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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 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 000-33367

UNITED ONLINE, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0575839
(I.R.S. Employer Identification No.)

21255 Burbank Boulevard, Suite 400
Woodland Hills, California
(Address of principal executive office)

91367
(Zip Code)

(818) 287-3000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

There were 14,818,359 shares of the Registrant's common stock outstanding at October 30, 2015.



UNITED ONLINE, INC.

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For the Quarter Ended September 30, 2015

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In this document, "United Online," the "Company," "we," "us" and "our" refer to United Online, Inc. and its subsidiaries.

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our current expectations, estimates and projections about our operations, industry, financial condition, performance, results of operations, and liquidity. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project,"

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"projections," "business outlook," "estimate," or similar expressions constitute forward-looking statements. These forward-looking statements include, but are not limited to, statements about the expected benefits of our acquisitions or divestitures; our strategies; our pursuit of long-term growth initiatives; our future financial performance and results, revenues, segment metrics, operating expenses, market trends, liquidity, cash flows and uses of cash, dividends, capital expenditures, depreciation and amortization, tax payments, foreign currency exchange rates, and hedging arrangements; our ability to invest in initiatives; our plans for services and products, pricing, and marketing efforts; competition; litigation and investigations and potential settlements thereof; and the impact of accounting pronouncements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, time frames or achievements to be materially different from those set forth or contemplated in the forward-looking statements, including, among others, the factors disclosed in the section entitled "Risk Factors" in this Quarterly Report on Form 10-Q and in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 and additional factors that accompany the related forward-looking statements in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our estimates and assumptions only as of the date hereof. Such forward-looking statements are not guarantees of future performance or results and reported results should not be considered an indication of future performance. We undertake no obligation to update these forward-looking statements to reflect the impact of events or circumstances arising after the date hereof, unless required by law.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED ONLINE, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 99,650	\$ 78,634
Accounts receivable, net of allowance	10,567	14,112
Inventories, net	7,985	5,413
Deferred tax assets, net	186	192
Other current assets	13,074	6,415
Assets of discontinued operations	—	5,672
Total current assets	131,462	110,438
Property and equipment, net	13,724	15,040
Deferred tax assets, net	1,349	1,549
Goodwill	47,143	46,862
Intangible assets, net	428	734
Other assets	1,082	1,161
Assets of discontinued operations	—	32,811
Total assets	<u>\$ 195,188</u>	<u>\$ 208,595</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,161	\$ 9,707
Accrued liabilities	9,871	18,545
Member redemption liability	7,070	7,287
Deferred revenue	14,142	16,168
Deferred tax liabilities, net	344	529
Liabilities of discontinued operations	—	31,545
Total current liabilities	41,588	83,781
Member redemption liability	10,994	11,360
Deferred revenue	17	17
Deferred tax liabilities, net	1,623	805
Other liabilities	6,017	5,766
Liabilities of discontinued operations	—	5,153
Total liabilities	<u>60,239</u>	<u>106,882</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock	1	1
Additional paid-in capital	221,257	215,302
Accumulated other comprehensive loss	(3,326)	(3,158)
Accumulated deficit	(82,983)	(110,432)
Total stockholders' equity	<u>134,949</u>	<u>101,713</u>
Total liabilities and stockholders' equity	<u>\$ 195,188</u>	<u>\$ 208,595</u>

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

UNITED ONLINE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	\$ 36,289	\$ 39,989	\$ 111,011	\$ 123,906
Operating expenses:				
Cost of revenues	14,735	14,615	44,389	45,849
Sales and marketing	6,586	6,621	21,098	24,005
Technology and development	3,330	3,963	11,562	13,251
General and administrative	8,861	11,991	28,667	37,300
Amortization of intangible assets	102	105	308	317
Restructuring and other exit costs	(20)	521	944	2,744
Total operating expenses	<u>33,594</u>	<u>37,816</u>	<u>106,968</u>	<u>123,466</u>
Operating income	2,695	2,173	4,043	440
Interest income	150	101	331	292
Other income, net	320	257	390	324
Income before income taxes	3,165	2,531	4,764	1,056
Provision for income taxes	1,284	1,542	2,439	5,346
Income (loss) from continuing operations	1,881	989	2,325	(4,290)
Income (loss) from discontinued operations, net of tax	24,070	(783)	25,124	(8,141)
Net income (loss)	<u>\$ 25,951</u>	<u>\$ 206</u>	<u>\$ 27,449</u>	<u>\$ (12,431)</u>
Income allocated to participating securities	(962)	(12)	(1,139)	—
Net income (loss) attributable to common stockholders	<u>\$ 24,989</u>	<u>\$ 194</u>	<u>\$ 26,310</u>	<u>\$ (12,431)</u>
Basic net income (loss) per common share:				
Continuing operations	\$ 0.06	\$ 0.07	\$ 0.08	\$ (0.30)
Discontinued operations	1.63	(0.06)	1.72	(0.58)
Basic net income (loss) per common share	<u>\$ 1.69</u>	<u>\$ 0.01</u>	<u>\$ 1.80</u>	<u>\$ (0.88)</u>
Shares used to calculate basic net income (loss) per common share	<u>14,770</u>	<u>14,178</u>	<u>14,622</u>	<u>14,069</u>
Diluted net income (loss) per common share:				
Continuing operations	\$ 0.06	\$ 0.07	\$ 0.08	\$ (0.30)
Discontinued operations	1.63	(0.06)	1.71	(0.58)
Diluted net income (loss) per common share	<u>\$ 1.69</u>	<u>\$ 0.01</u>	<u>\$ 1.79</u>	<u>\$ (0.88)</u>
Shares used to calculate diluted net income (loss) per common share	<u>14,789</u>	<u>14,180</u>	<u>14,693</u>	<u>14,069</u>

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

UNITED ONLINE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME (LOSS)

(in thousands)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 25,951	\$ 206	\$ 27,449	\$ (12,431)
Other comprehensive income (loss):				
Cash flow hedges:				
Changes in net gains (losses) on derivatives, net of tax benefit of \$0 and \$19 for the quarters ended September 30, 2015 and 2014 and \$0 and \$0 for the nine months ended September 30, 2015 and 2014, respectively	(3)	(22)	4	6
Derivative settlement (gains) losses reclassified into earnings, net of tax provision of \$0 and \$1 for the quarters ended September 30, 2015 and 2014 and \$0 and \$0 for the nine months ended September 30, 2015 and 2014, respectively	9	(27)	48	(25)
Other hedges:				
Changes in net gains on derivatives, net of tax benefit of \$0 and \$3 for the quarters ended September 30, 2015 and 2014 and \$0 and \$0 for the nine months ended September 30, 2015 and 2014, respectively	—	189	—	193
Foreign currency translation	109	(634)	(220)	(528)
Other comprehensive income (loss)	115	(494)	(168)	(354)
Comprehensive income (loss)	<u>\$ 26,066</u>	<u>\$ (288)</u>	<u>\$ 27,281</u>	<u>\$ (12,785)</u>

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

UNITED ONLINE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2014	14,289	\$ 1	\$ 215,302	\$ (3,158)	\$ (110,432)	\$ 101,713
Exercise of stock options	143	—	1,693	—	—	1,693
Issuance of common stock through ESPP	94	—	936	—	—	936
Vesting of restricted stock units	254	—	—	—	—	—
Repurchases of common stock	—	—	(1,433)	—	—	(1,433)
Stock-based compensation	—	—	4,759	—	—	4,759
Other comprehensive loss	—	—	—	(168)	—	(168)
Net income	—	—	—	—	27,449	27,449
Balance at September 30, 2015	<u>14,780</u>	<u>\$ 1</u>	<u>\$ 221,257</u>	<u>\$ (3,326)</u>	<u>\$ (82,983)</u>	<u>\$ 134,949</u>

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

UNITED ONLINE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$ 27,449	\$ (12,431)
Less: Income (loss) from discontinued operations, net of tax	25,124	(8,141)
Income (loss) from continuing operations	2,325	(4,290)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	4,984	5,276
Stock-based compensation	4,595	6,048
Provision for doubtful accounts receivable	10	(43)
Deferred taxes, net	759	788
Excess tax benefits from equity awards	—	(51)
Other, net	287	732
Changes in operating assets and liabilities, net of effects of acquisitions and discontinued operations:		
Accounts receivable, net	3,399	6,070
Inventories, net	(2,925)	3,002
Other assets	(3,530)	580
Accounts payable and accrued liabilities	(7,575)	1,620
Member redemption liability	(583)	(2,055)
Deferred revenue	(1,171)	(1,327)
Other liabilities	251	(1,306)
Net cash provided by operating activities from continuing operations	826	15,044
Cash flows from investing activities:		
Purchases of property and equipment	(4,260)	(5,306)
Purchases of investments	—	(44)
Proceeds from sales of investments	186	126
Proceeds from sales of assets, net	—	30
Net cash used for investing activities from continuing operations	(4,074)	(5,194)
Cash flows from financing activities:		
Proceeds from exercises of stock options	1,693	—
Proceeds from employee stock purchase plans	936	826
Repurchases of common stock	(1,433)	(2,380)
Excess tax benefits from equity awards	—	51
Net cash provided by (used for) financing activities from continuing operations	1,196	(1,503)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(969)	(1,173)
Net cash provided by (used for) discontinued operations:		
Operating activities	(2,198)	5,246
Investing activities	26,075	(4,392)
Financing activities	—	5
Effect of a change in cash and cash equivalents on discontinued operations	160	(81)
Net cash from discontinued operations	24,037	778
Change in cash and cash equivalents	21,016	7,952
Cash and cash equivalents, beginning of period	78,634	68,047
Cash and cash equivalents, end of period	<u>\$ 99,650</u>	<u>\$ 75,999</u>

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

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS

Description of Business

United Online, Inc. (together with its subsidiaries, "United Online" or the "Company"), through its operating subsidiaries, provides consumer services and products over the Internet under a number of brands, including NetZero, Juno, MyPoints, StayFriends, and Trombi.

Effective in the first quarter of 2015, the Company modified how it reports segment information to the Company's Chief Operating Decision Maker ("CODM") because the information regularly reviewed by the CODM had changed. As a result of the changes, the Company now reports three operating segments to the CODM, including the Communications segment, as well as separately reporting the operating results of the Commerce & Loyalty and Social Media segments (which in prior periods were reported to the CODM together as the Content & Media segment). This change has been reflected through a retroactive revision of prior-period segment information to conform to the newly-defined segment information.

As discussed above, the Company reports its business in three reportable segments: Communications, Commerce & Loyalty and Social Media. The Company's primary Communications service is Internet access. The Company's Commerce & Loyalty segment promotes commerce and user engagement through its loyalty marketing service and provides a complete web, browser and mobile shopping experience through a portfolio of online portals, apps, and browser extensions. The Company's Social Media segment provides social networking services and products. On a combined basis, the Company's web properties attract a significant number of Internet users and the Company offers a broad array of Internet marketing services for advertisers.

In August 2015, the Company consummated the sale of its Classmates domestic business unit to Intelius Holdings, Inc. The purchase price received for Classmates domestic business unit was approximately \$30 million in cash, subject to a post-closing working capital adjustment. The Stock Purchase Agreement for the sale included customary representations, warranties and covenants of each party, some of which survive the closing of the transaction for a period of time. Accordingly, the results of operations, the financial condition and the cash flows of Classmates domestic business unit have been presented as discontinued operations for all periods presented.

The Company's corporate headquarters are located in Woodland Hills, California, and the Company also maintains offices in San Francisco, California; Schaumburg, Illinois; Fort Lee, New Jersey; Erlangen, Germany; Berlin, Germany; and Hyderabad, India.

Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the quarters and nine months ended September 30, 2015 and 2014 have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), including those for interim financial information, and with the instructions for Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission (the "SEC"). Accordingly, such financial statements do not include all of the information and note disclosures required by GAAP for complete financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

necessary for a fair statement of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for any future periods. The unaudited condensed consolidated balance sheet at December 31, 2014 was derived from the Company's audited consolidated financial statements, filed on March 2, 2015, with the SEC in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, but does not include all of the disclosures required by GAAP. The unaudited condensed consolidated balance sheet at December 31, 2014 was revised for the purposes of discontinued operations presentation.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates and assumptions. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K.

The most significant areas of the unaudited condensed consolidated financial statements that require management judgment include the Company's revenue recognition, goodwill, definite-lived intangible assets and other long-lived assets, member redemption liability, income taxes, and legal contingencies.

