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WEBMD HEALTH CORP.

FORM 8-K
(Current report filing)

Filed 07/31/12 for the Period Ending 07/31/12

Address	111 EIGHTH AVE. NEW YORK, NY 10011
Telephone	212-624-3700
CIK	0001326583
Symbol	WBMD
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Computer Services
Sector	Technology
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 31, 2012
Date of Report (Date of earliest event reported)

WEBMD HEALTH CORP.
(Exact name of registrant as specified in its charter)

Delaware	**001-35337**	**20-2783228**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

111 Eighth Avenue
New York, New York 10011
(Address of principal executive offices, including zip code)

(212) 624-3700
(Registrant's telephone number, including area code)

(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 31, 2012, WebMD Health Corp. issued a press release announcing its results for the quarter ended June 30, 2012. A copy of the press release is attached as Exhibit 99.1 to this Current Report. Exhibit 99.2 to this Current Report contains the financial tables that accompanied the press release. Exhibit 99.3 to this Current Report includes forward-looking financial information that accompanied the press release. Exhibit 99.4 to this Current Report contains an Annex to the press release entitled "Explanation of Non-GAAP Financial Measures."

Exhibits 99.1 through 99.4 are being "furnished" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall any of those exhibits be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following exhibits are furnished herewith:

Exhibit Number	Description
99.1	Press Release, dated July 31, 2012, regarding the Registrant's results for the quarter ended June 30, 2012
99.2	Financial Tables accompanying Exhibit 99.1
99.3	Financial Guidance Summary accompanying Exhibit 99.1
99.4	Annex A to Exhibits 99.1 through 99.3

SIGNATURE

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

WEBMD HEALTH CORP.

Dated: July 31, 2012

By: /s/ Lewis H. Leicher
Lewis H. Leicher
Senior Vice President

EXHIBIT INDEX

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99.3	Financial Guidance Summary accompanying Exhibit 99.1
99.4	Annex A to Exhibits 99.1 through 99.3

Exhibit 99.1

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WebMD Announces Second Quarter Financial Results

New York, NY (July 31, 2012)—WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced financial results for the three months ended June 30, 2012.

For the three months ended June 30, 2012:

- Revenue was $112.7 million, compared to $141.4 million in the prior year period. Public portal advertising and sponsorship revenue was $93.7 million, compared to $121.1 million in the prior year period. Private portal services revenue was $18.9 million, compared to $20.3 million in the prior year period.

- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") was $14.2 million, compared to $45.3 million in the prior year period.

- Net loss was $(5.6) million or $(0.11) per diluted share, compared to net income of $21.6 million or $0.36 per diluted share in the prior year period. Net loss in the current period includes an after-tax expense of $0.8 million related to recruitment of the Company's CEO and after-tax income from discontinued operations of $0.5 million. Net income in the prior year period includes an after-tax gain on investments of $1.0 million and after-tax income from discontinued operations of $7.4 million.

Traffic Highlights

Traffic to the WebMD Health Network during the second quarter continued to grow, reaching an average of 106.9 million unique users per month and 2.50 billion page views for the quarter, increases of 29% and 25%, respectively, from the prior year period. The prior year comparisons exclude traffic from WebMD's former affiliate partner sites, which were phased out at the end of 2011.

Balance Sheet Highlights

As of June 30, 2012, WebMD had $964 million in cash and cash equivalents and $800 million in aggregate principal amount of convertible notes outstanding. During the second quarter, the Company utilized $150 million of cash to purchase 5.8 million shares of its common stock in a tender offer. Additionally, during the quarter, the Company utilized $22.8 million of cash to purchase approximately 1 million shares of its common stock under its buyback program.

Financial Guidance

On July 24, 2012, the Company reduced its financial guidance for 2012. A copy of the schedule issued on July 24th outlining WebMD's 2012 financial guidance is attached to this press release. The Company anticipates that many of its customers will continue to reevaluate expenditures in various areas, including marketing expenditures across their entire product portfolios, as they deal with both the ongoing and anticipated impact of patent expirations across their businesses as well as greater than expected delays in new product launches as a result of unanticipated delays in FDA approvals. The Company lowered its expectations for sales commitments and revenue for the balance of 2012 as these factors are having a greater impact than anticipated in its previous financial guidance.

