaluates the realization of its royalty assets as well as any unrecognized guarantees not yet paid to determine amounts that it deems unlikely to be realized through product sales. The Company uses estimates of future revenues in determining the projected net cash flows to evaluate the future realization of royalty assets and guarantees. This evaluation considers the term of the agreement and current and anticipated sales levels, as well as other qualitative factors such as the success of similar content deals. To the extent that this

evaluation indicates that the remaining royalty assets and guaranteed royalty payments may not be recoverable, the Company records an impairment charge to cost of net revenues in the period impairment is indicated.

Revenue recognition

The Company recognizes revenues from product sales, net of estimated returns based on historical experience, when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured.

The Company evaluates whether it is appropriate to record the gross amount of product sales and related costs as product revenues or the net amount earned as fulfillment revenues. Revenues are recorded at the gross amount when the Company is the primary obligor in a transaction, is subject to inventory and credit risk, has latitude in establishing prices and selecting suppliers, or has most of these indicators. When the Company is not the primary obligor and does not take inventory risk, revenues will be recorded at the net amount received by the Company as fulfillment revenues.

Product sales and shipping revenues are recognized net of promotional discounts, rebates, and return allowances. Revenues from product sales and services rendered are recorded net of sales and consumption taxes. The Company periodically provides incentive offers to customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases, and other similar offers. Current discount offers, when used by customers, are treated as a reduction of revenues. The Company maintains an allowance for estimated future returns and credit card chargebacks based on current period revenues and historical experience.

The Company accounts for flash deal promotions through group-buying websites as gift certificates. Deferred revenue is recorded at the time of the promotion based on the gross fee payable by the end customer as the Company considers it is the primary obligor in the transaction. The Company defers the costs for the direct and incremental sales commission retained by group-buying websites and records the associated expense as a component of sales and marketing expense at the time revenue is recognized. Revenue is recognized on redemption of the offer and delivery of the product to the Company's customers.

The Company recognizes gift certificate breakage from flash deal promotions, its internally managed voucher promotions, and gift certificate sales as a component of revenues. The Company monitors historical breakage experience and when sufficient history of redemption exists, the Company records breakage revenue in proportion to actual gift certificate redemptions. When the Company concludes that insufficient history of redemption and breakage experience exists, breakage revenue is recognized upon expiration of the flash deal promotion or in the period the Company considers the obligation for future performance related to such breakage to be remote. Changes in customers' behavior could impact the amounts that are ultimately redeemed and could affect the breakage recognized as a component of revenues.

The Company recognized breakage revenue for flash deal promotions of $0.2 million, $0.7 million and $0.7 million and the associated direct sales commission of $0.1 million, $0.2 million and $0.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. This increased operating income by $0.1 million, $0.5 million and $0.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Deferred revenues include funds received in advance of product fulfillment, deferred revenue for flash deal promotions and gift cards and amounts deferred until applicable revenue recognition criteria are met. Direct and incremental costs associated with deferred revenue are deferred, classified as deferred costs and recognized in the period revenue is recognized.

Cost of net revenues

Cost of net revenues includes materials, shipping, labor, royalties and fixed overhead costs related to manufacturing facilities, as well as outbound shipping and handling costs, including those related to promotional

free shipping and subsidized shipping and handling. Royalty payments to content owners for transactions where we act as principal and record revenues on a gross basis are included in cost of net revenues and accrued in the period revenue is recognized. Such royalty payments included in cost of net revenues were $7.0 million, $10.4 million and $12.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Technology and development

Technology and development costs consist of costs related to engineering, network operations, and information technology, including personnel expenses of employees involved in these roles. Technology and development costs are expensed as incurred, except for certain costs relating to the development of internal use software and website development, which are capitalized and amortized over lives ranging from two to three years.

Advertising expense

The costs of producing advertisements are expensed at the time production occurs and the cost of communicating advertising is expensed in the period during which the advertising space is used. Internet advertising expenses are recognized based on the terms of the individual agreements, which is primarily on a pay-per-click basis. Advertising expenses totaled $8.6 million, $17.4 million, and $20.7 million during the years ended December 31, 2015, 2014 and 2013, respectively.

Stock-based compensation

Stock-based compensation cost of stock-based awards granted is measured at the grant date, based on the fair value of the award, and recognized as expense on a straight-line basis over the requisite service period. The fair value of stock-based awards to employees is estimated using the Black-Scholes option pricing model. The Company estimates its forfeiture rate based on an analysis of its actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate assumption based on actual forfeitures, analysis of employee turnover, and other related factors.

Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial statement and tax basis of assets and liabilities, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to an amount the Company estimates is more likely than not to be realized.

The Company follows the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also provides for de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. The guidance utilizes a two-step approach for evaluating uncertain tax positions. Step one, recognition, requires a company to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. If a tax position is not considered, "more likely than not" to be sustained, then no benefits of the position are to be recognized. Step two, measurement, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement. There was no unrecognized tax benefit for any period presented.

The Company recognizes interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties have been accrued for any period presented.

The Company has elected to use the "with and without" approach in determining the order in which tax attributes are utilized. As a result, the Company will only recognize a tax benefit for stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized.

Sales taxes

When sales and other taxes are billed, such amounts are recorded as accounts receivable with a corresponding increase to sales taxes payable. The balances are then removed from the balance sheet as cash is collected from the customer and is remitted to the tax authority.

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). Through December 31, 2015, the components of comprehensive income (loss) are not significant, individually or in the aggregate and therefore, no comprehensive income (loss) information has been presented.

Net income (loss) per share

Basic net income (loss) per share of common stock is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding for the period.

Diluted net income (loss) per share of common stock is computed by giving effect to all potential dilutive common stock outstanding during the period, including stock options and awards. The computation of diluted net income (loss) does not assume conversion or exercise of potentially dilutive securities that would have an anti-dilutive effect on earnings. The dilutive effect of outstanding stock options and awards is computed using the treasury stock method.

Recent accounting pronouncements

In March 2016, the FASB issued ASU 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products*. The ASU exempts prepaid gift certificates from the guidance on extinguishing financial liabilities. The gift certificates will be subject to breakage accounting consistent with the new revenue standard, see below. Breakage should only be recognized to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. The ASU is effective for or fiscal years beginning after December 15, 2017, and is applied either using a modified retrospective transition method or retrospectively. Early adoption is permitted. Adoption of the standard is not expected to have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASU 2014-9, *Revenue from Contracts with Customers (Topic 606).* The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and

lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on our financial statements.

In November 2015, the FASB issued new ASU 2015-17, *Balance Sheet Classification of Deferred Taxes.* The ASU is part of the Boards simplification initiative aimed at reducing complexity in accounting standards. The new guidance may impact balance sheet presentation and working capital for many reporting entities, even in cases where there is a full valuation allowance. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied either prospectively or retrospectively. Early adoption is permitted. The Company early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this ASU did not have a material effect on our financial statements as of December 31, 2015. No prior periods were retrospectively adjusted.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement Period Adjustments.* The new guidance requires that adjustments made to provisional amounts recognized in a business combination be recorded in the period such adjustments are determined, rather than retrospectively adjusting previously reported amounts. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is evaluating the impact, if any, of adopting this new accounting guidance on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory—Simplifying the Measurement of Inventory (Topic 330).* ASU 2015-11 requires inventory to be subsequently measured using the lower of cost and net realizable value, thereby eliminating the market value approach. Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied prospectively. Early adoption is permitted. The Company is evaluating the impact, if any, of adopting this new accounting guidance on its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern,* that provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for the Company in the fourth quarter of fiscal 2016 with early adoption permitted. The Company is currently evaluating adoption methods and whether this standard will have a material impact on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company beginning January 1, 2018. Early application is not permitted. The new standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating adoption methods and whether this standard will have a material impact on its financial statements and related disclosures.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* that limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on and entity's operations and financial results, and requires expanded disclosures for discontinues operations. The new standard will be effective prospectively for disposals that occur in fiscal years beginning after December 15, 2014, with early adoption permitted in certain circumstances. The adoption of this standard did not have a material impact on the Company's financial statements and related disclosures.