The Company believes that its existing cash and cash equivalents and cash generated from operations will be sufficient to fund its working capital requirements, capital expenditures and other obligations through at least the next 12 months.

Accounting Policies

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of the Company's significant accounting policies.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The core principle of the guidance raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the new definition of a discontinued operation. The amendments in this ASU are effective prospectively for disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company adopted the standard with no material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU will be effective

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The amendments should be applied retrospectively. In July 2015, the FASB approved a one-year deferral of the effective date with early adoption permitted. The Company intends to adopt the standard effective January 1, 2018 and is currently assessing the impact of this update on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation—Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The core principle of the guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU No. 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect this update to have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The update provides GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. The amendments in this update are effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company does not expect this update to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The update provides GAAP guidance on evaluating the accounting for fees paid by a customer in a cloud computing arrangement. The amendments in this update also provide a basis for evaluating whether a cloud computing arrangement includes a software license. The amendments in this update are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is currently assessing the impact of this update on its consolidated financial statements.

In June 2015, the FASB issued ASU No. 2015-10, *Technical Corrections and Improvements*. The update contains amendments that will affect a wide variety of topics in the Codification. The amendments in this update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The Company does not expect this update to have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in this update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the impact of this update on its consolidated financial statements.

2. SEGMENT INFORMATION

Effective in the first quarter of 2015, the Company modified how it reports segment information to the Company's CODM as the information regularly reviewed by the CODM had changed. As a result of the changes, the Company now reports three operating segments to the CODM, including the Communications segment, as well as separately reporting the operating results of the Commerce & Loyalty and Social Media segments (which, in prior periods, were reported to the CODM together as the Content & Media segment). Further, as a result of the sale of Classmates domestic business unit, the Social Media segment results exclude the Classmates domestic business unit (which, in prior periods, was reported as part of the Social Media segment). These changes have been reflected through a retroactive revision of prior-period segment information to conform to the newly-defined segment information.

Segment revenues and segment income (loss) from operations (which excludes depreciation and amortization of intangible assets) were as follows (in thousands):

	Quarter Ended September 30, 2015			
	Communications	Commerce & Loyalty	Social Media	Total
Services revenues	\$ 15,201	\$ —	\$ 5,332	\$ 20,533
Products revenues	959	—	130	1,089
Advertising and other revenues	5,306	9,175	186	14,667
Total segment revenues	\$ 21,466	\$ 9,175	\$ 5,648	\$ 36,289
Segment income (loss) from operations	\$ 7,339	\$ (219)	\$ 2,355	\$ 9,475

	Quarter Ended September 30, 2014			
	Communications	Commerce & Loyalty	Social Media	Total
Services revenues	\$ 17,097	\$ —	\$ 6,908	\$ 24,005
Products revenues	1,397	—	266	1,663
Advertising and other revenues	6,801	7,166	354	14,321
Total segment revenues	\$ 25,295	\$ 7,166	\$ 7,528	\$ 39,989
Segment income from operations	\$ 7,309	\$ 263	\$ 3,746	\$ 11,318

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SEGMENT INFORMATION (Continued)

	Nine Months Ended September 30, 2015			
	Communications	Commerce & Loyalty	Social Media	Total
Services revenues	\$ 48,592	\$ —	\$ 16,157	\$ 64,749
Products revenues	3,734	—	661	4,395
Advertising and other revenues	16,612	24,580	675	41,867
Total segment revenues	<u>\$ 68,938</u>	<u>\$ 24,580</u>	<u>\$ 17,493</u>	<u>\$ 111,011</u>
Segment income (loss) from operations	<u>\$ 18,798</u>	<u>\$ (216)</u>	<u>\$ 7,197</u>	<u>\$ 25,779</u>

	Nine Months Ended September 30, 2014			
	Communications	Commerce & Loyalty	Social Media	Total
Services revenues	\$ 51,874	\$ —	\$ 21,576	\$ 73,450
Products revenues	4,838	—	758	5,596
Advertising and other revenues	20,452	23,120	1,188	44,760
Total segment revenues	<u>\$ 77,164</u>	<u>\$ 23,120</u>	<u>\$ 23,522</u>	<u>\$ 123,806</u>
Segment income (loss) from operations	<u>\$ 21,262</u>	<u>\$ (1,272)</u>	<u>\$ 10,342</u>	<u>\$ 30,332</u>

A reconciliation of segment revenues to consolidated revenues was as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment revenues:				
Communications	\$ 21,466	\$ 25,295	\$ 68,938	\$ 77,164
Commerce & Loyalty	9,175	7,166	24,580	23,120
Social Media	5,648	7,528	17,493	23,522
Total segment revenues	<u>36,289</u>	<u>39,989</u>	<u>111,011</u>	<u>123,806</u>
Corporate revenues	—	—	—	100
Consolidated revenues	<u>\$ 36,289</u>	<u>\$ 39,989</u>	<u>\$ 111,011</u>	<u>\$ 123,906</u>

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SEGMENT INFORMATION (Continued)

A reconciliation of segment operating expenses (which excludes depreciation and amortization of intangible assets) to consolidated operating expenses was as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment operating expenses:				
Communications	\$ 14,127	\$ 17,986	\$ 50,140	\$ 55,902
Commerce & Loyalty	9,394	6,903	24,796	24,392
Social Media	3,293	3,782	10,296	13,180
Total segment operating expenses	26,814	28,671	85,232	93,474
Depreciation	1,487	1,601	4,676	4,959
Amortization of intangible assets	102	105	308	317
Unallocated corporate expenses	5,191	7,439	16,752	24,716
Consolidated operating expenses	<u>\$ 33,594</u>	<u>\$ 37,816</u>	<u>\$ 106,968</u>	<u>\$ 123,466</u>

A reconciliation of segment income (loss) from operations (which excludes depreciation and amortization of intangible assets) to consolidated income before income taxes was as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment income (loss) from operations:				
Communications	\$ 7,339	\$ 7,309	\$ 18,798	\$ 21,262
Commerce & Loyalty	(219)	263	(216)	(1,272)
Social Media	2,355	3,746	7,197	10,342
Total segment income from operations	9,475	11,318	25,779	30,332
Corporate revenues	—	—	—	100
Depreciation	(1,487)	(1,601)	(4,676)	(4,959)
Amortization of intangible assets	(102)	(105)	(308)	(317)
Unallocated corporate expenses	(5,191)	(7,439)	(16,752)	(24,716)
Interest income	150	101	331	292
Other income, net	320	257	390	324
Income before income taxes	<u>\$ 3,165</u>	<u>\$ 2,531</u>	<u>\$ 4,764</u>	<u>\$ 1,056</u>

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SEGMENT INFORMATION (Continued)

Depreciation expense by segment was as follows (in thousands):

	Quarter Ended		Nine Months	
	September 30,		Ended	
	2015	2014	2015	2014
Communications	\$ 633	\$ 767	\$ 2,097	\$ 2,248
Commerce & Loyalty	376	344	1,102	1,260
Social Media	315	393	978	1,149
Unallocated corporate	163	97	499	302
Total depreciation expense	<u>\$ 1,487</u>	<u>\$ 1,601</u>	<u>\$ 4,676</u>	<u>\$ 4,959</u>

Amortization of intangible assets by segment was as follows (in thousands):

	Quarter Ended		Nine Months	
	September 30,		Ended	
	2015	2014	2015	2014
Commerce & Loyalty	\$ 71	\$ 71	\$ 214	\$ 213
Social Media	31	34	94	104
Total amortization expense	<u>\$ 102</u>	<u>\$ 105</u>	<u>\$ 308</u>	<u>\$ 317</u>

Geographic revenues are attributed to countries based on the principal location of the Company's entities from which those revenues were generated. Geographic information for revenues was as follows (in thousands):

	Quarter Ended		Nine Months	
	September 30,		Ended	
	2015	2014	2015	2014
United States	\$ 30,640	\$ 32,460	\$ 93,515	\$ 100,382
Germany	4,670	6,160	14,482	19,118
Europe, excluding Germany	979	1,369	3,014	4,406
Consolidated revenues	<u>\$ 36,289</u>	<u>\$ 39,989</u>	<u>\$ 111,011</u>	<u>\$ 123,906</u>

Geographic information for long-lived assets, which consist of property and equipment and other assets, was as follows (in thousands):

	September 30,	December 31,
	2015	2014
United States	\$ 11,775	\$ 13,042
Germany	2,922	2,928
Other	109	231
Total long-lived assets	<u>\$ 14,806</u>	<u>\$ 16,201</u>

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SEGMENT INFORMATION (Continued)

Segment assets are not reported to, or used by, the Company's CODM to allocate resources to, or assess performance of, the segments and therefore, total segment assets have not been disclosed.

3. BALANCE SHEET COMPONENTS**Inventories, Net**

Inventories, net, consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Work-in-process	\$ —	\$ 411
Finished goods	7,985	5,002
Total	<u>\$ 7,985</u>	<u>\$ 5,413</u>

Other Current Assets

Other current assets consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Insurance recovery receivable	\$ 4,247	\$ —
Income taxes receivable	2,945	881
Prepaid expenses	2,853	2,154
Prepaid insurance	181	1,319
Other	2,848	2,061
Total	<u>\$ 13,074</u>	<u>\$ 6,415</u>

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Employee compensation and related liabilities	\$ 7,529	\$ 10,927
Non-income taxes payable	505	527
Income taxes payable	418	5,204
Customer deposits	159	79
Reserve for legal settlements	110	30
Separation payments for an executive officer	—	859
Accrued restructuring and other exit costs	—	200
Other	1,150	719
Total	<u>\$ 9,871</u>	<u>\$ 18,545</u>

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. BALANCE SHEET COMPONENTS (Continued)

Other Liabilities

Other liabilities consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Income taxes payable	\$ 3,717	\$ 3,571
Other	2,300	2,195
Total	<u>\$ 6,017</u>	<u>\$ 5,766</u>

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	Gains (Losses) on Cash Flow Hedging Instruments, Net of Tax	Gains on Other Hedging Instruments, Net of Tax	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance at December 31, 2014	\$ (49)	\$ 168	\$ (3,277)	\$ (3,158)
Other comprehensive income (loss) before reclassifications	4	—	(220)	(216)
Amounts reclassified from accumulated other comprehensive loss	48	—	—	48
Other comprehensive income (loss)	52	—	(220)	(168)
Balance at September 30, 2015	<u>\$ 3</u>	<u>\$ 168</u>	<u>\$ (3,497)</u>	<u>\$ (3,326)</u>

All amounts reclassified from accumulated other comprehensive loss were related to losses on derivatives classified as cash flow hedges. These reclassifications impacted technology and development expenses in the unaudited consolidated statement of operations.

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. GOODWILL, INTANGIBLE ASSETS AND OTHER LONG-LIVED ASSETS

Goodwill

The changes in goodwill by reportable segment were as follows (in thousands):

	Communications	Commerce & Loyalty	Social Media	Total
Balance at December 31, 2014:				
Goodwill (excluding impairment charges)	\$ 13,227	\$ 49,122	\$ 54,613	\$ 116,962
Accumulated impairment charges	(5,738)	(26,606)	(37,756)	(70,100)
Goodwill at December 31, 2014	7,489	22,516	16,857	46,862
Foreign currency translation	—	—	281	281
Balance at September 30, 2015:				
Goodwill (excluding impairment charges)	13,227	49,122	54,894	117,243
Accumulated impairment charges	(5,738)	(26,606)	(37,756)	(70,100)
Goodwill at September 30, 2015	\$ 7,489	\$ 22,516	\$ 17,138	\$ 47,143

Intangible Assets, Net

Intangible assets, net, consisted of the following (in thousands):

	September 30, 2015		
	Gross Value	Accumulated Amortization	Net
Pay accounts and free accounts	\$ 56,455	\$ (56,170)	\$ 285
Customer contracts and relationships	7,900	(7,900)	—
Trademarks and trade names	11,548	(11,405)	143
Software and technology	5,072	(5,072)	—
Rights, content and intellectual property	2,694	(2,694)	—
Total	\$ 83,669	\$ (83,241)	\$ 428

	December 31, 2014		
	Gross Value	Accumulated Amortization	Net
Pay accounts and free accounts	\$ 56,473	\$ (56,096)	\$ 377
Customer contracts and relationships	7,900	(7,900)	—
Trademarks and trade names	11,548	(11,191)	357
Software and technology	5,079	(5,079)	—
Rights, content and intellectual property	2,703	(2,703)	—
Total	\$ 83,703	\$ (82,969)	\$ 734

Amortization expense related to intangible assets for the quarter and nine months ended September 30, 2015 was \$0.1 million and \$0.3 million, respectively. Amortization expense related to intangible assets for the quarter and nine months ended September 30, 2014 was \$0.1 million and \$0.3 million, respectively.