"When I look at the many stakeholders in the healthcare industry and the changing market environment, I strongly believe that there are many opportunities we can capitalize on with the WebMD brand and the broad reach and high quality of WebMD's unique physician and consumer audience," said Cavan M. Redmond, Chief Executive Officer of WebMD. "My immediate priority is to set and operationalize our go-to-market strategy focusing on our current and future commercial offerings, capital allocation, talent needs and cost structure."

Analyst and Investor Conference Call

WebMD will hold a conference call with investors and analysts to discuss its second quarter results at 4:45 p.m. (Eastern) today. The call can be accessed at www.wbmd.com (in the Investor Relations section). A replay of the audio webcast will be available at the same web address.

About WebMD

WebMD Health Corp. (NASDAQ: WBMD) is the leading provider of health information services, serving consumers, physicians, healthcare professionals, employers, and health plans through our public and private online portals, mobile platforms and health-focused publications.

The WebMD Health Network includes WebMD Health, Medscape, MedicineNet, emedicineHealth, RxList, theheart.org, Medscape Education and other owned WebMD sites.

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All statements contained in this press release and the related analyst and investor conference call, other than statements of historical fact, are forward-looking statements, including those regarding: guidance on our future financial results and other projections or measures of our future performance; market opportunities and our ability to capitalize on them; and the benefits expected from new or updated products or services and from other potential sources of additional revenue. These statements speak only as of the date of this press release, are based on our current plans and expectations, and involve risks and uncertainties that could cause actual future events or results to be different than those described in or implied by such forward-looking statements. These risks and uncertainties include those relating to: market acceptance of our products and services; our relationships with customers and other factors affecting their use of our products and services, including regulatory matters affecting their products; our ability to successfully conduct our strategic review and to implement resulting changes to, among other things, our product and service offerings, capital allocation plans and cost structure; our ability to attract and retain qualified personnel; and changes in economic, political or regulatory conditions or other trends affecting the healthcare, Internet and information technology industries. Further information about these matters can be found in our Securities and Exchange Commission filings. Except as required by applicable law or

regulation, we do not undertake any obligation to update our forward-looking statements to reflect future events or circumstances.

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This press release, and the accompanying tables, include both financial measures in accordance with accounting principles generally accepted in the United States of America, or GAAP, as well as certain non-GAAP financial measures. The tables attached to this press release include reconciliations of these non-GAAP financial measures to GAAP financial measures. In addition, an "Explanation of Non-GAAP Financial Measures" is attached to this press release as Annex A.

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WebMD ®, Medscape ®, eMedicine ®, MedicineNet ®, RxList ®, Subimo ®, Medsite ®, Summex ® and Medscape ® Mobile are trademarks of WebMD Health Corp. or its subsidiaries.

Exhibit 99.2

WEBMD HEALTH CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	$112,668	$141,369	$219,615	$272,978
Cost of operations	54,243	51,152	107,714	99,601
Sales and marketing	31,822	32,270	61,925	64,564
General and administrative	21,746	22,006	50,768	44,827
Depreciation and amortization	6,713	6,724	13,643	13,148
Interest income	34	51	45	67
Interest expense	5,832	5,833	11,668	8,974
Gain on investments	—	1,769	8,074	15,829
Other expense	1,097	—	2,297	53
(Loss) income from continuing operations before income tax (benefit) provision	(8,751)	25,204	(20,281)	57,707
Income tax (benefit) provision	(2,649)	11,003	(6,402)	23,961
(Loss) income from continuing operations	(6,102)	14,201	(13,879)	33,746
Income from discontinued operations, net of tax	508	7,394	508	7,394
Net (loss) income	$ (5,594)	$ 21,595	$ (13,371)	$ 41,140
Basic (loss) income per common share:				
(Loss) income from continuing operations	$ (0.12)	$ 0.24	$ (0.26)	$ 0.58
Income from discontinued operations	0.01	0.13	0.01	0.12
Net (loss) income	$ (0.11)	$ 0.37	$ (0.25)	$ 0.70
Diluted (loss) income per common share:				
(Loss) income from continuing operations	$ (0.12)	$ 0.23	$ (0.26)	$ 0.55
Income from discontinued operations	0.01	0.13	0.01	0.13
Net (loss) income	$ (0.11)	$ 0.36	$ (0.25)	$ 0.68
Weighted-average shares outstanding used in computing (loss) income per common share:				
Basic	49,615	58,096	52,692	58,140
Diluted	49,615	60,236	52,692	60,473