In 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* The ASU will require the

presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Consolidated Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new standard requires adoption on a prospective basis in the first quarter of 2015; however, early adoption is permitted. The adoption of this standard did not have a material impact on the Company's financial statements and related disclosures.

3. Investments and Fair Value of Financial Instruments

The components of the Company's cash equivalents and short-term investments, including unrealized gains and losses associated with each are as follows (in thousands):

	December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Cash equivalents:				
Money market funds	$24,116	$—	$—	$24,116
Total cash equivalents	$24,116	$—	$—	$24,116
Short term investments:				
Certificates of deposit, 90 days or greater	17,610	—	—	17,610
Total cash equivalents and short term investments	$41,726	$—	$—	$41,726

	December 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Cash equivalents:				
Money market funds	$18,588	$—	$—	$18,588
Total cash equivalents and short term investments	$18,588	$—	$—	$18,588

The following table represents the Company's fair value hierarchy for its financial assets and liabilities (in thousands):

	December 31, 2015	
	Fair Value	Level I
Cash equivalents:		
Money market funds	$24,116	$24,116
Total financial assets	$24,116	$24,116

	December 31, 2014	
	Fair Value	Level I
Cash equivalents:		
Money market funds	$18,588	$18,588
Total financial assets	$18,588	$18,588

The Company holds money market funds that invest primarily in high-quality short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. Investments in these funds are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) of any other government agency.

The Company held certificates of deposits, classified as cash equivalents or short-term investments, based on the original term. A certificate of deposit is a time deposit with a fixed term that is commonly offered by banks, thrifts, and credit unions. As of December 31, 2015 and 2014, the certificates of deposit held by the Company had a term of 365 days or less. All certificates of deposit held by the Company were within the insured limits of the FDIC.

4. Balance Sheet Items

Property and equipment, net

Property and equipment, net are comprised of the following (in thousands):

	December 31,	
	2015	2014
Building	$ 1,816	$ 3,782
Computer equipment and office furniture	13,401	13,262
Computer software	2,405	2,221
Internal use software and website development	9,638	12,886
Production equipment	18,595	19,276
Leasehold improvements	2,851	4,933
Total property and equipment	48,706	56,360
Less: accumulated depreciation and amortization	(40,082)	(44,701)
Property and equipment, net	$ 8,624	$ 11,659

Property and equipment acquired under capital leases are as follows (in thousands):

	December 31,	
	2015	2014
Building	$ 35	$ 3,782
Less accumulated depreciation	—	(2,958)
Building, net	$ 35	$ 824
Production equipment	$ 389	$ 389
Less: accumulated depreciation	(389)	(372)
Production equipment, net	$ —	$ 17

Effective as of December 31, 2015, the Company completed the purchase of approximately 1.6 acres of land and an on-site building with approximately 25,000 square feet located in Louisville, Kentucky, which the Company will use for its corporate offices. The total cash purchase price at the closing on December 31, 2015, was $1.8 million. The Company plans to move certain corporate functions into the newly purchased building on or before April 21, 2016.

Depreciation and amortization expense was $6.3 million, $7.3 million and $7.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Depreciation expense for assets under capital leases included above was $0.3 million for each of the years ended December 31, 2015, 2014 and 2013.

Accrued liabilities

The following table shows the components of accrued liabilities (in thousands):

	December 31,	
	2015	2014
Production costs	$ 3,245	$ 3,496
Payroll and employee related expense	2,374	1,673
Other accrued liabilities	1,927	2,467
Accrued advertising	1,427	480
Unclaimed royalty payments	830	984
Professional services	548	2,174
Allowance for sales returns and chargebacks	232	294
Royalties-minimum guarantee	118	439
Accrued liabilities	$10,701	$12,007

Allowance for sales returns and chargebacks

The following table presents the changes in the allowance for sales returns and chargebacks (in thousands):

	December 31,		
	2015	2014	2013
Allowance for sales returns and chargebacks:			
Balance, beginning of period	$ 294	$ 677	$ 276
Add: provision	2,905	3,942	4,167
Less: deductions and other adjustments	(2,967)	(4,325)	(3,766)
Balance, end of period	$ 232	$ 294	$ 677

5. Discontinued Operations

In the fourth quarter of 2014 and the first quarter of 2015, in order to improve the Company's core business and further enhance stockholder value, the Company entered into definitive agreements to divest its Art, Groups and InvitationBox.com businesses for a total of approximately $40.3 million in cash. The Art and Groups asset sales closed in the first fiscal quarter of 2015 and the InvitationBox.com asset sale closed in the fourth fiscal quarter of 2014. The Company has classified the assets and liabilities associated with the Art and Groups businesses as assets and liabilities held for sale in the Company's consolidated balance sheet at December 31, 2014 in accordance with ASC 360-10-45 which was prior to January 1, 2015, the effective date of the new accounting standards in relation to discontinued operations reporting. See Note 1. *Business and Summary of Significant Accounting Policies, Recent Accounting Pronouncements.* Therefore, the Company did not apply the new accounting standard to the divestitures of Art and Groups businesses although the businesses were disposed of after the effective date.

In the second quarter of 2015, the Company committed to a plan to divest its EZ Prints business. Certain assets and liabilities of the EZ Prints business were classified as assets and liabilities held for sale in accordance with ASC 205-20-55 in the Company's Consolidated Balance Sheets at June 30, 2015 and are included in discontinued operations. In addition, condensed cash flow information for all periods presented is included herein. In the second quarter of 2015, the Company reviewed the carrying value of the EZ Prints assets as compared to the fair value of such assets as measured by the offers received. Accordingly, as prescribed by ASC 360, *Impairment or Disposal of Long-Lived Assets*, the Company recorded an impairment charge of $7.3 million to lower the carrying value of the assets to fair value, which is included in the operating section of "Discontinued Operations" in the Consolidated Statement of Operations. The Company completed the sale of its EZ Prints business in the third quarter of 2015 and recorded a gain on the sale of $0.3 million which is included in the "Other (income)\expense" section of "Discontinued Operations" in the Consolidated Statement of Operations.

Income (loss) from discontinued operations, net of tax, in the Company's Consolidated Statements of Operations, represents the net income from the disposal of assets and liabilities associated with the sale of Art and Groups in the first quarter of 2015, the impairment charge associated with the writedown of EZ Prints net assets to fair value in the second quarter of 2015, the gain on disposal of the EZ Prints business in the third quarter of 2015, as well as the historical operations of the Art, Groups, InvitationBox.com and EZ Prints businesses for all periods presented in accordance with ASC 205-20-55.