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. GOODWILL, INTANGIBLE ASSETS AND OTHER LONG-LIVED ASSETS (Continued)

Estimated future intangible assets amortization expense at September 30, 2015 was as follows (in thousands):

	Total	Oct-Dec 2015	Year Ending December 31,		
			2016	2017	2018
Estimated amortization of intangible assets	\$ 428	\$ 101	\$ 183	\$ 83	\$ 61

5. DERIVATIVE INSTRUMENTS

The fair and notional values of outstanding derivative instruments were as follows (in thousands):

	Balance Sheet Location	Fair Value of Derivative Instruments		Notional Value of Derivative Instruments	
		September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Derivative assets	Other current assets	\$ 61	\$ 149	\$ 341	\$ 1,594
Derivative liabilities	Accrued liabilities	\$ —	\$ 18	\$ —	\$ 867

6. FAIR VALUE MEASUREMENTS

Financial Assets and Derivative Instruments

The following table presents information about financial assets and derivative instruments that were required to be measured at fair value on a recurring basis (in thousands):

Description	Estimated Fair Value		
	September 30, 2015		
	Level 1	Level 2	Total
Assets:			
Money market funds	\$ 65,772	\$ —	\$ 65,772
Time deposits	—	6,706	6,706
Derivative assets	—	61	61
Total	\$ 65,772	\$ 6,767	\$ 72,539

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FAIR VALUE MEASUREMENTS (Continued)

Description	Estimated Fair Value		
	December 31, 2014		
	Level 1	Level 2	Total
Assets:			
Money market funds	\$ 42,741	\$ —	\$ 42,741
Time deposits	—	8,041	8,041
Derivative assets	—	149	149
Total	<u>\$ 42,741</u>	<u>\$ 8,190</u>	<u>\$ 50,931</u>
Liabilities:			
Derivative liabilities	\$ —	\$ 18	\$ 18
Total	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ 18</u>

7. STOCKHOLDERS' EQUITY

Common Stock Repurchases

In May 2001, the Company's Board of Directors authorized a common stock repurchase program (the "Program") that allows the Company to repurchase shares of its common stock through open market or privately negotiated transactions based on prevailing market conditions and other factors. From time to time since then, the Board of Directors has increased the amount authorized for repurchase under this Program and has extended the Program, which is currently extended through December 31, 2015. From August 2001 through December 2014, the Company had repurchased \$150.2 million of its common stock under the Program. There were no repurchases under the Program during the nine months ended September 30, 2015 and, at September 30, 2015, the authorization remaining under the Program was \$80.0 million.

Shares withheld upon the vesting of restricted stock units and upon the issuance of stock awards to pay minimum statutory employee withholding taxes are considered common stock repurchases, but are not counted as purchases against the Program. Upon vesting of most restricted stock units or issuance of stock awards, we currently do not collect the minimum statutory withholding taxes from employees. Instead, we automatically withhold, from the restricted stock units that vest and from the stock awards that are issued, the portion of those shares with a fair market value equal to the amount of the minimum statutory employee withholding taxes due, which is accounted for as a repurchase of common stock. We then pay the minimum statutory employee withholding taxes in cash. The amounts remitted in the nine months ended September 30, 2015 and 2014 were \$1.4 million and \$2.4 million, respectively, for which the Company withheld 0.1 million and 0.2 million shares of common stock, respectively, that were underlying the restricted stock units that vested.

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. STOCK-BASED COMPENSATION PLANS**Stock-Based Compensation**

The following table summarizes the stock-based compensation that has been included in the following line items within the unaudited condensed consolidated statements of operations (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating expenses:				
Cost of revenues	\$ 44	\$ 69	\$ 155	\$ 153
Sales and marketing	125	121	365	387
Technology and development	159	215	592	638
General and administrative	1,185	1,432	3,483	4,870
Total stock-based compensation	<u>\$ 1,513</u>	<u>\$ 1,837</u>	<u>\$ 4,595</u>	<u>\$ 6,048</u>

Restricted Stock Units

The following table summarizes activity for restricted stock units (in thousands):

Nonvested at December 31, 2014	805
Granted	271
Vested	(357)
Forfeited/canceled	(174)
Nonvested at September 30, 2015	<u>545</u>

Stock Options

The following table summarizes activity for stock options (in thousands):

Outstanding at December 31, 2014	947
Granted	545
Exercised	(143)
Forfeited/canceled	(338)
Outstanding at September 30, 2015	<u>1,011</u>

9. INCOME TAXES

The Company's provision for income taxes for the quarter ended September 30, 2015 differed from the U.S. federal statutory tax rate of 34% primarily due to a provision for income taxes related to the Company's foreign operations, an income tax accrual related to certain goodwill assets and a tax accrual related to reserves for uncertain tax positions. For the quarter and nine months ended September 30, 2015, the Company utilized the actual effective tax rate (discrete method) in determining the domestic income tax expense, rather than the annual effective tax rate method, as

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INCOME TAXES (Continued)

allowed under Accounting Standards Codification ("ASC") 740-270-30-36, *Income Taxes—Interim Reporting*.

The Company's tax provision has an unusual relationship to domestic pre-tax loss primarily due to the existence of a full deferred tax asset valuation allowance. This circumstance generally results in a zero net tax provision since the income tax expense or benefit that would otherwise be recognized is offset by the change in the valuation allowance. However, the tax expense recorded in the quarter and nine months ended September 30, 2015 included an accrual of a non-cash tax expense of approximately \$0.3 million and \$1.0 million respectively, in connection with the tax amortization of certain goodwill assets that is not available to offset existing deferred tax assets (termed "naked credits"). Specifically, the Company does not consider the deferred tax liabilities related to certain goodwill assets when determining the need for a valuation allowance.

In March 2015, the Company reached an audit settlement with the Internal Revenue Service related to tax years 2009 through 2012 and, in connection with such settlement, the Company remitted approximately \$6.4 million to the Internal Revenue Service in the quarter ended June 30, 2015, for which the Company had previously established a reserve.

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income (loss) per common share (in thousands, except per share amounts):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income (loss) from continuing operations	\$ 1,881	\$ 989	\$ 2,325	\$ (4,290)
Income allocated to participating securities	(962)	(12)	(1,139)	—
Income (loss) from continuing operations available to common stockholders	919	977	1,186	(4,290)
Income (loss) from discontinued operations, net of tax, available to common stockholders	24,070	(783)	25,124	(8,141)
Net income (loss) attributable to common stockholders	<u>\$ 24,989</u>	<u>\$ 194</u>	<u>\$ 26,310</u>	<u>\$ (12,431)</u>
Denominator:				
Weighted-average common shares	14,770	14,178	14,622	14,069
Add: Dilutive effect of non-participating securities	19	2	71	—
Shares used to calculate diluted net income (loss) per common share	<u>14,789</u>	<u>14,180</u>	<u>14,693</u>	<u>14,069</u>
Basic net income (loss) per common share:				
Continuing operations	\$ 0.06	\$ 0.07	\$ 0.08	\$ (0.30)
Discontinued operations	1.63	(0.06)	1.72	(0.58)
Basic net income (loss) per common share	<u>\$ 1.69</u>	<u>\$ 0.01</u>	<u>\$ 1.80</u>	<u>\$ (0.88)</u>
Diluted net income (loss) per common share:				
Continuing operations	\$ 0.06	\$ 0.07	\$ 0.08	\$ (0.30)
Discontinued operations	1.63	(0.06)	1.71	(0.58)
Diluted net income (loss) per common share	<u>\$ 1.69</u>	<u>\$ 0.01</u>	<u>\$ 1.79</u>	<u>\$ (0.88)</u>

The diluted net income (loss) per common share computations exclude stock options and restricted stock units that are antidilutive. Weighted-average antidilutive shares for the quarter and nine months ended September 30, 2015 were 0.9 million and 1.1 million, respectively. Weighted-average antidilutive shares for the quarter and nine months ended September 30, 2014 were 1.2 million and 1.3 million, respectively.

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. RESTRUCTURING AND OTHER EXIT COSTS

Restructuring and other exit costs were a result of management's decision to streamline operations, prioritize resources for growth initiatives and increase profitability. The following tables summarize restructuring and other exit costs (in thousands):

Accrued restructuring and other exit costs at December 31, 2014	\$ 200
Restructuring and other exit costs	944
Cash paid for restructuring and other exit costs	<u>(1,144)</u>
Accrued restructuring and other exit costs at September 30, 2015	<u>\$ —</u>

	Nine Months Ended September 30, 2015			
	Communications	Commerce & Loyalty	Corporate	Total
Restructuring and other exit costs:				
Employee termination costs	\$ 913	\$ (2)	\$ 33	\$ 944
Total restructuring and other exit costs	<u>\$ 913</u>	<u>\$ (2)</u>	<u>\$ 33</u>	<u>\$ 944</u>

	Nine Months Ended September 30, 2014			
	Communications	Commerce & Loyalty	Corporate	Total
Restructuring and other exit costs:				
Employee termination costs	\$ 262	\$ 1,093	\$ 1,022	\$ 2,377
Facility closure and relocation costs	9	358	—	367
Total restructuring and other exit costs	<u>\$ 271</u>	<u>\$ 1,451</u>	<u>\$ 1,022</u>	<u>\$ 2,744</u>

12. CONTINGENCIES—LEGAL MATTERS

In June 2011, Memory Lane, Inc., a California corporation, filed a complaint in United States District Court, Central District of California, against Classmates International, Inc., Classmates Online, Inc. and Classmates, Inc. (then known as Memory Lane, Inc.) ("Classmates"), alleging false designation of origin under the Lanham Act, 15 U.S.C. section 1125, and state and common law unfair competition. The complaint included requests for an award of damages and for preliminary and permanent injunctive relief. Notwithstanding the request for preliminary injunctive relief, no motion for such relief was filed. Classmates responded to the complaint in September 2011. In October 2011, the plaintiff amended its complaint to, among other things, dismiss Classmates International, Inc. and add United Online, Inc. as a defendant. In February 2014, the jury issued a verdict for the defendants, concluding that the defendants did not infringe plaintiff's trademark and the court entered judgment in favor of the defendants. In March 2014 plaintiff filed a notice of appeal of the judgment in favor of defendants. The plaintiff's appeal brief was filed in November 2014. Classmates' opposition brief was filed in December 2014. Plaintiff's reply brief was filed in March 2015. Classmates' reply brief was filed in April 2015.

In 2010, Classmates, Inc., and Florists' Transworld Delivery, Inc. and FTD.COM Inc. (together, the "FTD Parties") received subpoenas from the Attorney General for the State of Kansas and the Attorney General for the State of Maryland, respectively. These subpoenas were issued on behalf of a

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. CONTINGENCIES—LEGAL MATTERS (Continued)

Multistate Work Group that consists of the Attorneys General for the following states: Alabama, Alaska, Delaware, Florida, Idaho, Illinois, Kansas, Maine, Maryland, Michigan, Nebraska, New Mexico, New Jersey, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Texas, Vermont, Washington and Wisconsin (the "Multistate Work Group"). The inquiry concerned certain post-transaction sales practices in which these companies previously engaged with certain third-party vendors and certain auto-renewal practices of Classmates, Inc. In May 2015, Classmates, Inc. and the FTD Parties entered into settlement agreements with each member of the Multistate Work Group. Under the terms of the settlement agreements, Classmates, Inc. and the FTD Parties denied all wrong-doing and agreed to certain injunctive relief and to two areas of monetary relief: (1) a payment from Classmates, Inc. and the FTD Parties in the aggregate amount of \$8 million to be distributed amongst the states in the Multistate Work Group (with approximately \$5.18 million to be paid by Classmates, Inc. and approximately \$2.82 million to be paid by the FTD Parties); and (2) Classmates, Inc. funding a \$3 million restitution program covering eligible consumers in the states in the Multistate Work Group, with any restitution not paid to consumers being paid to such states. The Classmates, Inc. portion of the payments described above relating to the settlement agreements was paid by Classmates, Inc. in July 2015. In October 2015, the Company received insurance proceeds in the amount of \$4.2 million related to the Multistate Work Group inquiry and accompanying legal fees. Of this amount, \$2.8 million was allocated to United Online, Inc. and \$1.4 million was allocated to FTD, which was remitted to FTD in October 2015.