WEBMD HEALTH CORP.
CONSOLIDATED SUPPLEMENTAL FINANCIAL INFORMATION
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue				
Public portal advertising and sponsorship	$ 93,744	$121,108	$181,520	$231,471
Private portal services	18,924	20,261	38,095	41,507
	$112,668	$141,369	$219,615	$272,978
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 14,238	$ 45,289	$ 25,489	$ 83,147
Interest, taxes, non-cash and other items (b)				
Interest income	34	51	45	67
Interest expense	(5,832)	(5,833)	(11,668)	(8,974)
Income tax benefit (provision)	2,649	(11,003)	6,402	(23,961)
Depreciation and amortization	(6,713)	(6,724)	(13,643)	(13,148)
Non-cash stock-based compensation	(9,381)	(9,348)	(26,281)	(19,161)
Gain on investments	—	1,769	8,074	15,829
Other expense	(1,097)	—	(2,297)	(53)
(Loss) income from continuing operations	(6,102)	14,201	(13,879)	33,746
Income from discontinued operations, net of tax	508	7,394	508	7,394
Net (loss) income	$ (5,594)	$ 21,595	$ (13,371)	$ 41,140

(a) See Annex A-Explanation of Non-GAAP Financial Measures.
(b) Reconciliation of Adjusted EBITDA to net (loss) income.

WEBMD HEALTH CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 964,226	$ 1,121,217
Accounts receivable, net	96,834	121,335
Prepaid expenses and other current assets	16,933	12,690
Deferred tax assets	21,872	20,482
Total current assets	1,099,865	1,275,724
Property and equipment, net	65,193	57,139
Goodwill	202,104	202,104
Intangible assets, net	18,686	19,999
Deferred tax assets	52,816	55,017
Other assets	28,875	31,042
Total Assets	$1,467,539	$ 1,641,025
Liabilities and Stockholders' Equity		
Accrued expenses	$ 49,322	$ 55,238
Deferred revenue	89,285	88,055
Liabilities of discontinued operations	1,506	1,506
Total current liabilities	140,113	144,799
2.25% convertible notes due 2016	400,000	400,000
2.50% convertible notes due 2018	400,000	400,000
Other long-term liabilities	22,942	21,790
Stockholders' equity	504,484	674,436
Total Liabilities and Stockholders' Equity	$1,467,539	$ 1,641,025

WEBMD HEALTH CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net (loss) income	$ (13,371)	$ 41,140
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(508)	(7,394)
Depreciation and amortization	13,643	13,148
Non-cash interest, net	2,163	1,599
Non-cash stock-based compensation	26,281	19,161
Deferred income taxes	(6,870)	4,423
Gain on investments	(8,074)	(15,829)
Changes in operating assets and liabilities:		
Accounts receivable	24,501	19,234
Prepaid expenses and other, net	(4,469)	(2,103)
Accrued expenses and other long-term liabilities	(9,128)	4,765
Deferred revenue	1,230	(1,044)
Net cash provided by continuing operations	25,398	77,100
Net cash used in discontinued operations	—	(136)
Net cash provided by operating activities	25,398	76,964
Cash flows from investing activities:		
Proceeds received from ARS option	9,269	16,561
Purchases of property and equipment	(16,606)	(9,557)
Net cash (used in) provided by investing activities	(7,337)	7,004
Cash flows from financing activities:		
Proceeds from exercise of stock options	816	25,053
Cash used for withholding taxes due on stock-based awards	(1,958)	(6,632)
Net proceeds from issuance of the 2.50% Notes and 2.25% Notes	—	774,745
Purchases of treasury stock	(173,910)	(150,417)
Excess tax benefit on stock-based awards	—	17,843
Net cash (used in) provided by financing activities	(175,052)	660,592
Net (decrease) increase in cash and cash equivalents	(156,991)	744,560
Cash and cash equivalents at beginning of period	1,121,217	400,501
Cash and cash equivalents at end of period	$ 964,226	$1,145,061

Exhibit 99.3

WebMD Health Corp.
Financial Guidance Summary for the Year Ending December 31, 2012
(in millions, except per share amounts)