EZ Prints business asset sale

On September 1, 2015, the Company sold its EZ Prints business, which provided a suite of enterprise class deployable software products and services focused on private label e-commerce customization services, pursuant to an asset purchase agreement with EZ Prints Holdings, Inc. ("EZP Holdings"). Vincent Sarrecchia, the chief executive officer of EZP Holdings, was previously serving as the interim chief executive officer of the EZ Prints business pursuant to a consulting agreement with the Company. Total consideration for the sale was $0.6 million, of which $0.1 million has been received and $0.5 million is in the form of a non-interest bearing note receivable due on or before December 31, 2018. As part of the closing of the sale, the Company agreed to pay a current obligation of $1.25 million to one of the Company's current customers.

The Company also entered into a transition services agreement with EZP Holdings for a maximum period of one year from the closing date, a license agreement whereby the Company continues to have the right to use certain software, and cross fulfillment agreements whereby each party agrees to fulfill certain products for the other party.

Groups business asset sale

On March 6, 2015, the Company sold its Groups business, which provided personalized apparel and merchandise for groups and organizations through its e-commerce websites, pursuant to an asset purchase agreement with Logo Sportswear Inc. ("Logo Sportswear"). The Company received proceeds of $9.2 million, net of expenses, of which $1.0 million is in escrow for its indemnification obligations pursuant to an escrow agreement between the Company, Logo Sportswear and the escrow agent.

In connection with the sale of the Groups business, the Company also entered into a transition services agreement for a period of one year from the closing date and referral agreement with Logo Sportswear for a period of two years following the closing date. There is no material relationship between the Company and Logo Sportswear. Management is required to estimate the expected continuing cashflows against the cashflows of the disposed business in order to determine if discontinued operations presentation is applicable. Management has estimated the expected future cashflows in relation to the referral agreement and the transition services agreement on a gross basis in relation to the expected cashflows of the disposed business and has concluded that these cashflows will be insignificant to the disposed business. The Company will have no involvement in the management of Logo Sportswear. As a result, management has applied discontinued operations presentation to the Groups business asset sale in accordance with the ASC 205-20-55.

Art business asset sale

On March 1, 2015, the Company sold its Art business, which enabled users to transform photographs and images into canvas works of art, pursuant to an asset purchase agreement with Circle Graphics, Inc. ("Circle Graphics"). The Company received proceeds of $28.5 million, net of expenses, of which $2.4 million is in escrow for its indemnification obligations pursuant to an escrow agreement between the Company, Circle Graphics and the escrow agent.

The Company also entered into a transition services agreement with Circle Graphics for a period of one year from the closing date, and a commercial agreement whereby certain products purchased on the Company's

websites will be exclusively fulfilled by Circle Graphics for a period of three years following the closing date. There is no material relationship between the Company and Circle Graphics. Management is required to estimate the expected continuing cashflows against the cashflows of the disposed business in order to determine if discontinued operations presentation is applicable. Management has estimated the expected future cashflows in relation to the commercial agreement and the transition services agreement on a gross basis in relation to the expected cashflows of the disposed business and has concluded that these cashflows will be insignificant to the disposed business. The Company will have no involvement in the management of Circle Graphics. As a result, management has applied discontinued operations presentation to the Art business asset sale in accordance with the ASC 205-20-55.

InvitationBox.com business asset sale

On November 5, 2014, the Company entered into an asset purchase agreement with Phoenix Online LLC, a related party, pursuant to which the Company sold certain assets and liabilities of its InvitationBox.com business for a nominal amount of cash and quarterly revenue share payments equal to: a) 5% of the gross revenue generated by the InvitationBox.com business for a period of five years from the effective date of the asset purchase agreement; b) 3% of the gross revenue generated by the InvitationBox.com business for a period of five years from the effective date of the asset purchase agreement as consideration for the Company's guaranty of a certain assumed lease for up to $900,000; and c) 2% of the gross revenue generated by the InvitationBox.com business for a period of five years from the effective date of the asset purchase agreement as consideration for certain transition services to be provided by the Company. The Company will have no involvement in the management of Phoenix Online, LLC. If and when such guaranty is released or the underlying lease is terminated, and/or the transition services end, the additional cash revenue payments will cease.

Financial information for the combined discontinued operations is summarized as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
		(in thousands)	
Net revenues	$22,280	$99,306	$99,661
Cost of net revenues	14,623	61,069	59,984
Gross profit	7,657	38,237	39,677
Operating expenses:			
Sales and marketing	4,825	25,734	27,806
Technology and development	3,030	7,743	7,413
General and administrative	1,375	3,355	5,018
Acquisition-related costs	—	(719)	(1,780)
Impairment charges	7,311	—	—
Restructuring	—	449	—
Total operating expenses	16,541	36,562	38,457
Loss (income) from operations	(8,884)	1,675	1,220
Interest expense	(17)	(69)	(91)
Other (expense) income, net	—	(1)	1
Gain (loss) on sale of assets	17,319	(2,579)	—
Income (loss) before income taxes	8,418	(974)	1,130
Benefit for income taxes	—	—	(521)
Net income (loss) from discontinued operations	$ 8,418	$ (974)	$ 1,651

Components of assets and liabilities held for sale (in thousands):

	December 31, 2014
Assets	
Cash and cash equivalents	$ 3,678
Accounts receivable	7,564
Inventory	2,323
Deferred costs	1,402
Prepaid expenses and other current assets	977
Property and equipment, net	4,513
Goodwill	18,660
Intangible assets, net	9,511
Other assets	207
Assets held for sale	$48,835
Liabilities	
Accounts payable	$ 8,773
Partner commissions payable	3,486
Accrued royalties payable	1,023
Accrued liabilities	3,575
Deferred revenue	3,936
Capital lease obligations	54
Other liabilities	57
Liabilities held for sale	$20,904

Condensed cash flow information for EZ Prints discontinued operations is summarized as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cash Flows from Operating Activities:			
Net (loss) income	$(9,386)	$(4,077)	$ 1,132
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	555	1,160	889
Amortization of intangible assets	1,229	2,460	2,461
Loss on disposal of fixed assets	—	14	3
Stock-based compensation	38	81	257
Change in fair value of contingent consideration liability	—	(194)	(3,295)
Gain on sale of assets	(257)	—	—
Impairment charge	7,311	—	—
Change in operating assets and liabilities	295	3,557	(229)
Net cash (used in) provided by operating activities	(215)	3,001	1,218
Cash Flows from Investing Activities:			
Purchase of property and equipment	(121)	(207)	(457)
Capitalization of software and website development costs	(127)	(216)	(1,142)
Divestiture of assets, cash	(3,215)	—	—
Net cash used in investing activities	(3,463)	(423)	(1,599)

	Year Ended December 31,		
	2015	2014	2013
Cash Flows from Financing Activities:			
Principal payments on capital lease obligations	—	(30)	(28)
Payments on short-term borrowings	—	—	(894)
Net cash used in financing activities	—	(30)	(922)
Net (decrease) increase in cash and cash equivalents	(3,678)	2,548	(1,303)
Cash and cash equivalents—beginning of period	3,678	1,130	2,433
Cash and cash equivalents—end of period	$ —	$3,678	$ 1,130

6. Intangible Assets

Goodwill

The Company performs its annual goodwill impairment test in the third quarter of each year. In 2015, 2014 and 2013, the Company performed its annual impairment assessment, as well as impairment assessments performed due to triggering events in 2015 and 2014, and no impairment of goodwill was identified. See Note 2, *Summary of Significant Accounting Policies*, in the accompanying Notes to Consolidated Financial Statements.