In November 2013, we consummated the separation of our company into two independent, publicly-traded companies: United Online, Inc., which continues to operate our current business segments, and FTD Companies, Inc., which includes the domestic and international operations of our former FTD segment (the "FTD Spin-Off Transaction"). Prior to the completion of the FTD Spin-Off Transaction, the Company and FTD Companies, Inc. entered into a Separation and Distribution Agreement (as amended, the "Separation Agreement"). The Separation Agreement addresses, among other things, the control and settlement of certain litigation matters that relate to the Company (and certain subsidiaries) and FTD Companies, Inc. (and certain subsidiaries), including the matters related to the Multistate Work Group investigation. The Separation Agreement also provides for the allocation of liabilities and expenses between the Company and FTD Companies, Inc. with respect to these matters. It also establishes procedures with respect to claims subject to indemnification, insurance claims and related matters.

In August 2015, the Company consummated the sale of its Classmates domestic business unit. Pursuant to the Stock Purchase Agreement for the disposition, the Company retains some liability for certain legal matters relating to the Classmates domestic business unit, including matters related to the Multistate Work Group investigation and the Memory Lane, Inc. lawsuit.

The Company cannot predict the outcome of these or any other legal actions or governmental investigations or their potential implications for its business. In addition, the Company, at times, has negotiated resolutions related to certain legal actions and governmental investigations. There are no assurances that additional legal actions or governmental investigations will not be instituted in connection with the Company's current or former business practices.

The Company records a liability when it believes that it is both probable that a loss will be incurred, and the amount of loss can be reasonably estimated. The Company evaluates, at least quarterly, developments in its legal matters that could affect the amount of liability that has been

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. CONTINGENCIES—LEGAL MATTERS (Continued)

previously accrued, and makes adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount. The Company may be unable to estimate a possible loss or range of possible loss due to various reasons, including, among others: (i) if the damages sought are indeterminate; (ii) if the proceedings are in early stages; (iii) if there is uncertainty as to the outcome of pending appeals, motions, or settlements; (iv) if there are significant factual issues to be determined or resolved; and (v) if there are novel or unsettled legal theories presented. In such instances, there is considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any. At September 30, 2015, the Company had reserves totaling \$0.1 million for estimated losses related to legal matters. With respect to the legal matters described above that are ongoing, the Company has determined, based on its current knowledge, that the amount of possible loss or range of loss, including any reasonably possible losses in excess of amounts already accrued, is not reasonably estimable. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. As such, even though the Company intends to vigorously defend itself with respect to its legal matters, there can be no assurance that the final outcome of these matters will not materially and adversely affect the Company's business, financial condition, results of operations, or cash flows.

13. DISCONTINUED OPERATIONS

Sale of Classmates Domestic Business Unit

In August 2015, the Company consummated the sale of its Classmates domestic business unit to Intelius Holdings, Inc. The Classmates domestic business unit was previously included as part of the Social Media segment results. Accordingly, the results of operations, financial condition and cash flows of the Classmates domestic business unit have been presented as discontinued operations for all periods presented.

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. DISCONTINUED OPERATIONS (Continued)

Revenues and income from discontinued operations related to the Classmates domestic business unit were as follows (in thousands):

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues	\$ 5,755	\$ 13,094	\$ 31,523	\$ 39,605
Operating expenses:				
Cost of revenues	963	2,347	5,488	7,582
Sales and marketing	2,162	4,669	12,696	15,686
Technology and development	754	2,563	5,678	8,113
General and administrative	(1,924)	2,886	1,514	11,934
Amortization of intangible assets	186	1,455	987	4,006
Restructuring and other exit costs	—	11	3	375
Total operating expenses	2,141	13,931	26,366	47,696
Operating income (loss)	3,614	(837)	5,157	(8,091)
Other income, net	—	(88)	—	(88)
Gain on disposal of discontinued operations	20,787	—	20,787	—
Income (loss) from discontinued operations before income taxes	24,401	(925)	25,944	(8,179)
Provision for (benefit from) income taxes	331	(142)	820	(38)
Income (loss) from discontinued operations, net of tax	\$ 24,070	\$ (783)	\$ 25,124	\$ (8,141)

UNITED ONLINE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. DISCONTINUED OPERATIONS (Continued)

The major classes of assets and liabilities included in discontinued operations related to the Classmates domestic business unit were as follows (in thousands):

	December 31, 2014
Assets	
Current assets:	
Cash and cash equivalents	\$ 161
Accounts receivable, net	397
Inventory, net	3
Deferred tax assets	3,746
Other current assets	1,365
Total current assets	5,672
Property and equipment, net	7,740
Goodwill	16,152
Intangible assets, net	8,714
Other assets	205
Total assets	<u>\$ 38,483</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 2,591
Accrued liabilities	12,284
Deferred revenue	16,670
Total current liabilities	31,545
Deferred revenue	1,897
Deferred tax liabilities, net	3,256
Total liabilities	<u>\$ 36,698</u>

The Company recorded \$0.2 million and \$0.3 million of transaction-related costs in the quarter and nine months ended September 30, 2015, respectively, in connection with the sale of the Classmates domestic business unit, which was included in discontinued operations in the unaudited condensed consolidated statements of operations. During the quarter ended September 30, 2015, the Company recorded an insurance recovery gain of \$2.8 million related to the Classmates' portion of the Multistate Work Group inquiry and accompanying legal fees, which was included in discontinued operations in the consolidated statements of operations.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Overview

United Online, through its operating subsidiaries, provides consumer services and products over the Internet under a number of brands, including NetZero, Juno, MyPoints, StayFriends, and Trombi.

Effective in the first quarter of 2015, we modified how we report segment information to our Chief Operating Decision Maker ("CODM") as the information regularly reviewed by the CODM had changed. As a result of the changes, we now report three operating segments to the CODM, including the Communications segment, as well as separately reporting the operating results of the Commerce & Loyalty and Social Media segments (which, in prior periods, were reported to the CODM together as the Content & Media segment). This change has been reflected through a retroactive revision of prior-period segment information to conform to the newly-defined segment information.

On August 11, 2015, we completed the sale of all of the stock of our wholly-owned subsidiary, Classmates, Inc. to Intelius Holdings, Inc. The purchase price received for the Classmates domestic business unit was approximately \$30 million in cash, subject to a post-closing working capital adjustment. The Stock Purchase Agreement for the sale included customary representations, warranties and covenants of each party, some of which survive the closing of the transaction for a period of time. Accordingly, the results of operations, the financial condition and the cash flows of the Classmates domestic business unit have been presented as discontinued operations for all periods presented. In October 2015, we initiated a process to sell StayFriends, our European websites for social networking products and services. In line with the strategy to sell our former Classmates domestic business unit, StayFriends is not aligned with our longer-term objective to return United Online to growth.

Our three reportable segments consist of the following:

<u>Segment</u>	<u>Services and Products</u>
Communications	Internet access services and devices, including dial-up, mobile broadband, DSL, email, Internet security, web hosting, and voice services
Commerce & Loyalty	Loyalty marketing service, shopping through online portals, apps and browser extensions
Social Media	Social networking services and products

We generate revenues from three primary sources:

- *Services revenues.* Services revenues in our Communications and Social Media segments are derived from selling subscriptions to consumers, who are typically billed in advance for the entire subscription term.
- *Products revenues.* Products revenues in our Communications segment are derived from the sale of mobile broadband devices and mobile phones, as well as the related shipping and handling fees. Products revenues in our Social Media segment are derived from the sale of yearbooks, including the related shipping and handling fees.
- *Advertising and other revenues.* Advertising and other revenues are primarily derived from various advertising, marketing and media-related initiatives in all of our segments. Commerce & Loyalty

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segment revenues include fees generated when members complete online transactions, when emails are transmitted to members and when members respond to emails. Commerce & Loyalty segment revenues also include revenues from the sale of physical gift cards and electronic gift codes.

Key Business Metrics

We review a number of key business metrics to help us monitor our performance and trends affecting our businesses, and to develop forecasts and budgets. These key measures include the following:

Pay Accounts. We generate a significant portion of our revenues from our pay accounts, which represent one of the most important drivers of our business model. A pay account is defined as a member who has paid for a subscription to a Communications or Social Media service, and whose subscription has not terminated or expired. A subscription provides the member with access to our service for a specific term (for example, a month or a year) and may be renewed upon the expiration of each term. One-time purchases of our services, with the exception of our free and prepaid mobile broadband service, are not considered subscriptions and thus, are not included in the pay accounts metric. A pay account does not equate to a unique subscriber because one subscriber could have several pay accounts. In addition, at any point in time, our pay account base includes customers who previously purchased prepaid mobile broadband service and have been inactive for 90 days or less, as well as a number of accounts receiving a free period of service as either a promotion or retention tool, such as the subscribers receiving our free mobile broadband service, and a number of accounts that have notified us that they are terminating their service but whose service remains in effect. In general, the key business metrics that affect our revenues from our pay accounts base include the number of pay accounts and the average monthly revenue per pay account. A pay account generally becomes a free account following the expiration or termination of the related subscription.

ARPU. We monitor average monthly revenue per pay account ("ARPU"), which is calculated by dividing services revenues generated from the pay accounts of our Communications or Social Media segment, as applicable, for a period (after translation into U.S. Dollars) by the average number of segment pay accounts for that period, divided by the number of months in that period. The average number of pay accounts is the simple average of the number of pay accounts at the beginning and the end of a period. ARPU may fluctuate significantly from period to period as a result of a variety of factors, including, but not limited to, the extent to which promotional, discounted or retention pricing is used to attract new, or retain existing, paying subscribers; changes in the mix of pay services and the related pricing plans; increases or decreases in the price of our services; the timing of pay accounts being added or removed during a period; and for the Social Media segment, the average foreign currency exchange rate between the U.S. Dollar and the Euro.

Churn. To evaluate the retention characteristics of our membership base, we also monitor the percentage of pay accounts that terminate or expire, which we refer to as our average monthly churn rate. Our average monthly churn rate for a period is calculated as the total number of pay accounts that terminated or expired in a period divided by the average number of pay accounts for that period, divided by the number of months in that period. Our average monthly churn percentage may fluctuate from period to period due to our mix of subscription terms, which affects the timing of subscription expirations, and other factors. We make certain normalizing adjustments to the calculation of our churn percentage for periods in which we add a significant number of pay accounts due to acquisitions. For our Communications segment, our churn calculation does not include accounts canceled during the first 30 days of service other than dial-up accounts that have upgraded from free accounts, but the calculation does include customers who previously purchased prepaid mobile broadband service and, at any time during the period, reached 90 consecutive days of inactivity. A number of such accounts

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nevertheless will be included in our pay account totals at any given measurement date. Subscribers who cancel one pay service but subscribe to another pay service are not necessarily considered to have canceled a pay account depending on the services and, as such, our segment churn rates are not necessarily indicative of the percentage of subscribers canceling any particular service.

Active Accounts. We monitor the number of active accounts among our membership base. Communications segment active accounts include all Communications segment pay accounts as of the date presented combined with the number of free dial-up Internet access and email accounts that logged on to our services at least once during the preceding 31 days. Social Media segment active accounts are defined as the sum of all pay accounts as of the date presented; and the monthly average for the period of all free accounts who have visited our social networking websites at least once during the period. Segment active accounts for six-month, nine-month and annual periods are calculated as a simple average of the quarterly active accounts for each respective segment.

In general, we count and track pay accounts and free accounts by unique member identifiers. Users have the ability to register for separate services under separate brands and member identifiers independently. We do not track whether a pay account has purchased more than one of our services unless the account uses the same member identifier. As a result, total active accounts may not represent total unique users.

The pay accounts, churn and ARPU metrics for the Communications segment may fluctuate significantly from period to period due to various factors, including, but not limited to, the number of mobile broadband pay accounts, which have a higher churn rate and ARPU.

The pay accounts and ARPU metrics for the Social Media segment may fluctuate significantly from period to period due to various factors, including, but not limited to, the extent to which discounted pricing is offered in prior and current periods, and the churn rate.