	Year Ending December 31, 2012 Guidance Range	
Revenue	$455.0	$480.0
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 60.0	$ 75.0
Interest, taxes, non-cash and other items (b)		
Interest expense	(23.2)	(23.2)
Depreciation and amortization	(28.0)	(27.0)
Non-cash stock-based compensation	(48.0)	(46.0)
Gain on investments	8.1	8.1
Other expense	(2.3)	(2.3)
Pre-tax loss from continuing operations	(33.4)	(15.4)
Income tax benefit	10.0	3.0
Loss from continuing operations	(23.4)	(12.4)
Income from discontinued operations, net of tax	0.5	0.5
Net loss	$ (22.9)	$ (11.9)
Loss from continuing operations per share:		
Basic and diluted	$ (0.45)	$ (0.24)
Net loss per share:		
Basic and diluted	$ (0.44)	$ (0.23)
Weighted-average shares outstanding used in computing per share amounts:		
Basic and diluted	52.0	52.0

(a) See Annex A - Explanation of Non-GAAP Financial Measures
(b) Reconciliation of Adjusted EBITDA to loss from continuing operations

Additional information regarding forecast for the quarter ending September 30, 2012:

- Revenue is forecasted to be between $115 million to $120 million
- Adjusted EBITDA as a percentage of revenue is forecasted to be approximately 13% to 15%
- Loss from continuing operations as a percentage of revenue is forecasted to be approximately 3% to 5%

Additional information regarding full year forecast:

- The distribution of the annual revenue is expected to be approximately 83% public portals advertising and sponsorship and 17% private portal licensing. Quarterly revenue distributions may vary from this annual estimate
- 2012 guidance includes actual gains on investments and income from discontinued operations during the six months ended June 30, 2012 but excludes any estimate for these items during the six months ending December 31, 2012
- Convertible notes are not expected to be dilutive for the full year or any quarter

Exhibit 99.4

ANNEX A

Explanation of Non-GAAP Financial Measures

(All dollar amounts in thousands)

The accompanying WebMD Health Corp. press release and attachments include both financial measures in accordance with U.S. generally accepted accounting principles, or GAAP, as well as non-GAAP financial measures. The non-GAAP financial measures represent earnings before interest, taxes, non-cash and other items (which we refer to as “Adjusted EBITDA”) and related per share amounts. Adjusted EBITDA should be viewed as supplemental to, and not as an alternative for: income or loss from continuing operations calculated in accordance with GAAP (referred to below as “income from continuing operations”); or net income or loss calculated in accordance with GAAP (referred to below as “net income”). The attachments to the press release include reconciliations of non-GAAP financial measures to GAAP financial measures.

Adjusted EBITDA is used by our management as an additional measure of our company’s performance for purposes of business decision-making, including developing budgets, managing expenditures, and evaluating potential acquisitions or divestitures. Period-to-period comparisons of Adjusted EBITDA help our management identify additional trends in our company’s financial results that may not be shown solely by period-to-period comparisons of income from continuing operations or net income. In addition, we may use Adjusted EBITDA in the incentive compensation programs applicable to some of our employees in order to evaluate our company’s performance. Our management recognizes that Adjusted EBITDA has inherent limitations because of the excluded items, particularly those items that are recurring in nature. In order to compensate for those limitations, management also reviews the specific items that are excluded from Adjusted EBITDA, but included in income from continuing operations or net income, as well as trends in those items. The amounts of those items are set forth, for the applicable periods, in the reconciliations of Adjusted EBITDA to income from continuing operations or to net income that accompany our press releases and disclosure documents containing non-GAAP financial measures, including the reconciliations contained in the accompanying press release attachments.

We believe that the presentation of Adjusted EBITDA is useful to investors in their analysis of our results for reasons similar to the reasons why our management finds it useful and because it helps facilitate investor understanding of decisions made by management in light of the performance metrics used in making those decisions. In addition, as more fully described below, we believe that providing Adjusted EBITDA, together with a reconciliation of Adjusted EBITDA to income from continuing operations or to net income, helps investors make comparisons between our company and other companies that may have different capital structures, different effective income tax rates and tax attributes, different capitalized asset values and/or different forms of employee compensation. However, Adjusted EBITDA is intended to provide a supplemental way of comparing our company with other public companies and is not intended as a substitute for comparisons based on income from continuing operations or net income. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measures and the corresponding GAAP measures provided by each company under applicable SEC rules.