The change in the carrying amount of goodwill, including discontinued operations, is as follows (in thousands):

	Carrying Amount
Balance at December 31, 2012	$ 39,448
No activity	—
Balance at December 31, 2013	39,448
Divestiture of business—InvitationBox.com	(253)
Goodwill included in assets held for sale—Art and Groups businesses	(18,660)
Balance at December 31, 2014	20,535
Divestiture of business—adjustment based on final sale price	364
Balance at December 31, 2015	$ 20,899

7. Related Party Transaction

On September 1, 2015, the Company sold its EZ Prints business, which provided a suite of enterprise class deployable software products and services focused on private label e-commerce customization services, pursuant to an asset purchase agreement with EZP Holdings. Vincent Sarrecchia, the chief executive officer of EZP Holdings, was previously serving as the interim chief executive officer of the EZ Prints business pursuant to a consulting agreement with the Company. Total consideration for the sale was $0.6 million, of which $0.1 million has been received by the Company and $0.5 million is in the form of a non-interest bearing note receivable due on or before December 31, 2018. As part of the closing, the Company paid a current obligation of $1.25 million to one of EZ Prints' current customers.

In connection with the acquisition of Logo'd Software, Inc., the Company entered into a lease agreement with a limited liability company that is owned by the seller of Logo'd Software, Inc. As the seller was an employee of the Company through May, 2013, the lease agreement is considered to be a related party transaction. The lease term is from April 1, 2012 through March 31, 2027 and management believes its terms to be consistent with local market terms and conditions. In connection with the sale of the Groups business asset in March 2015, this lease was transferred to Logo Sportswear, Inc. and is no longer an obligation of the Company. See Note 5, *Discontinued Operations.*

In November 2014, the Company sold its InvitationBox.com business assets to Phoenix Online LLC, a related party. See Note 5, *Discontinued Operations*.

8. Line of Credit

In March 2013, the Company entered into a loan and security agreement which provided for a revolving credit facility of $5.0 million to fund acquisitions, share repurchases and other general corporate needs through June 2016 and which bears interest at either the London Inter Bank Offer Rate +1.75% or the bank's prime rate +0.75%.

In July 2014, the Company amended the loan and security agreement, which extended the maximum amount available under the revolving credit facility from $5.0 million to $6.5 million, and simultaneously entered into a letter of credit in connection with the amended facility lease agreement for $1.5 million. The letter of credit bears interest at 1.5% per annum and will expire no later than September 15, 2020. All other terms, conditions, covenants and the interest rate under the original March 2013 credit facility remain the same. Excluding the $1.5 million letter of credit, there were no draws against the facility as of December 31, 2015 and $5.0 million remained available.

9. Stockholders' Equity

Stock repurchase program

In May 2015, the Company's Board of Directors approved a stock repurchase program of up to 20% of the outstanding shares of its common stock or an aggregate of 3.5 million shares of the Company's common stock, whichever is less, over a period of one year. Any stock repurchases may be made through open market and privately negotiated transactions, or as otherwise may be determined by management, at times and in such amounts as management deems appropriate, and may or may not be made pursuant to one or more Rule 10b5-1trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under a Rule 10b5-1trading plan, the Company may repurchase its shares regardless of any subsequent possession of material nonpublic information. The timing and amount of stock repurchased, if any, will depend on a variety of factors including stock price, market conditions, corporate and regulatory requirements (including applicable securities laws and regulations and the rules of The NASDAQ Stock Market), any additional constraints related to material inside information the Company may possess, and capital availability.

During 2015, the Company repurchased 931,664 shares of its common stock at an average cost of $4.48 per share for a total cost of $4.2 million. All repurchased shares were retired, except for 50 thousand shares which remain in treasury.

Stock option plan

The Company adopted stock option plans in 1999, 2004 and 2012 under which 5,034,603 options have been authorized, but not all issued, as of December 31, 2015.

The plans are administered by the Board of Directors, which identifies optionees and determines the terms of options granted, including exercise price, number of shares subject to the option and exercisability thereof, except in the case of options granted to officers, directors and consultants under the 1999 Plan which options shall become exercisable at a rate of no less than 20% per year. The 1999 Plan provides for incentive stock options and stock appreciation rights to be issued to employees of the Company and non-statutory stock options, stock bonuses, and rights to purchase restricted stock to be issued to employees, directors, and consultants of the Company. The 2004 Plan provides for incentive stock options to be issued to employees of the Company and nonqualified stock options to be issued to employees, consultants, and outside directors of the Company. The 2012 Stock Plan provides for the granting of stock options, restricted stock, stock units and stock appreciation rights.

Exercise prices for incentive stock options shall be no less than 100% of the fair market value of the common stock on the grant date. Exercise prices for non-statutory and nonqualified stock options may not be less than 85% of the fair market value of the common stock on the date of grant and are determined by the Board of Directors.

Employee Stock Purchase Plan

In August 2011, the Company's Board of Directors approved the reservation for future issuance under the Company's Employee Stock Purchase Plan, or the ESPP, of a total of 250,000 shares of common stock. The ESPP became effective immediately prior to the completion of the IPO. The price of stock purchased under the ESPP shall not be lower than 85% of the fair market value per share of the Company's common stock on either the last trading day preceding the applicable offering period or on the last day of the purchase period, whichever is less. There have been no purchases under the ESPP in 2015, 2014 and 2013.

Stock option activity

The following table summarizes stock option activity related to shares of common stock (in thousands, except weighted average exercise price):

	Number of stock options outstanding	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Outstanding—December 31, 2014	2,750	$ 9.70	3.39	$—
Granted	821	4.31		
Exercised	(150)	2.63		
Forfeited	(1,253)	12.49		
Outstanding—December 31, 2015	2,168	$ 6.48	5.20	$118
Options vested and expected to vest—December 31, 2015	1,544	$ 7.23	4.69	$ 80
Options exercisable—December 31, 2015	875	$ 9.03	3.47	$ 38

The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was $0.1 million, $0.1 million and $0.2 million, respectively.

The following table summarizes information regarding stock options outstanding at December 31, 2015:

	Options outstanding			Options vested and exercisable	
Exercise prices	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Shares subject to stock options	Weighted average exercise price per share
	(in thousands)			(in thousands)	
$2.12-$4.14	274	7.48	$ 3.57	46	$ 3.00
$4.30-$4.30	464	6.36	$ 4.30	68	$ 4.30
$4.42-$4.66	193	7.74	$ 4.60	3	$ 4.56
$5.07-$5.07	327	5.59	$ 5.07	106	$ 5.07
$5.30-$5.84	311	4.42	$ 5.64	146	$ 5.63
$6.01-$11.60	424	2.84	$ 9.03	337	$ 9.65
$11.80-$18.80	175	2.67	$16.88	169	$16.85
$2.12-$18.80	2,168	5.20	$ 6.48	875	$ 9.03

Restricted stock unit activity

The Company may grant restricted stock units, or RSUs, to its employees, consultants or outside directors under the provisions of the 2012 Stock Plan. The cost of RSUs is determined using the fair value of the Company's common stock on the date of grant. Compensation cost is amortized on a straight-line basis over the requisite service period.