Gross Merchandise Sales. Gross merchandise sales is the total dollar value of Commerce & Loyalty member purchases during the reporting period, excluding applicable taxes and net of refunds, directly on the MyPoints site, on third-party sites accessed through the MyPoints portal, or on other Commerce & Loyalty properties. We include the purchases and refunds that are reported by our partners on or before the 15th calendar day following the end of the reporting period, to allow our partners to report purchases completed within the reporting period. We consider this metric to be an important indicator of member engagement with our Commerce & Loyalty properties.

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The following table sets forth our key business metrics:

	Quarter Ended					Nine Months Ended		
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	September 30, 2015 2014		
Consolidated:								
Revenues (in thousands)	\$ 36,289	\$ 37,562	\$ 37,160	\$ 41,813	\$ 39,989	\$ 111,011	\$ 123,906	
Communications:								
Segment revenues (in thousands)	\$ 21,466	\$ 23,208	\$ 24,264	\$ 26,001	\$ 25,295	\$ 68,938	\$ 77,164	
<i>% of consolidated revenues</i>	59%	62%	65%	62%	63%	62%	62%	
Pay accounts (in thousands):								
Internet access	256	274	294	301	314	256	314	
Other	177	179	184	189	193	177	193	
Total pay accounts	433	453	478	490	507	433	507	
Segment chum	2.8%	3.0%	3.1%	2.8%	2.8%	3.0%	3.0%	
ARPU	\$ 11.30	\$ 11.54	\$ 11.56	\$ 11.14	\$ 10.91	\$ 11.55	\$ 10.74	
Segment active accounts (in millions)	1.0	1.0	1.0	1.0	1.1	1.0	1.1	
Commerce & Loyalty:								
Segment revenues (in thousands)	\$ 9,175	\$ 8,260	\$ 7,145	\$ 9,098	\$ 7,166	\$ 24,580	\$ 23,120	
<i>% of consolidated revenues</i>	25%	22%	19%	22%	18%	22%	19%	
Gross merchandise sales (in thousands)	52,771	\$ 54,436	\$ 50,669	\$ 68,284	\$ 47,793	\$ 157,876	\$ 142,646	
Social Media:								
Segment revenues (in thousands)	\$ 5,648	\$ 6,094	\$ 5,751	\$ 6,714	\$ 7,528	\$ 17,493	\$ 23,522	
<i>% of consolidated revenues</i>	16%	16%	15%	16%	19%	16%	19%	
Pay accounts (in thousands)	1,063	1,095	1,127	1,162	1,200	1,063	1,200	
Segment chum	1.9%	2.0%	2.3%	2.1%	1.9%	2.1%	2.2%	
ARPU	\$ 1.65	\$ 1.60	\$ 1.60	\$ 1.79	\$ 1.90	\$ 1.61	\$ 1.93	
Segment active accounts (in millions)	2.9	3.2	3.3	3.2	3.4	3.1	3.9	
Average currency exchange rate:								
EUR to USD	1.11	1.11	1.13	1.25	1.33	1.12	1.36	

Results of Operations

The following tables set forth selected historical unaudited condensed consolidated statements of operations and segment information data, which should be read in conjunction with Liquidity and Capital Resources, Contractual Obligations, and Other Commitments included in this Item 2, as well as Quantitative and Qualitative Disclosures About Market Risk and the unaudited condensed consolidated financial statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Quarter and Nine Months Ended September 30, 2015 compared to Quarter and Nine Months Ended September 30, 2014

Consolidated Results

Unaudited condensed consolidated statement of operations information was as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	\$ 36,289	\$ 39,989	\$ 111,011	\$ 123,906
Operating expenses:				
Cost of revenues	14,735	14,615	44,389	45,849
Sales and marketing	6,586	6,621	21,098	24,005
Technology and development	3,330	3,963	11,562	13,251
General and administrative	8,861	11,991	28,667	37,300
Amortization of intangible assets	102	105	308	317
Restructuring and other exit costs	(20)	521	944	2,744
Total operating expenses	33,594	37,816	106,968	123,466
Operating income	2,695	2,173	4,043	440
Interest income	150	101	331	292
Other income, net	320	257	390	324
Income before income taxes	3,165	2,531	4,764	1,056
Provision for income taxes	1,284	1,542	2,439	5,346
Income (loss) from continuing operations	1,881	989	2,325	(4,290)
Income (loss) from discontinued operations, net of tax	24,070	(783)	25,124	(8,141)
Net income (loss)	\$ 25,951	\$ 206	\$ 27,449	\$ (12,431)

Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Revenues	\$ 36,289	\$ 39,989	\$ (3,700)	(9)%	\$ 111,011	\$ 123,906	\$ (12,895)	(10)%
Revenues as a percentage of total segment revenues:								
Communications	59.2%	63.3%			62.1%	62.3%		
Commerce & Loyalty	25.3%	17.9%			22.1%	18.7%		
Social Media	15.6%	18.8%			15.8%	19.0%		

The decrease in consolidated revenues for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$3.8 million decrease in revenues from our Communications segment and a \$1.9 million decrease in revenues from our Social Media segment, partially offset by a \$2.0 million increase in revenues from our Commerce & Loyalty segment.

The decrease in consolidated revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to an \$8.2 million decrease in revenues from our Communications segment and a \$6.0 million decrease in revenues from our Social Media segment, partially offset by a \$1.5 million increase in revenues from our Commerce & Loyalty segment.

Cost of Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Cost of revenues	\$ 14,735	\$ 14,615	\$ 120	1%	\$ 44,389	\$ 45,849	\$ (1,460)	(3)%
Cost of revenues as a percentage of total segment cost of revenues:								
Communications	57.0%	72.8%			64.5%	70.6%		
Commerce & Loyalty	39.9%	22.4%			31.8%	24.5%		
Social Media	3.1%	4.8%			3.7%	4.9%		

The increase in consolidated cost of revenues for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was due to a \$2.6 million increase in cost of revenues associated with our Commerce & Loyalty segment, largely offset by a \$2.0 million decrease in cost of revenues associated with our Communications segment and a \$0.2 million decrease in cost of revenues associated with our Social Media segment.

The decrease in consolidated cost of revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$3.2 million decrease in cost of revenues associated with our Communications segment, a \$0.5 million decrease in cost of revenues associated with our Social Media segment and a \$0.5 million decrease in depreciation expense. These decreases were partially offset by a \$2.9 million increase in cost of revenues associated with our Commerce & Loyalty segment.

Sales and Marketing

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Sales and marketing	\$ 6,586	\$ 6,621	\$ (35)	(1)%	\$ 21,098	\$ 24,005	\$ (2,907)	(12)%
Sales and marketing expenses as a percentage of total segment sales and marketing expenses:								
Communications	45.6%	47.5%			47.1%	45.4%		
Commerce & Loyalty	34.0%	28.5%			31.4%	28.9%		
Social Media	20.4%	24.0%			21.5%	25.7%		

Consolidated sales and marketing expenses was relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in consolidated sales and marketing expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$1.6 million decrease in sales and marketing expenses associated with our Social Media segment, a \$1.0 million decrease in sales and marketing expenses associated with our Communications segment and a \$0.3 million decrease in sales and marketing expenses associated with our Commerce & Loyalty segment.

Technology and Development

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Technology and development	\$ 3,330	\$ 3,963	\$ (633)	(16)%	\$ 11,562	\$ 13,251	\$ (1,689)	(13)%
Technology and development expenses as a percentage of total segment technology and development expenses:								
Communications	52.3%	63.8%			63.0%	60.7%		
Commerce & Loyalty	23.1%	19.5%			19.5%	20.9%		
Social Media	24.6%	16.7%			17.5%	18.5%		

The decrease in consolidated technology and development expenses for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a decrease in technology and development expenses associated with our Communications segment.

The decrease in consolidated technology and development expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$0.7 million decrease in technology and development expenses associated with our Communications segment, a \$0.4 million decrease in technology and development expenses associated with our Commerce & Loyalty segment and a \$0.4 million decrease in technology and development expenses associated with our Social Media segment.

General and Administrative

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
General and administrative	\$ 8,861	\$ 11,991	\$ (3,130)	(26)%	\$ 28,667	\$ 37,300	\$ (8,633)	(23)%
General and administrative expenses as a percentage of total segment general and administrative expenses:								
Communications	49.2%	57.8%			52.8%	55.6%		
Commerce & Loyalty	25.7%	20.4%			24.6%	22.8%		
Social Media	25.2%	21.8%			22.6%	21.6%		

The decrease in consolidated general and administrative expenses for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$2.1 million decrease in unallocated corporate expenses and a \$0.9 million decrease in general and administrative expenses associated with our Communications segment.

The decrease in consolidated general and administrative expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$6.9 million decrease in unallocated corporate expenses, a \$1.5 million decrease in general and administrative expenses associated with our Communications segment, a \$0.3 million decrease in general and administrative expenses associated with our Social Media segment, and a \$0.3 million decrease in general and administrative expenses associated with our Commerce & Loyalty segment. These decreases were partially offset by a \$0.4 million increase in depreciation expense.

Amortization of Intangible Assets

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Amortization of intangible assets	\$ 102	\$ 105	\$ (3)	(3)%	\$ 308	\$ 317	\$ (9)	(3)%

Amortization of intangible assets was essentially flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, as well as for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.

Restructuring and Other Exit Costs

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Restructuring and other exit costs	\$ (20)	\$ 521	\$ (541)	(104)%	\$ 944	\$ 2,744	\$ (1,800)	(66)%

Consolidated restructuring and other exit costs for the quarter ended September 30, 2014 included \$0.4 million of facility closure and relocation costs in our Commerce & Loyalty segment, \$0.1 million of unallocated corporate employee termination costs and \$0.1 million of employee termination costs in our Communications segment.

Consolidated restructuring and other exit costs for the nine months ended September 30, 2014 primarily included \$1.1 million and \$0.3 million of employee termination costs in our Commerce & Loyalty and Communications segments, respectively, as well as \$1.0 million of unallocated corporate employee termination costs, and \$0.4 million of facility closure and relocation costs in our Commerce & Loyalty segment. Consolidated restructuring and other exit costs for the nine months ended September 30, 2015 were primarily related to employee termination costs in our Communications segment.

Interest Income

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Interest income	\$ 150	\$ 101	\$ 49	49%	\$ 331	\$ 292	\$ 39	13%

Interest income was relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, as well as for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.

Other Income, Net

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Other income, net	\$ 320	\$ 257	\$ 63	25%	\$ 390	\$ 324	\$ 66	20%

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The increase in other income, net, for the quarter and nine months ended September 30, 2015, compared to the quarter and nine months ended September 30, 2014, was due to \$0.3 million of transition services income earned in the quarter and nine months ended September 30, 2015, partially offset by decreases in gains related to forward foreign currency exchange contracts.

Provision for Income Taxes

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except percentages)			
Provision for income taxes	\$ 1,284	\$ 1,542	\$ 2,439	\$ 5,346
Effective income tax rate	40.6%	60.9%	51.2%	506.3%

For the quarter ended September 30, 2015, we utilized the actual effective tax rate (discrete method) in determining the domestic income tax expense, rather than the annual effective tax rate method, as allowed under Accounting Standards Codification ("ASC") 740-270-30-36, *Income Taxes—Interim Reporting*. For the quarter ended September 30, 2015, we recorded a provision for income taxes totaling \$1.3 million on pre-tax income of \$3.2 million, compared to a provision for income taxes totaling \$1.5 million on a pre-tax income of \$2.5 million for the quarter ended September 30, 2014. Our effective income tax rate of 40.6% for the quarter ended September 30, 2015 was higher than the statutory tax rate primarily due to a provision for income taxes related to our foreign operations, an income tax accrual related to certain goodwill assets and a tax accrual related to reserves for uncertain tax positions. The change in our effective income tax rate for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to an income tax accrual related to certain goodwill assets, tax benefits related to federal and various state audit settlements for tax years 2009 through 2012, and a decrease in foreign taxes.

For the nine months ended September 30, 2015, we recorded a provision for income taxes totaling \$2.4 million on pre-tax income of \$4.8 million, compared to a provision for income taxes totaling \$5.3 million on a pre-tax income of \$1.1 million for the nine months ended September 30, 2014. Our effective income tax rate of 51.2% for the nine months ended September 30, 2015 was higher than the statutory tax rate primarily due to a provision for income taxes related to our foreign operations, an income tax accrual related to certain goodwill assets, tax benefits related to federal and various state audit settlements for tax years 2009 through 2012, benefits related to the reallocation of pro forma taxes to discontinued operations, and the release of reserves for uncertain tax positions taken in prior periods. The change in our effective income tax rate for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to tax benefits related to federal and various state audit settlements for tax years 2009 through 2012, a decrease in foreign taxes, benefits related to the reallocation of pro forma taxes to discontinued operations, an income tax benefit related to certain goodwill assets, and the release of reserves for uncertain tax positions taken in prior periods.