The following is an explanation of the items excluded by us from Adjusted EBITDA but included in income from continuing operations and net income:

- ***Depreciation and Amortization*** . Depreciation and amortization expense is a non-cash expense relating to capital expenditures and intangible assets arising from acquisitions that are expensed on a straight-line basis over the estimated useful life of the related assets. We exclude depreciation and amortization expense from Adjusted EBITDA because we believe that (i) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and (ii) such expenses can vary significantly between periods as a result of new acquisitions and full amortization of previously acquired tangible and intangible assets. Accordingly, we believe that this exclusion assists management and investors in making period-to-period comparisons of operating performance. Investors

should note that the use of tangible and intangible assets contributed to revenue in the periods presented and will contribute to future revenue generation and should also note that such expense will recur in future periods.

- ***Stock-Based Compensation Expense*** . Stock-based compensation expense is a non-cash expense arising from the grant of stock-based awards to employees. We believe that excluding the effect of stock-based compensation from Adjusted EBITDA assists management and investors in making period-to-period comparisons in our company's operating performance because (i) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and (ii) such expenses can vary significantly between periods as a result of the timing of grants of new stock-based awards, including grants in connection with acquisitions. Additionally, we believe that excluding stock-based compensation from Adjusted EBITDA assists management and investors in making meaningful comparisons between our company's operating performance and the operating performance of other companies that may use different forms of employee compensation or different valuation methodologies for their stock-based compensation. Investors should note that stock-based compensation is a key incentive offered to employees whose efforts contributed to the operating results in the periods presented and are expected to contribute to operating results in future periods. Investors should also note that such expenses will recur in the future. Stock-based compensation expenses included in the Consolidated Statement of Operations are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Non-cash stock-based compensation included in:				
Cost of operations	$ 1,873	$ 1,856	$ 4,630	$ 3,959
Sales and marketing	$ 2,304	$ 2,188	$ 4,465	$ 4,579
General and administrative	$ 5,204	$ 5,304	$17,186	$10,623

- ***Interest Income and Expense.*** Interest income is associated with the level of marketable debt securities and other interest bearing accounts in which we invest, as well as with interest expense arising from our company's capital structure (including non-cash interest expense relating to our convertible notes). Interest income and expense varies over time due to a variety of financing transactions and due to acquisitions and divestitures that we have entered into or may enter into in the future. We have, in the past, issued convertible debentures, repurchased shares in cash tender offers and repurchased shares and convertible debentures through other repurchase transactions, and completed the divestiture of certain businesses. We exclude interest income and interest expense from Adjusted EBITDA (i) because these items are not directly attributable to the performance of our business operations and, accordingly, their exclusion assists management and investors in making period-to-period comparisons of operating performance and (ii) to assist management and investors in making comparisons to companies with different capital structures. Investors should note that interest income and expense will recur in future periods. The following provides detail regarding the components of interest expense of our convertible notes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Non-cash interest expense				
2.50% Convertible Notes	$ 452	$ 452	$ 904	$ 849
2.25% Convertible Notes	$ 629	$ 631	$1,259	$ 750
Cash interest expense				
2.50% Convertible Notes	$ 2,500	$ 2,500	$5,000	$4,694
2.25% Convertible Notes	$ 2,250	$ 2,250	$4,500	$2,675

- ***Income Tax Provision (Benefit).*** We maintain a valuation allowance on a portion of our net deferred tax assets (including our net operating loss carryforwards), the amount of which may change from quarter to quarter based on factors that are not directly related to our results for the quarter. The valuation allowance is either reversed through the statement of operations or additional paid-in capital. The timing of such reversals has not been consistent and as a result, our income tax expense can fluctuate significantly from period to period in a manner not directly related to our operating performance. We exclude the income tax provision (benefit) from Adjusted EBITDA (i) because we believe that the income tax provision (benefit) is not directly attributable to the underlying performance of our business operations and, accordingly, its exclusion assists management and investors in making period-to-period comparisons of operating performance and (ii) to assist management and investors in making comparisons to companies with different tax attributes. Investors should note that income tax provision (benefit) will recur in future periods.

- ***Other Items.*** We engage in other activities and transactions that can impact our income from continuing operations and net income. In recent periods, these other items have included, but were not limited to, (i) legal expenses relating to the Department of Justice investigation, (ii) a reduction of certain sales and use tax contingencies resulting from the expiration of certain applicable statutes of limitations, (iii) gain or loss on investments, and (iv) legal fees and other expenses incurred in connection with the process conducted by our Board of Directors to explore strategic alternatives for our company. We exclude these other items from Adjusted EBITDA because we believe these activities or transactions are not directly attributable to the performance of our business operations and, accordingly, their exclusion assists management and investors in making period-to-period comparisons of operating performance. Investors should note that some of these other items may recur in future periods.