Restricted stock award and restricted stock unit activity is summarized as follows (unit numbers in thousands):

	Number of units outstanding	Weighted average grant date fair value per unit
Awarded and unvested at December 31, 2014	243	$5.81
Granted	349	4.18
Vested	(131)	5.33
Forfeited and cancelled	(132)	5.54
Awarded and unvested at December 31, 2015	329	$4.40

Stock-based compensation expense

The fair value of the option awards was calculated using the Black-Scholes option valuation model with the following assumptions:

	Year Ended December 31,		
	2015	2014	2013
Expected term (in years)	4.9	4.5	4.6
Risk-free interest rate	1.37%	1.46%	0.90%
Expected volatility	47%	48%	55%
Expected dividend rate	0%	0%	0%

The expected term of options granted is calculated using the simplified method because the Company has limited historical transactions. The risk-free rate is based on the rates in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to each grant's expected life. The expected volatility is based upon the volatility of a group of publicly traded industry peer companies. A dividend yield of zero is applied since the Company has not historically paid dividends and has no intention to pay dividends in the near future.

The weighted-average fair value of options granted was $1.79, $1.97 and $2.86 for the years ended December 31, 2015, 2014 and 2013, respectively.

Employee stock-based compensation expense recorded is calculated and recorded based on awards ultimately expected to vest and has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Cost of net revenues and operating expenses include stock-based compensation as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cost of net revenues	$ 163	$ 162	$ 177
Sales and marketing	300	359	304
Technology and development	180	280	222
General and administrative	1,063	2,000	2,172
Total stock-based compensation expense	$1,706	$2,801	$2,875

Capitalizable stock-based compensation relating to inventory or deferred cost of revenues was not significant for any period presented. The Company capitalized $15,000, $29,000 and $31,000 of stock-based compensation relating to software developed for internal use, including website development costs during the years ended December 31, 2015, 2014 and 2013, respectively.

At December 31, 2015, the Company had $3.4 million of total unrecognized compensation expense, net of estimated forfeitures, related to stock option plans that will be recognized over a weighted-average period of approximately three years.

10. Net Income (Loss) per Share of Common Stock

Basic net income (loss) per share is computed by dividing the net income (loss) attributable to common shares for the period by the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per share attributed to common shares is computed by dividing the net loss attributable to common shares for the period by the weighted average number of common and potential common shares outstanding during the period, if the effect of each class of potential common shares is dilutive. Potential common shares include restricted stock units and incremental shares of common stock issuable upon the exercise of stock options.

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share of common stock (in thousands, except for per share amounts).

	Year Ended December 31,		
	2015	2014	2013
Numerator:			
Net loss from continuing operations	$ (6,263)	$(14,933)	$(15,564)
Income (loss) from discontinued operations, net of tax	8,418	(974)	1,651
Net income (loss)	$ 2,155	$(15,907)	$(13,913)
Shares used in computing net income (loss) per share of common stock:			
Basic	17,239	17,308	17,143
Diluted	17,296	17,308	17,318
Net income (loss) per share of common stock:			
Basic:			
Continuing operations	$ (0.36)	$ (0.86)	$ (0.91)
Discontinued operations	$ 0.49	$ (0.06)	$ 0.10
Total	$ 0.13	$ (0.92)	$ (0.81)
Diluted:			
Continuing operations	$ (0.36)	$ (0.86)	$ (0.91)
Discontinued operations	$ 0.49	$ (0.06)	$ 0.10
Total	$ 0.13	$ (0.92)	$ (0.81)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net (loss) income per share of common stock for the periods presented because including them would have been antidilutive (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Stock options to purchase common stock and restricted stock units	2,497	2,993	2,788

11. Income Taxes

The components of the provision for income taxes from continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Current tax (benefit) expense:			
Federal	$—	$ (969)	$(2,026)
State	40	(23)	(43)
Total current	40	(992)	(2,069)
Deferred tax (benefit) expense:			
Federal	86	(661)	8,604
State	2	(47)	438
Total deferred	88	(708)	9,042
Total provision for income taxes	$128	$(1,700)	$ 6,973

The provision for income taxes from continuing operations differs from the federal statutory income tax rate as follows:

	Year Ended December 31,		
	2015	2014	2013
Federal statutory tax rate	34.0%	34.0%	34.0%
State taxes	(1.6)%	0.4%	1.7%
Change in valuation allowance	(33.7)%	(21.5)%	(116.5)%
Stock-based compensation	(0.6)%	(0.1)%	—%
Meals, entertainment and other	(0.2)%	(2.6)%	(0.4)%
Total	(2.1)%	10.2%	(81.2)%

Deferred tax assets (liabilities) consist of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Deferred tax assets:			
Net operating loss and credit carryforwards	$ 7,020	$ 6,726	$ 4,821
Deferred loss on asset sale	1,935	1,951	—
Stock-based compensation	1,394	3,422	3,545
Reserves and accruals	1,222	2,332	1,886
Research and other credits	184	184	—
Fixed assets and intangibles	(628)	(1,835)	(1,557)
Total gross deferred tax assets	11,127	12,780	8,695
Less: Valuation allowance	(11,373)	(12,938)	(9,564)
Total deferred tax assets (liabilities)	$ (246)	$ (158)	$ (869)

During the quarter ended December 31, 2013, the Company weighed both positive and negative evidence and determined that there is a need for the valuation allowance due to the existence of three years of historical cumulative losses which the Company considered significant verifiable negative evidence. The valuation allowance decreased by $1.5 million and increased $3.4 million during the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, the Company continues to maintain a valuation allowance on its deferred tax assets.

At December 31, 2015, the Company had approximately $18.4 million of Federal and $34.5 million of State operating loss carryforwards available to reduce future taxable income. The federal net operating loss carryforwards begin to expire in 2034 and the various state net operating loss carryforwards begin to expire in 2022. The company has federal AMT credits of approximately $0.2 million.

On January 1, 2007, the Company adopted the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance requires that the tax effects of a position be recognized only if it is "more likely than not" to be sustained based solely on its technical merits as of the reporting date. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

As a result of the adoption, the Company recognized no liability for unrecognized income tax benefits. The Company's policy is to recognize interest and penalties related to income taxes in income tax expense. The Company is subject to tax in the United States, California, and certain other jurisdictions. The Company is subject to examination by tax authorities for the years including and after 2011 for United States, 2011 for California, and 2011 for other jurisdictions. Although timing or resolution value of any examination is highly uncertain, the Company believes it is reasonably possible that the unrecognized tax benefits would not materially change in the next twelve months.

In November 2015, the FASB issued new ASU 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17). The ASU is part of the Boards simplification initiative aimed at reducing complexity in accounting standards. The new guidance may impact balance sheet presentation and working capital for many reporting entities, even in cases where there is a full valuation allowance. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied either prospectively or retrospectively. Early adoption is permitted. The Company early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this ASU did not have a material effect on our financial statements as of December 31, 2015. No prior periods were retrospectively adjusted.

12. Restructuring

Restructuring costs were $1.3 million and $42 thousand in the years ended December 31, 2015 and 2014, respectively and are included in "Restructuring costs" in the accompanying Condensed Consolidated Statements of Operations. In 2015, the expense consisted of $0.8 million for the reduction production capacity and $0.5 million related to payments for the early termination of our lease and the downsizing of our San Mateo, California office. The Louisville, Kentucky facility was downsized by approximately 150,000 square feet due to the divestitures of its Art, Groups, InvitationBox.com, and EZ Prints businesses that occurred in 2015 and 2014. The $0.8 million charge was recorded for the write-off of the portion of the facility no longer in use as of December 31, 2015 and the disposal of the related leasehold improvements. This unutilized space is under a capital lease with a termination date of August 2017. The total remaining lease liability is $0.9 million, which includes the portion of the facility the Company continues to utilize. Restructuring costs in 2014 related to the payment of an early termination fee for a facility lease.