Our tax provision has an unusual relationship to domestic pre-tax loss primarily due to the existence of a full deferred tax asset valuation allowance. This circumstance generally results in a zero net tax provision since the income tax expense or benefit that would otherwise be recognized is offset by the change in the valuation allowance. However, the tax expense recorded in the quarter and nine months ended September 30, 2015 included an accrual of a non-cash tax expense of approximately \$0.3 million and \$1.0 million respectively, in connection with the tax amortization of certain goodwill assets that is not available to offset existing deferred tax assets (termed "naked credits"). The tax provision recorded in the quarter and nine months ended September 30, 2014 included an accrual of a non-cash tax benefit and non-cash tax expense of approximately \$0.4 million and \$1.3 million

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respectively, in connection with naked credits. Specifically, we do not consider the deferred tax liabilities related to certain goodwill assets when determining the need for a valuation allowance.

Segment Results

Information for our reportable segments, which excludes depreciation and amortization of intangible assets, was as follows (in thousands):

	Communications		Commerce & Loyalty		Social Media	
	Quarter Ended September 30,		Quarter Ended September 30,		Quarter Ended September 30,	
	2015	2014	2015	2014	2015	2014
Revenues	\$ 21,466	\$ 25,295	\$ 9,175	\$ 7,166	\$ 5,648	\$ 7,528
Operating expenses:						
Cost of revenues	8,108	10,110	5,677	3,115	446	669
Sales and marketing	3,002	3,146	2,235	1,886	1,346	1,588
Technology and development	1,293	1,955	572	598	608	513
General and administrative	1,744	2,683	910	946	893	1,012
Restructuring and other exit costs	(20)	92	—	358	—	—
Total operating expenses	14,127	17,986	9,394	6,903	3,293	3,782
Segment income (loss) from operations	\$ 7,339	\$ 7,309	\$ (219)	\$ 263	\$ 2,355	\$ 3,746

	Communications		Commerce & Loyalty		Social Media	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014	2015	2014
Revenues	\$ 68,938	\$ 77,164	\$ 24,580	\$ 23,120	\$ 17,493	\$ 23,522
Operating expenses:						
Cost of revenues	27,575	30,781	13,584	10,687	1,580	2,122
Sales and marketing	9,927	10,896	6,622	6,941	4,542	6,164
Technology and development	5,585	6,305	1,727	2,170	1,548	1,919
General and administrative	6,141	7,649	2,865	3,143	2,626	2,975
Restructuring and other exit costs	912	271	(2)	1,451	—	—
Total operating expenses	50,140	55,902	24,796	24,392	10,296	13,180
Segment income (loss) from operations	\$ 18,798	\$ 21,262	\$ (216)	\$ (1,272)	\$ 7,197	\$ 10,342

Communications Segment Results

Communications Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages and ARPU)							
Services	\$ 15,201	\$ 17,097	\$ (1,896)	(11)%	\$ 48,592	\$ 51,874	\$ (3,282)	(6)%
Products	959	1,397	(438)	(31)%	3,734	4,838	(1,104)	(23)%
Advertising	5,306	6,801	(1,495)	(22)%	16,612	20,452	(3,840)	(19)%
Total Communications Revenues	\$ 21,466	\$ 25,295	\$ (3,829)	(15)%	\$ 68,938	\$ 77,164	\$ (8,226)	(11)%
ARPU	\$ 11.30	\$ 10.91	\$ 0.39	4%	\$ 11.55	\$ 10.74	\$ 0.81	8%
Average number of pay accounts	443	516	(73)	(14)%	461	530	(69)	(13)%

The decrease in Communications services revenues for the quarter and nine months ended September 30, 2015, compared to the quarter and nine months ended September 30, 2014, was due to decreases in dial-up and DSL revenues attributed to lower dial-up and DSL subscribers, partially offset by an increase in ARPU for these services. The decreases in Communications services revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, were partially offset by increases in mobile broadband revenues due to increases in mobile broadband subscribers. The decreases in Communications advertising revenues were due to decreases in advertising impressions from the decline in active accounts. The decreases in Communications products revenues were due to lower mobile broadband sign-ups. We anticipate pay accounts will continue to decline year over year in 2015.

Communications Cost of Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Communications cost of revenues	\$ 8,108	\$ 10,110	\$ (2,002)	(20)%	\$ 27,575	\$ 30,781	\$ (3,206)	(10)%
Communications cost of revenues as a percentage of Communications revenues	37.8%	40.0%			40.0%	39.9%		

The decrease in Communications cost of revenues for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$0.9 million decrease in costs associated with our mobile broadband services attributable to lower sign-ups and lower wireless device costs, a \$0.5 million decrease in costs associated with our advertising sales primarily due to a performance credit from an advertising services provider, a \$0.4 million decrease in costs associated with our dial-up and DSL service attributable to lower dial-up and DSL subscribers, and a \$0.2 million decrease in personnel and overhead-related costs.

The decrease in Communications cost of revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$1.5 million decrease in costs due to lower DSL and dial-up subscribers, a \$1.0 million decrease attributable to lower mobile broadband sign ups and lower wireless device costs, a \$0.4 million decrease in costs associated with our advertising sales attributable to a decrease in advertising impressions delivered and a performance

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credit from an advertising services provider, a \$0.3 million decrease in personnel and overhead-related costs, and a \$0.2 million decrease in costs of add-on services of dial-up and DSL subscribers.

Communications Sales and Marketing

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Communications sales and marketing	\$ 3,002	\$ 3,146	\$ (144)	(5)%	\$ 9,927	\$ 10,896	\$ (969)	(9)%
Communications sales and marketing expenses as a percentage of Communications revenues	14.0%	12.4%			14.4%	14.1%		

Communications sales and marketing expenses were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in Communications sales and marketing expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$0.4 million decrease in personnel and overhead-related costs as a result of restructuring initiatives, a \$0.3 million decrease in mobile broadband advertising expenses resulting from cost savings initiatives and a \$0.2 million decrease in customer relationship management costs attributable to our dial-up and DSL services.

Communications Technology and Development

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Communications technology and development	\$ 1,293	\$ 1,955	\$ (662)	(34)%	\$ 5,585	\$ 6,305	\$ (720)	(11)%
Communications technology and development expenses as a percentage of Communications revenues	6.0%	7.7%			8.1%	8.2%		

The decrease in Communications technology and development expenses for the quarter and nine months ended September 30, 2015, compared to the quarter and nine months ended September 30, 2014, was primarily due to a decrease in personnel and overhead-related costs as a result of restructuring initiatives.

Communications General and Administrative

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Communications general and administrative	\$ 1,744	\$ 2,683	\$ (939)	(35)%	\$ 6,141	\$ 7,649	\$ (1,508)	(20)%
Communications general and administrative expenses as a percentage of Communications revenues	8.1%	10.6%			8.9%	9.9%		

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The decrease in Communications general and administrative expenses for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$0.6 million decrease in personnel and overhead-related costs as a result of restructuring initiatives, as well as a \$0.2 million decrease in professional services and consulting fees.

The decrease in Communications general and administrative expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$1.3 million decrease in personnel and overhead-related costs as a result of restructuring initiatives, as well as a \$0.2 million decrease in professional services and consulting fees.

Communications Restructuring and Other Exit Costs

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Communications restructuring and other exit costs	\$ (20)	\$ 92	\$ (112)	(122)%	\$ 912	\$ 271	\$ 641	237%

Communications restructuring and other exit costs for the nine months ended September 30, 2015 and 2014 consisted primarily of employee termination costs. These restructuring charges were a result of management's decision to streamline operations, prioritize resources for growth initiatives and increase profitability.

Commerce & Loyalty Segment Results

Commerce & Loyalty Revenues

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Advertising and other revenues	\$ 9,175	\$ 7,166	\$ 2,009	28%	\$ 24,580	\$ 23,120	\$ 1,460	6%

The increase in Commerce & Loyalty revenues for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$2.1 million increase in gift card revenues and the Swappable gift card desktop and mobile app revenues.

The increase in Commerce & Loyalty revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$2.6 million increase in gift card revenues and the Swappable gift card desktop and mobile app revenues. This increase was partially offset by a \$0.5 million decrease in display advertising revenues, as well as a \$0.4 million decrease in market research revenues.

Commerce & Loyalty Cost of Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Commerce & Loyalty cost of revenues	\$ 5,677	\$ 3,115	\$ 2,562	82%	\$ 13,584	\$ 10,687	\$ 2,897	27%
Commerce & Loyalty cost of revenues as a percentage of Commerce & Loyalty revenues	61.9%	43.5%			55.3%	46.2%		

The increase in Commerce & Loyalty cost of revenues for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$2.4 million increase in costs related to the sale of gift cards and a \$0.3 million increase in point costs across other revenue channels primarily as a result of changes in the estimated future points to be redeemed.

The increase in Commerce & Loyalty cost of revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$3.1 million increase in costs related to the sale of gift cards and a \$0.6 million increase in point costs across other revenue channels primarily as a result of changes in the estimated future points to be redeemed, partially offset by a \$0.5 million decrease in personnel and overhead-related costs due to our restructuring initiatives in April 2014 and a \$0.3 million decrease in hosting and software-related fees.

Commerce & Loyalty Sales and Marketing

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Commerce & Loyalty sales and marketing	\$ 2,235	\$ 1,886	\$ 349	19%	\$ 6,622	\$ 6,941	\$ (319)	(5)%
Commerce & Loyalty sales and marketing expenses as a percentage of Commerce & Loyalty revenues	24.4%	26.3%			26.9%	30.0%		

The increase in Commerce & Loyalty sales and marketing expenses for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to an increase in loyalty marketing spend due to increased promotions for the Swappable gift card app.

The decrease in Commerce & Loyalty sales and marketing expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$0.7 million decrease in personnel and overhead-related costs as a result of our restructuring initiatives in April 2014, partially offset by a \$0.3 million increase in loyalty marketing spend due to increased promotions for the Swappable gift card app.

Commerce & Loyalty Technology and Development

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Commerce & Loyalty technology and development	\$ 572	\$ 598	\$ (26)	(4)%	\$ 1,727	\$ 2,170	\$ (443)	(20)%
Commerce & Loyalty technology and development expenses as a percentage of Commerce & Loyalty revenues	6.2%	8.3%			7.0%	9.4%		

Commerce & Loyalty technology and development expenses were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in Commerce & Loyalty technology and development expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a decrease in personnel and overhead-related costs as a result of our restructuring initiatives in April 2014.

Commerce & Loyalty General and Administrative

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Commerce & Loyalty general and administrative	\$ 910	\$ 946	\$ (36)	(4)%	\$ 2,865	\$ 3,143	\$ (278)	(9)%
Commerce & Loyalty general and administrative expenses as a percentage of Commerce & Loyalty revenues	9.9%	13.2%			11.7%	13.6%		

Commerce & Loyalty general and administrative expenses were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in Commerce & Loyalty general and administrative expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a decrease in personnel and overhead-related costs as a result of our restructuring initiatives in April 2014.

Commerce & Loyalty Restructuring and Other Exit Costs

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Commerce & Loyalty restructuring and other exit costs	\$ —	\$ 358	\$ (358)	(100)%	\$ (2)	\$ 1,451	\$ (1,453)	(100)%

Commerce & Loyalty restructuring and other exit costs for the quarter ended September 30, 2014 consisted primarily of facility closure and relocation costs. Restructuring and other exit costs for the nine months ended September 30, 2014 consisted primarily of employee termination costs and facility

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closure and relocation costs. These restructuring charges were a result of management's decision to streamline operations, prioritize resources for growth initiatives and increase profitability.