13. Commitments and Contingencies

Leases

Lease agreements are accounted for as either operating or capital leases depending on certain defined criteria. The Company leases certain of its facilities and equipment under capital and operating leases with various expiration dates through 2021. Certain of the operating lease agreements contain rent holidays and rent escalation provisions. Rent holidays and rent escalation provisions are considered in determining straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing rent expense on a straight-line basis over the term of the lease.

In 2005, the Company entered into a capital lease agreement for a production facility in Louisville, Kentucky consisting of 126,352 square feet. The lease was amended in May 2007 to lease an additional 20,000 square feet. The capital lease has an interest rate of 6.5% and expires in 2017. As of December 31, 2015, the Company abandoned 150,000 square feet of the facility. See Note 12, *Restructuring.*

Pursuant to an amendment to the lease in August of 2012, the Company added 184,813 square feet. On August 1, 2014, the Company further amended its primary facility lease ("Facility Lease Amendment") to extend the term related only to the 184,813 square feet of leased production and office space from July 31, 2014 to July 31, 2021. In connection with the Facility Lease Amendment, the Company also entered into an option to terminate the lease in its entirety on or after July 31, 2018. In the case of such early lease termination, the Company would be required to pay a termination fee dependent upon the effective date of an early lease termination, as follows:

(i) For a termination effective as of July 31, 2018: $1,512,679

(ii) For a termination effective as of July 31, 2019: $934,814

(iii) For a termination effective as of July 31, 2020: $429,736.

Under the terms of the Facility Lease Amendment, the Company is further required to maintain a Letter of Credit naming the Landlord as the beneficiary for the maximum amount of the termination fee for which the Company may be liable under the terms of the Facility Lease Amendment. See Note 8, *Line of Credit.*

In October 2007, the Company entered into an operating lease for office space in San Mateo, California. In December 2012, the Company amended the lease agreement. The amended lease term ends in March 2018. The lease includes an option for early termination effective January 31, 2016. On June 12, 2015, the Company exercised the early termination option and, accordingly, paid a termination fee of $0.3 million. See Note 12, *Restructuring*.

In July 2015, the Company entered into an operating lease for office space in Hayward, California. The lease commences on January 1, 2016 and ends on January 31, 2019.

On November 5, 2014, in connection with a purchase agreement, Phoenix Online LLC assumed a capital lease associated with the Company's InvitationBox.com business. The Company provided a corporate guaranty for this capital lease. See Note 5, *Discontinued Operations*.

Future minimum lease payments under non-cancelable operating and capital leases as of December 31, 2015 are as follows:

Years Ended December 31,	**Capital leases**	**Operating leases**
2016	$ 607	$ 947
2017	355	917
2018	—	637
2019	—	19
2020	—	—
Thereafter	—	—
Total minimum lease payments	962	$2,520
Less amount representing interest	(50)	
Present value of capital lease obligations	912	
Less current portion	(565)	
Long-term portion of capital lease obligations	$ 347	

The future minimum operating lease commitments assume that the Company exercises its option for early termination under its current lease agreements, and does not include early termination fees of $1.5 million in 2017.

Rent expense for the years ended December 31, 2015, 2014 and 2013 was $1.4 million, $1.3 million and $1.2 million, respectively.

Purchase commitments

As of December 31, 2015, the Company's non-cancelable purchase obligations totaled $0.6 million, primarily related to inventory purchases.

Contingencies

From time to time, third parties assert patent and trademark infringement claims against the Company. The Company is currently engaged in several legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, patents, copyrights and other intellectual property rights. Litigation is inherently unpredictable and the outcome of any litigation cannot be predicted with certainty. Further, as the costs, outcome and status of these types of claims and proceedings have varied significantly in the past, including with respect to whether claims ultimately result in litigation, the Company believes its past experience does not provide any additional visibility or predictability to estimate the additional loss or range of reasonably possible losses that may result. Based on the foregoing, the Company believes that an estimate of the additional loss or range of reasonably possible losses cannot be made at this time due to the inherent unpredictability of litigation.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves future claims that may be made against the Company, but have not yet been made. To date, the Company has not paid any material claims or been required to defend any actions related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations. In addition, the Company has indemnification agreements with certain of its directors and executive officers that require it, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers with the Company.

Legal matters

In January 2013, Express Card Systems, LLC filed suit against us and in a separate suit, against partner Target Corporation, for which the Company has an indemnification obligation for the licensed platform. CafePress settled both suits in May, 2013 on behalf of itself, EZ Prints, its wholly-owned subsidiary, and its partner Target Corporation. The Company concluded that the impact of this settlement is immaterial to its ongoing operations.

On July 10, 2013, a complaint captioned Desmarais v. CafePress Inc., et al. CIV-522744 was filed naming as defendants the Company, certain of our directors, our chief executive officer, our chief financial officer and certain underwriters of our IPO. The lawsuit purported to be a class action on behalf of purchasers of shares issued in the IPO and generally alleged that the registration statement for the IPO contained materially false or misleading statements. On July 14, 2013, a similar complaint making substantially identical allegations and captioned Jinnah v. CafePress Inc., et al. CIV-522976 was filed in the same court against the same defendants. The parties negotiated an agreement to resolve the litigation, and entered into a Stipulation of Settlement dated April 2, 2015. The Stipulation of Settlement was approved by the Superior Court in a Settlement Fairness Hearing on August 11, 2015, along with Judgment and Order Granting Final Approval of the Class Action

Settlement, and required a payment of $8.0 million to the plaintiffs in resolution of all claims against us and our officers and directors, of which our liability insurers paid approximately $7.5 million and the Company paid approximately $0.5 million. The Company does not anticipate any additional filings in the above captioned matter.

14. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan covering all employees. A management committee determines matching contributions made by the Company annually. Matching contributions are made in cash and were $0.4 million under this plan for each of the years ended December 31, 2015, 2014 and 2013.

15. Segment Information

Operating segments are defined as components of an enterprise that engage in business activities for which separate financial information is available and evaluated by the chief operating decision maker in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is its chief executive officer.

The chief executive officer reviews financial information presented on a consolidated basis, for purposes of allocating resources and evaluating financial performance. The Company has one business activity and the Company operates as a single operating and reportable segment.

The Company's revenues by geographic region, based on the location to where the product was shipped, are summarized as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
United States	$ 91,993	$111,556	$124,075
International	12,515	20,498	22,120
Total	$104,508	$132,054	$146,195

All of the Company's long-lived assets are located in the United States.