Social Media Segment Results

Social Media Revenues

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages and ARPU)							
Services	\$ 5,332	\$ 6,908	\$ (1,576)	(23)%	\$ 16,157	\$ 21,576	\$ (5,419)	(25)%
Products	130	266	(136)	(51)%	661	758	(97)	(13)%
Advertising	186	354	(168)	(47)%	675	1,188	(513)	(43)%
Total Social Media Revenues	\$ 5,648	\$ 7,528	\$ (1,880)	(25)%	\$ 17,493	\$ 23,522	\$ (6,029)	(26)%
ARPU	\$ 1.65	\$ 1.90	\$ (0.25)	(13)%	\$ 1.61	\$ 1.93	\$ (0.32)	(17)%
Average pay accounts	1,079	1,213	(134)	(11)%	1,113	1,244	(131)	(11)%

The decrease in Social Media services revenues for the quarter and nine months ended September 30, 2015, compared to the quarter and nine months ended September 30, 2014, was primarily due to a decrease in ARPU primarily due to a weaker Euro versus the U.S. Dollar, as well as a decrease in average pay accounts. The decrease in Social Media advertising revenues was attributable to lower active accounts and a decrease in advertising impressions delivered. Adjusting for the unfavorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media revenues decreased by \$0.8 million, or 11% for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014. Adjusting for the unfavorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media revenues decreased by \$2.3 million, or 10% for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014. We anticipate revenues and pay accounts will continue to decline year over year in 2015. We anticipate ARPU will continue to decline year over year in 2015 as a result of the unfavorable impact of foreign currency exchange rates.

Social Media Cost of Revenues

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Social Media cost of revenues	\$ 446	\$ 669	\$ (223)	(33)%	\$ 1,580	\$ 2,122	\$ (542)	(26)%
Social Media cost of revenues as a percentage of Social Media revenues	7.9%	8.9%			9.0%	9.0%		

Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media cost of revenues decreased by \$0.1 million, or 20%.

The decrease in Social Media cost of revenues for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$0.3 million decrease in hosting and software-related fees. Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media cost of revenues decreased by \$0.2 million, or 9%.

Social Media Sales and Marketing

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Social Media sales and marketing	\$ 1,346	\$ 1,588	\$ (242)	(15)%	\$ 4,542	\$ 6,164	\$ (1,622)	(26)%
Social Media sales and marketing expenses as a percentage of Social Media revenues	23.8%	21.1%			26.0%	26.2%		

Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media sales and marketing expenses were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in Social Media sales and marketing expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to reduced spending on customer acquisition. Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media sales and marketing expenses decreased by \$0.6 million, or 10% for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.

Social Media Technology and Development

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Social Media technology and development	\$ 608	\$ 513	\$ 95	19%	\$ 1,548	\$ 1,919	\$ (371)	(19)%
Social Media technology and development expenses as a percentage of Social Media revenues	10.8%	6.8%			8.8%	8.2%		

Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media technology and development expenses increased by \$0.2 million, or 40% for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in Social Media technology and development expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was due to a decrease in personnel and overhead-related costs. Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media technology and development expenses were relatively flat for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.

Social Media General and Administrative

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Social Media general and administrative	\$ 893	\$ 1,012	\$ (119)	(12)%	\$ 2,626	\$ 2,975	\$ (349)	(12)%
Social Media general and administrative expenses as a percentage of Social Media revenues	15.8%	13.4%			15.0%	12.6%		

Social Media general and administrative expenses were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014.

The decrease in Social Media general and administrative expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$0.4 million decrease in personnel and overhead-related costs. Adjusting for the favorable impact of foreign currency exchange rates due to a weaker Euro versus the U.S. Dollar, Social Media general and administrative expenses increased by \$0.2 million, or 7%.

Unallocated Corporate Results

Corporate Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Corporate revenues	\$ —	\$ —	\$ —	—%	\$ —	\$ 100	\$ (100)	(100)%

Corporate revenues for the nine months ended September 30, 2014 were related to transition services provided to FTD in connection with the FTD Spin-Off Transaction.

Unallocated Corporate Cost of Revenues

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Unallocated corporate cost of revenues	\$ 18	\$ 57	\$ (39)	(68)%	\$ 56	\$ 173	\$ (117)	(68)%

Unallocated corporate cost of revenues consist of indirect cost of revenues associated with our former Classmates domestic business unit, which were not included in the results of discontinued operations. Unallocated corporate cost of revenues were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, as well as the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.

Unallocated Corporate Technology and Development Expenses

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Unallocated corporate technology and development expenses	\$ 221	\$ 217	\$ 4	2%	\$ 742	\$ 685	\$ 57	8%

Unallocated corporate technology and development expenses consist of indirect technology and development associated with our former Classmates domestic business unit, which were not included in the results of discontinued operations. Unallocated corporate technology and development expenses were relatively flat for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, as well as the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014.

Unallocated Corporate General and Administrative Expenses

	Quarter Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(in thousands, except percentages)							
Unallocated corporate general and administrative expenses	\$ 4,952	\$ 7,094	\$ (2,142)	(30)%	\$ 15,920	\$ 22,836	\$ (6,916)	(30)%

Unallocated corporate general and administrative expenses include general and administrative expenses associated with our former Classmates domestic business unit, which were not included in the results of discontinued operations. The decrease in unallocated corporate general and administrative expenses for the quarter ended September 30, 2015, compared to the quarter ended September 30, 2014, was primarily due to a \$1.3 million decrease in personnel and overhead-related costs and a \$0.9 million decrease in professional services and consulting fees. Unallocated corporate general and administrative expenses associated with our former Classmates domestic business unit totaled \$0.2 million and \$0.5 million for the quarters ended September 30, 2015 and 2014, respectively.

The decrease in unallocated corporate general and administrative expenses for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, was primarily due to a \$5.0 million decrease in personnel and overhead-related costs due to our restructuring initiatives, including lower facilities-related costs in connection with moving our corporate headquarters, a \$1.8 million decrease in professional services and consulting fees and a \$0.3 million decrease in reserves recorded for legal settlements. These decreases were partially offset by a \$0.3 million increase in transaction-related costs. Unallocated corporate general and administrative expenses associated with our former Classmates domestic business unit totaled \$1.3 million and \$1.5 million for the nine months ended September 30, 2015 and 2014, respectively. We anticipate unallocated corporate general and administrative expenses will continue to decline year over year in 2015.

Unallocated Corporate Restructuring and Other Exit Costs

	Quarter Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
(in thousands, except percentages)								
Unallocated corporate restructuring and other exit costs	\$ —	\$ 71	\$ (71)	(100)%	\$ 34	\$ 1,022	\$ (988)	(97)%

Unallocated corporate restructuring and other exit costs for the quarters and nine months ended September 30, 2015 and 2014 consisted of employee termination costs.

Liquidity and Capital Resources

Nine Months Ended September 30, 2015 compared to Nine Months Ended September 30, 2014

Our total cash and cash equivalents balance increased by \$21.0 million, or 27%, to \$99.7 million at September 30, 2015, compared to \$78.6 million at December 31, 2014. Our summary cash flows for the periods presented were as follows (in thousands):

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Net cash provided by operating activities	\$ 826	\$ 15,044
Net cash used for investing activities	\$ (4,074)	\$ (5,194)
Net cash provided by (used for) financing activities	\$ 1,196	\$ (1,503)

Net cash provided by operating activities decreased by \$14.2 million, or 95%. The decrease was primarily driven by:

- a \$9.2 million unfavorable change in accounts payable and accrued liabilities due to a \$6.4 million payment made in the nine months ended September 30, 2015 for a settlement with the Internal Revenue Service; and decreases in liabilities related to personnel-related expenses due to our restructuring initiatives, as well as a separation payment made to an executive officer in the nine months ended September 30, 2015;
- a \$5.9 million unfavorable change in inventories due to an increase in purchases of gift cards for our Commerce & Loyalty segment and, to a lesser extent, an increase in purchases of mobile broadband devices for our Communications segment in the nine months ended September 30, 2015;
- a \$4.1 million unfavorable change in other assets primarily due to an increase in income taxes receivable and a receivable related to an insurance recovery;
- a \$2.7 million unfavorable change in accounts receivable due to a decline in Commerce & Loyalty revenues in 2014 primarily as a result of our restructuring initiatives in the nine months ended September 30, 2014;
- a \$1.6 million favorable change in other liabilities due to an increase in reserves for uncertain tax positions in the nine months ended September 30, 2014; and
- a \$1.5 million favorable change in member redemption liability increased primarily due to a decline in Commerce & Loyalty revenues in 2014 primarily as a result of our restructuring initiatives in the nine months ended September 30, 2014.

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The decrease in cash provided by operating activities was partially offset by a \$4.5 million increase in income from continuing operations, net of non-cash reconciling items.

Net cash used for investing decreased by \$1.1 million, or 22%. The decrease was primarily due a decrease in purchases of property and equipment.

Capital expenditures for the nine months ended September 30, 2015 totaled \$4.3 million. Property and equipment that was not yet paid for and was included in accounts payable in the consolidated balance sheets was immaterial at September 30, 2015. At December 31, 2014, we had \$2.6 million of property and equipment that was not yet paid for and was included in accounts payable in the consolidated balance sheets. We currently anticipate that our total capital expenditures for 2015 will be in the range of \$5.0 million to \$6.0 million. The actual amount of future capital expenditures may fluctuate due to a number of factors, including, without limitation, potential future acquisitions and new business initiatives, which are difficult to predict and which could change significantly over time. Additionally, technological advances may require us to make capital expenditures to develop or acquire new equipment or technology in order to replace aging or technologically obsolete equipment.

Net cash provided by financing activities increased by \$2.7 million, or 180%. The increase was primarily due to a \$1.8 million increase in proceeds from exercises of stock options and sales under our employee stock purchase plan and a \$0.9 million decrease in repurchases of common stock.

Future cash flows from financing activities may also be affected by our repurchases of shares of our common stock. Our Board of Directors authorized a common stock repurchase program (the "Program") that allows us to repurchase shares of our common stock through open market or privately negotiated transactions based on prevailing market conditions and other factors. Our Board of Directors has approved and ratified the Program through December 31, 2015. There were no repurchases under the Program during the nine months ended September 30, 2015 and, at September 30, 2015, the authorization remaining under the Program was \$80.0 million.

Cash flows from financing activities may also be negatively impacted by the withholding of a portion of shares underlying the restricted stock units we grant to employees. In general, we currently do not collect the minimum statutory employee withholding taxes from employees upon vesting of restricted stock units. Instead, we automatically withhold, from the restricted stock units that vest, the portion of those shares with a fair market value equal to the amount of the minimum statutory employee withholding taxes due. We then pay the minimum statutory withholding taxes in cash. The withholding of these shares, although accounted for as a common stock repurchase, does not reduce the amount available under the Program. Similar to repurchases of common stock under the Program, the net effect of such withholding will adversely impact our cash flows from financing activities. The amounts remitted in the nine months ended September 30, 2015 and 2014 were \$1.4 million and \$2.4 million, respectively, for which we withheld 0.1 million and 0.2 million shares of common stock, respectively, that were underlying the restricted stock units that vested. The amount we pay in future periods will vary based on our stock price and the number of applicable restricted stock units vesting during the period.

On an ongoing basis, we assess opportunities for improved operational effectiveness and efficiency, which may result in restructuring. Although restructuring efforts may reduce expenses and generate improved operating efficiencies, there can be no assurances that our restructuring efforts will be successful. In addition, past restructuring activities may not be a good indication of future restructuring opportunities, and any restructuring of our businesses may leave us with reduced financial and marketing resources to develop products and services to compete against our competitors. We recorded \$0.9 million of restructuring and other exit costs in the nine months ended September 30, 2015, which consisted of employee termination costs. During the nine months ended September 30, 2015, we paid \$1.1 million of restructuring and other exit costs. At September 30, 2015, there were no accrued restructuring and other exit costs.

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Based on our current projections, we expect to continue to generate positive cash flows from operations, at least for the next 12 months. We may use our existing cash balances and future cash generated from operations to fund, among other things, long-term growth initiatives, which may include optimizing our current product offerings to enhance our consumer value proposition, expanding new product development efforts to drive new revenue growth, and pursuing acquisitions, new strategic partnerships and other opportunities to expand our scope and reach; the repurchase of our common stock underlying restricted stock units to pay the minimum statutory employee withholding taxes due on vested restricted stock units; the repurchase of our common stock under the Program; future capital expenditures; and future acquisitions of intangible assets, including rights, content and intellectual property.