16. Selected Quarterly Data (Unaudited)

	For the Three Months Ended,			
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
	(In thousands, except per share amounts)			
Net revenues	$39,696	$19,472	$21,764	$23,576
Gross profit	15,840	8,009	8,888	8,702
Net income (loss) from continuing operations	811	(3,670)	(1,074)	(2,330)
Income (loss) from discontinued operations, net of tax	—	1,610	(7,704)	14,512
Net income (loss)	811	(2,060)	(8,778)	12,182
Net income (loss) per basic and diluted common share from continuing operations	$ 0.05	$ (0.21)	$ (0.06)	$ (0.13)
Net income (loss) per basic and diluted common share from discontinued operations	$ —	$ 0.09	$ (0.44)	$ 0.83
Total net income (loss) per diluted common share	$ 0.05	$ (0.12)	$ (0.50)	$ 0.69

	For the Three Months Ended,			
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(In thousands, except per share amounts)			
Net revenues	$50,442	$25,897	$29,076	$26,639
Gross profit	17,474	9,211	10,350	10,003
Net loss from continuing operations	(557)	(5,396)	(4,230)	(4,750)
Income (loss) from discontinued operations, net of tax	38	(857)	(99)	(56)
Net loss	(519)	(6,253)	(4,329)	(4,806)
Net loss per basic and diluted common share from continuing operations	$ (0.03)	$ (0.31)	$ (0.24)	$ (0.28)
Net income (loss) per basic and diluted common share from discontinued operations	$ —	$ (0.05)	$ (0.01)	$ —
Total net loss per basic and diluted common share	$ (0.03)	$ (0.36)	$ (0.25)	$ (0.28)

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

The information required by Item 9 is incorporated by reference from the information set forth under the caption "Ratification of the Appointment of Independent Registered Public Accountants" in our Definitive Proxy Statement in connection with our 2016 Annual Meeting of Stockholders to be held on May 9, 2016 (or the Proxy Statement), which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures" as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving their objectives. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The design of any disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on management's evaluation, with the participation of our Chief Executive Officer and our Chief Financial Officer, as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of December 31, 2015.

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 Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 using the criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the COSO framework, management has concluded that our internal control over financial reporting is effective 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.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Our internal control over financial reporting is not subject to attestation by the company's independent registered public accounting firm due to an exemption established by the JOBS Act for "emerging growth companies."

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal period covered by this report that has materially affected, or is 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 Item 10 with respect to our directors and executive officers is incorporated by reference from the information set forth under the captions "Election of Directors — Directors and Nominees" and "Election of Directors — Executive Officers and Directors" and "Corporate Governance — Corporate Governance Principles and Practice" in the Proxy Statement.

Item 405 of Regulation S-K calls for disclosure of any known late filing or failure by an insider to file a report required by Section 16(a) of the Exchange Act. This information is incorporated by reference from the section called "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

We have adopted a Code of Ethics for Senior Financial Officers that applies to our chief executive officer (our principal executive officer), chief financial officer (our principal financial officer and principal accounting officer), controller, and any person performing similar functions, and certain employees. The Code of Ethics for Senior Financial Officers is available on our web site, free of charge, at investor.cafepress.com. We will disclose on our web site amendments to, or waivers from, our Code of Ethics for Senior Financial Officers applicable to our executive officers, including our chief executive officer (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer), our controller and certain employees, in accordance with applicable laws and regulations.

We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the audit committee are Brad W. Buss (chairperson), Kenneth McBride and Tony Allen. All of such members meet the independence standards established by The NASDAQ Stock Market for serving on an audit committee. SEC regulations require us to disclose whether a director qualifying as an "audit committee financial expert" serves on our audit committee. Our Board of Directors has determined that each of Brad W. Buss, Kenneth McBride and Tony Allen qualifies as an "audit committee financial expert" within the meaning of such regulations.

ITEM 11. Executive Compensation

The information required by Item 11 is incorporated by reference from the information set forth under the captions "Executive Compensation," "Corporate Governance — Compensation Committee Interlocks and Insider Participation" and "Compensation of Directors" in the Proxy Statement.

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

The information required by Item 12 with respect to security ownership of certain beneficial owners and management is incorporated by reference from the information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

The following chart sets forth certain information as of December 31, 2015, with respect to our equity compensation plans, specifically our 1999 Equity Incentive Plan, or the 1999 Stock Plan, our 2004 Amended and Restated Stock Incentive Plan, or the 2004 Stock Plan, and our Amended and Restated 2012 Stock Incentive Plan, or the 2012 Stock Plan. Each of the 1999 Stock Plan, 2004 Stock Plan and the 2012 Stock Plan has been approved by our stockholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Awards, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Awards, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	2,497,123	$5.63	2,537,480
Equity compensation plans not approved by security holders	—	—	
Total	2,497,123	$5.63	2,537,480(1)

(1) The 2012 Stock Plan provides for the grant of options to purchase shares of common stock, restricted stock, stock appreciation rights and stock unit awards. The number of shares reserved for issuance under the 2012 Stock Plan is increased on January 1st of each year by the lesser of (i) 1,250,000 shares, (ii) four percent (4%) of the number of shares of our common stock outstanding on the last day of the immediately preceding fiscal year or (iii) the number of shares determined by the Board of Directors. In January 2016, the Board determined not to increase the number of shares reserved for issuance under the 2012 Stock Plan. In addition, the number of shares reserved for issuance under the 2012 Stock Plan is increased from time to time in an amount equal to the number of shares subject to outstanding options under the 1999 Stock Plan and 2004 Stock Plan that are subsequently forfeited or terminate for any reason before being exercised and unvested shares that are forfeited pursuant to the 1999 Stock Plan and 2004 Stock Plan.

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

The information required by Item 13 is incorporated by reference from the information set forth under the captions "Certain Relationships and Related Person Transactions" and "Corporate Governance — Director Independence" in the Proxy Statement.

ITEM 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference from the information set forth under the caption "Ratification of the Appointment of Independent Registered Public Accountants — Audit and Non-Audit Fees" in the Proxy Statement.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) Financial Statements

Financial Statements. The financial statements filed as part of this report are identified in the Index to Consolidated Financial Statements on page 54.

Financial Statement Schedules. See Item 15(c) below.

Exhibits. See Item 15(b) below

(b) Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission. CafePress shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

		Where Located				
Exhibit Number	Description	Form	File No.	Exhibit No.	Filing Date	Filed herewith
2.1	Agreement and Plan of Merger dated October 5, 2012, by and among the Company, Sunday Morning Merger Sub Inc., EZ Prints, Inc., and Fortis Advisors LLC, as Stockholder Representative.	8-K	001-35468	2.1	10/10/2012	
2.2	Asset Purchase Agreement by and between the Company and Canvas On Demand, LLC dated as of September 1, 2010	S-1	333-174829	2.1	3/28/2012	
3.1	Amended and Restated Certificate of Incorporation of the Company	10-Q	001-35468	3(i)	5/15/2012	
3.2	Amended and Restated Bylaws of the Company	10-Q	001-35468	3(ii)	5/15/2012	
4.1	Specimen Common Stock Certificate	S-1	333-174829	4.1	3/28/2012	
4.2	Investors' Rights Agreement dated as of January 21, 2005, as amended	S-1	333-174829	4.2	3/28/2012	
10.1+	CafePress Inc. 1999 Equity Incentive Plan and related form agreement	S-1	333-174829	10.1	3/28/2012	
10.2+	CafePress Inc. 2004 Amended and Restated Stock Incentive Plan and related form agreements	S-1	333-174829	10.2	3/28/2012	
10.3+	CafePress Inc. Amended and Restated 2012 Stock Incentive Plan and related form agreements	S-1	333-174829	10.3	3/28/2012	
10.4+	CafePress Inc. Employee Stock Purchase Plan	S-1	333-174829	10.10	3/28/2012	

Exhibit Number	Description	Where Located				Filed herewith
		Form	File No.	Exhibit No.	Filing Date	
10.5+	Form of Indemnification Agreement between the Company and its officers and directors	S-1	333-174829	10.4	3/28/2012	
10.6+	Form of Amended and Restated Change in Control Agreement with Senior Management	10-K	001-35468	10.6	3/31/2014	
10.7+	Amended Employment Agreement with Garett Jackson	8-K	001-35468	10.1	4/4/2014	
10.8	Third Amendment and Modification of Lease by and among the Company, Riverport Group, LLC and 6901, LLC, dated July 17, 2014.	8-K	001-35468	10.1	7/18/2014	
10.9+	Offer Letter with Fred E. Durham III	8-K	001-35468	10.1	8/4/2014	
10.10+	Change of Control Agreement with Fred E. Durham III	8-K	001-35468	10.2	8/4/2014	
10.11+	Offer Letter with Maheesh Jain	8-K	001-35468	10.3	8/4/2014	
10.12+	Change of Control Agreement with Maheesh Jain	8-K	001-35468	10.4	8/4/2014	
10.13	Settlement Agreement and Mutual General Release, dated September 30, 2014, by and between the Company, LSW Holdings, Inc. f/k/a Logo'd Softwear, Inc. and Frank Nevins.	8-K	001-35468	10.1	10/3/2014	
10.14	Office Lease Agreement between the Company and Legacy Partners II San Mateo Plaza, LLC dated as of October 23, 2007	S-1	333-174829	10.7	3/28/2012	
10.15	Second Amendment to the Lease Agreement between the Company and Legacy Partners II San Mateo Plaza, dated as of December 19, 2012	10-K	001-35468	10.6	3/18/2013	
10.16	Lease Agreement between the Company and Riverport Group, LLC dated as of May 3, 2005, including amendments thereto	10-K	001-35468	10.6	3/18/2013	
10.17	Second Amendment and Modification to the Lease Agreement between the Company and Riverport Group, LLC, dated as of August 1, 2012	10-Q	001-35468	10.1	11/14/2012	
10.18+	2015 Cash Bonus Plan	8-K	001-35468	10.1	2/11/2015	

Exhibit Number	Description	Where Located				Filed herewith
		Form	File No.	Exhibit No.	Filing Date	
10.19	Asset Purchase Agreement, dated as of February 11, 2015, by and between CafePress Inc. and Circle Graphics, Inc.	8-K	001-35468	10.1	3/3/2015	
10.20	Asset Purchase Agreement, dated as of March 9, 2015, by and between CafePress Inc. and Logo Sportswear, Inc.	8-K	001-35468	10.1	3/9/2015	
10.21	Lease Termination Agreement, dated as of June 12, 2015 by and between W. San Mateo Plaza Holdings VII, LLC and the Company	8-K	001-35468	10.1	6/15/2015	
10.22	Purchase Agreement, dated as of October 9, 2015, by and between Hameron Properties I LLC and the Company	8-K	001-35468	10.1	10/13/2015	
10.23	First Amendment to Purchase Agreement, dated as of October 16, 2015 by and between Hameron Properties I LLC and the Company	8-K	001-35468	10.1	12/21/2015	
10.24+	2016 Cash Bonus Plan	8-K	001-35468	10.1	3/8/2016	
16.1	Letter of PricewaterhouseCoopers LLP to the Securities and Exchange Commission, dated as of June 12, 2015	8-K	001-35468	10.1	6/15/2015	
21.1	List of Subsidiaries					X
23.1	Consent of BDO USA, LLP, independent registered public accounting firm					X
23.2	Consent of PricewaterhouseCoopers, LLP, independent registered public accounting firm					X
24.1	Power of Attorney (See page 109)					X
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)					X
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)					X
32.1(1)	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 200 (18 U.S.C. Section 1350)					X

Exhibit Number	Description	Where Located: Form	File No.	Exhibit No.	Filing Date	Filed herewith
32.2(1)	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Label Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

\+ Management contract, compensatory plan or arrangement.

(1) The material contained in Exhibit 32.1 and Exhibit 32.2 is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the Company specifically incorporates it by reference.

(c) **Financial Statement Schedules**

CAFEPRESS INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Charged to Income	Deductions	Other (1)	Balance at End of Year
			(in thousands)		
Deferred Tax Valuation Allowance:					
Year Ended December 31, 2015	$ 12,938	$ (1,565)	$ —	$ —	$11,373
Year Ended December 31, 2014	9,564	3,374	—	—	12,938
Year Ended December 31, 2013	297	9,267	—	—	9,564

All other schedules have been omitted because they are either inapplicable or the required information has been provided in the consolidated financial statements or in the notes thereto.

SIGNATURES

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.

CAFEPRESS INC.

By: /s/ Fred E. Durham III
Fred E. Durham III
President and Chief Executive Officer

Date: March 30, 2016

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Fred E. Durham and Garett Jackson, and each of them, his or her true and lawful attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

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/ Fred E. Durham III **Fred E. Durham III**	Chief Executive Officer (Principal Executive Officer) and Director	March 30, 2016
/s/ Garett Jackson **Garett Jackson**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 30, 2016
/s/ Brad W. Buss **Brad W. Buss**	Director	March 30, 2016
/s/ Patrick J. Connolly **Patrick J. Connolly**	Director	March 30, 2016
/s/ Anthony C. Allen **Anthony C. Allen**	Director	March 30, 2016
/s/ Kenneth McBride **Kenneth McBride**	Director	March 30, 2016
/s/ Nick Swinmurn **Nick Swinmurn**	Director	March 30, 2016

EXHIBIT INDEX

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10.18+	2015 Cash Bonus Plan	8-K	001-35468	10.1	2/11/2015	
10.19	Asset Purchase Agreement, dated as of February 11, 2015, by and between CafePress Inc. and Circle Graphics, Inc.	8-K	001-35468	10.1	3/3/2015	
10.20	Asset Purchase Agreement, dated as of March 9, 2015, by and between CafePress Inc. and Logo Sportswear, Inc.	8-K	001-35468	10.1	3/9/2015	
10.21	Lease Termination Agreement, dated as of June 12, 2015 by and between W. San Mateo Plaza Holdings VII, LLC and the Company	8-K	001-35468	10.1	6/15/2015	
10.22	Purchase Agreement, dated as of October 9, 2015, by and between Hameron Properties I LLC and the Company	8-K	001-35468	10.1	10/13/2015	
10.23	First Amendment to Purchase Agreement, dated as of October 16, 2015 by and between Hameron Properties I LLC and the Company	8-K	001-35468	10.1	12/21/2015	
10.24+	2016 Cash Bonus Plan	8-K	001-35468	10.1	3/8/2016	
16.1	Letter of PricewaterhouseCoopers LLP to the Securities and Exchange Commission, dated as of June 12, 2015	8-K	001-35468	10.1	6/15/2015	
21.1	List of Subsidiaries					X

Exhibit Number	Description	Where Located				Filed herewith
		Form	File No.	Exhibit No.	Filing Date	
23.1	Consent of BDO USA, LLP, independent registered public accounting firm					X
23.2	Consent of PricewaterhouseCoopers, LLP, independent registered public accounting firm					X
24.1	Power of Attorney (See page 109)					X
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)					X
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)					X
32.1(1)	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 200 (18 U.S.C. Section 1350)					X
32.2(1)	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Label Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

+ Management contract, compensatory plan or arrangement.
• The material contained in Exhibit 32.1 and Exhibit 32.2 is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the Company specifically incorporates it by reference.
• Financial Statement Schedules

Schedules not listed above have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes hereto.