In March 2015, we reached an audit settlement with the Internal Revenue Service and, in connection with such settlement, we remitted \$6.4 million to the Internal Revenue Service in the quarter ended June 30, 2015, for which we had previously established a reserve. Additionally, as discussed in Note 12, "Contingencies—Legal Matters" of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, Classmates, Inc. cooperated with a Multistate Work Group of Attorneys General in connection with their investigations of our former post-transaction sales practices and certain other current or former business practices. In May 2015, Classmates, Inc. executed settlement agreements with each member of the Multistate Work Group, and in July 2015, we remitted \$8.2 million in connection with the settlements. In October 2015, we received insurance proceeds in the amount of \$4.2 million related to the Multistate Work Group inquiry and accompanying legal fees. Of this amount, \$2.8 million was allocated to United Online, Inc. and \$1.4 million was allocated to FTD, which was remitted to FTD in October 2015.

If we need to raise additional capital through public or private debt or equity financings, strategic relationships or other arrangements, this capital might not be available to us in a timely manner, on acceptable terms, or at all. Our failure to raise sufficient capital when needed could severely constrain or prevent us from, among other factors, future acquisitions of other businesses or intangible assets, including rights, content and intellectual property, and may have a material adverse effect on our business, financial position, results of operations, and cash flows. If additional funds were raised through the issuance of equity or convertible debt securities, the percentage of stock owned by the then-current stockholders could be reduced. Furthermore, such equity or any debt securities that we issue might have rights, preferences or privileges senior to holders of our common stock. In addition, trends in the securities and credit markets may restrict our ability to raise any such additional funds, at least in the near term.

Contractual Obligations

There were no material changes to our contractual obligations during the quarter ended September 30, 2015, with the exception of liabilities for uncertain tax positions. At September 30, 2015, we had liabilities for uncertain tax positions totaling \$4.8 million, of which \$1.0 million was expected to be due in less than one year. We are not able to reasonably estimate when or if cash payments for long-term liabilities related to uncertain tax positions will occur.

Other Commitments

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, sureties and insurance companies, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. For example, we agreed to indemnify the purchaser of our former Classmates domestic business unit for certain liabilities and have retained responsibility for certain legal proceedings relating

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to the Classmates domestic business unit. In addition, we have entered into indemnification agreements with our directors and certain of our officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. We have also agreed to indemnify certain former officers, directors and employees of acquired companies in connection with the acquisition of such companies. We maintain director and officer insurance, which may cover certain liabilities, including those arising from our obligation to indemnify our directors and certain of our officers and employees, and former officers, directors and employees of acquired companies, in certain circumstances.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses.

Off-Balance Sheet Arrangements

At September 30, 2015, we did not have any off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K) that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Recent Accounting Pronouncements

See Note 1, "Description of Business, Basis of Presentation, Accounting Policies, and Recent Accounting Pronouncements" of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our financial condition, results of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks arising from transactions in the normal course of business, principally risk associated with interest rate and foreign currency exchange rate fluctuations.

Interest Rate Risk

While we do not currently maintain any short-term investments, we do invest in money market funds and time deposits, which are classified as cash and cash equivalents in our consolidated balance sheets. Therefore, our interest income is sensitive to changes in the general level of U.S. and certain foreign interest rates. At September 30, 2015, we did not have any fixed or floating rate debt obligations.

Foreign Currency Exchange Risk

We transact business in foreign currencies, and we are exposed to risk resulting from fluctuations in foreign currency exchange rates, particularly the Euro ("EUR") and the Indian Rupee ("INR") and, to a much lesser extent, the Swedish Krona ("SEK") and the Swiss Franc ("CHF"), which may result in gains or losses reported in our results of operations. The volatilities in EUR, INR, SEK, and CHF (and all other applicable foreign currencies) are monitored by us throughout the year. We face two risks related to foreign currency exchange rates—translation risk and transaction risk. Amounts invested in our foreign operations are translated into U.S. Dollars using the current rate method. The resulting translation adjustments are recorded as a component of accumulated other comprehensive loss in the unaudited condensed consolidated balance sheets. Revenues and expenses in foreign currencies translate into higher or lower revenues and expenses in U.S. Dollars as the U.S. Dollar weakens or

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strengthens against other currencies. Substantially all of the revenues of our foreign subsidiaries are received, and substantially all expenses are incurred, in currencies other than the U.S. Dollar, which increases or decreases the related U.S. Dollar-reported revenues and expenses depending on the exchange rate trend in currencies. Therefore, changes in foreign currency exchange rates may negatively affect our consolidated revenues and net income (loss).

We utilize forward foreign currency exchange contracts to protect the value of our net investments in certain foreign subsidiaries and certain forecasted cash flows denominated in currencies other than the U.S. Dollar. These contracts are designated as hedges of net investments in foreign entities and hedges of cash flows. At September 30, 2015, we did not have any open forward foreign currency exchange contracts accounted for as net investment hedges or cash flow hedges.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that changes in exchange rates of 10% for our foreign currency exchange contracts could be experienced in the near term. If the U.S. dollar weakened or strengthened by 10%, the impact on accumulated other comprehensive loss would be immaterial at September 30, 2015.

Periodically, we enter into forward foreign currency exchange contracts, which are not designated as hedging instruments for accounting purposes. We enter into these derivative instruments to hedge intercompany transactions and partially offset the economic effect of fluctuations in foreign currency exchange rates. At September 30, 2015, the notional value of open forward foreign currency exchange contracts that did not qualify for hedge accounting treatment totaled \$0.3 million. If the U.S. dollar weakened or strengthened by 10%, the impact on other income, net, would have been immaterial for the nine months ended September 30, 2015.

We may, in the future and in accordance with our investment and foreign exchange policies, also use other derivative financial instruments, if it is determined that such hedging activities are appropriate to reduce risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, within the time periods specified in the SEC's rules and forms, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please refer to Note 12, "Contingencies—Legal Matters" of the Notes to the Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. A detailed discussion of our risk factors was included in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2014, and has been made available at www.sec.gov and at www.unitedonline.com. These risk factors should be read carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Quarterly Report on Form 10-Q. Any of the risks described in the Annual Report on Form 10-K for the year ended December 31, 2014 could materially affect our business, financial condition or future results and the actual outcome of matters as to which forward-looking statements are made. There were no material changes to the risk factors during the nine months ended September 30, 2015, compared to the risk factors set forth in the Annual Report on Form 10-K for the year ended December 31, 2014, other than with respect to the risk factors described below. In addition, for clarity, the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014 under the heading "Additional Risks Relating to our Content & Media Segment" apply to our Commerce & Loyalty and Social Media segments, and may also apply, depending on the risk factor, to our Communications segment.

RISKS RELATING TO OUR BUSINESS GENERALLY

Divestitures or other dispositions could negatively impact our business.

On an ongoing basis, we assess opportunities for improved operational effectiveness and efficiency and may divest, spin-off, split-off, or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, we completed the spin-off of FTD in November 2013 and sold our Classmates domestic business unit in August 2015. These transactions pose risks and challenges that could negatively impact our business. For example, when we decide to sell or otherwise dispose of a business or assets, the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions may dilute our earnings per share, have other adverse financial and accounting impacts, distract management, disrupt our business, negatively impact market perception of our prospects and involve the loss of key employees, and disputes may arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we have sold or disposed, which could have a material effect on our financial statements. In addition, divestitures may result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that divestiture or other disposition efforts will be successful in generating improved operating efficiencies. In addition, past disposition activities may not be a good indication of future disposition opportunities, and any divestiture or other disposition of any business may leave us with reduced financial and marketing resources to develop products and services to compete against our competitors.

There are a number of risks associated with our sale of Classmates and they may have a material and adverse impact on our business, financial condition, results of operations, and cash flows.

On August 11, 2015, we completed the sale of our Classmates business unit. There are a number of risks associated with the sale of the Classmates domestic business unit, including, without limitation, the following:

- we are smaller and less diversified as compared to immediately prior to the consummation of the sale of the Classmates domestic business unit. This could cause our cash flow and growth prospects to be more volatile and make us more vulnerable to focused competition;
- the sale of the Classmates domestic business unit reduces revenues, operating income and cash flows. With this reduction in revenues and cash flows, the sale could also have an adverse effect on our results of operations and financial position;
- we agreed to indemnify the purchaser for certain liabilities, and have retained responsibility for certain legal proceedings relating to the Classmates domestic business unit. Certain indemnities that we provided to the purchaser are not subject to any limits on the aggregate amount of the liability, may be significant and could negatively impact our business.

Any of the foregoing, in addition to any other risks related to the transaction that are not specifically described above, could materially and adversely affect our business, financial condition, results of operations, and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) - (b) Not applicable

(c) Repurchases

In May 2001, the Company's Board of Directors authorized a common stock repurchase program (the "Program") that allows the Company to repurchase shares of its common stock through open market or privately negotiated transactions based on prevailing market conditions and other factors. From time to time since then, the Board of Directors has increased the amount authorized for repurchase under this Program and has extended the Program, which is currently extended through December 31, 2015. From August 2001 through December 2014, the Company had repurchased \$150.2 million of its common stock under the Program. There were no repurchases under the Program during the nine months ended September 30, 2015 and, at September 30, 2015, the authorization remaining under the Program was \$80.0 million.

Shares withheld upon the vesting of restricted stock units and upon the issuance of stock awards to pay minimum statutory employee withholding taxes are considered common stock repurchases, but are not counted as purchases against the Program. Upon vesting of most restricted stock units or issuance of stock awards, we currently do not collect the minimum statutory withholding taxes from employees. Instead, we automatically withhold, from the restricted stock units that vest and from the stock awards that are issued, the portion of those shares with a fair market value equal to the amount of the minimum statutory employee withholding taxes due, which is accounted for as a repurchase of common stock. We then pay the minimum statutory employee withholding taxes in cash.

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Common stock repurchases during the quarter ended September 30, 2015 were as follows (in thousands, except per share amounts):

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of a Publicly Announced Program</u>	<u>Maximum Approximate Dollar Value that May Yet be Purchased Under the Program</u>
July 1 - July 31, 2015	5	\$ 15.32	—	\$ 80,000
August 1 - August 31, 2015	4	\$ 12.13	—	\$ 80,000
September 1 - September 30, 2015	—	\$ —	—	\$ 80,000

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

Date: November 6, 2015

UNITED ONLINE, INC. (Registrant)

By: /s/ EDWARD K. ZINSER

Edward K. Zinser
*Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)*

Date: November 6, 2015

UNITED ONLINE, INC. (Registrant)

By: /s/ MICHELLE D. STALICK

Michelle D. Stalick
*Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)*

EXHIBIT INDEX

No.	Exhibit Description	Filed with this Form 10-Q	Incorporated by Reference to			
			Form	Exhibit No.	File No.	Date Filed
2.1	Separation and Distribution Agreement by and between United Online, Inc. and FTD Companies, Inc., dated as of October 31, 2013		8-K	2.1	000-33367	11/6/2013
2.2	Amendment No. 1 to Separation and Distribution Agreement by and between United Online, Inc. and FTD Companies, Inc., dated as of May 20, 2015		10-Q	2.1	000-33367	8/6/2015
2.3	Stock Purchase Agreement by and among Intelius Holdings, Inc., the Registrant and Classmates Media Corporation, dated as of August 11, 2015	X				
3.1	Amended and Restated Certificate of Incorporation (As Amended Effective October 31, 2013)		10-K	3.1	000-33367	3/13/2014
3.2	Amended and Restated Bylaws (As Amended Effective December 17, 2013)		10-K	3.2	000-33367	3/13/2014
10.1	Offer Letter between the Registrant and Mark Harrington, dated as of July 20, 2015	X				
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	XBRL Instance Document	X				

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<u>No.</u>	<u>Exhibit Description</u>	<u>Filed with this Form 10-Q</u>	<u>Form</u>	<u>Incorporated by Reference to</u>		
				<u>Exhibit No.</u>	<u>File No.</u>	<u>Date Filed</u>
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X				
101.LAB	XBRL Taxonomy Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X				
101.DEF	XBRL Taxonomy Extension Definition Document	X				

STOCK PURCHASE AGREEMENT

by and among:

INTELIUS HOLDINGS, INC.,
a Delaware corporation;

UNITED ONLINE, INC.,
a Delaware corporation; and

CLASSMATES MEDIA CORPORATION,
a Delaware corporation

Dated as of August 11, 2015

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LIST OF EXHIBITS AND SCHEDULES

Exhibit A	Certain Definitions
Exhibit B	Form of Transition Services Agreement
Exhibit C	Form of Post-Closing Certificate
Exhibit D	Illustrative Example of the Closing Date Net Working Capital Amount
Schedule 1.2(c)(ii)(1)	Continuing Officers & Directors
Schedule 5.5(a)	Acquired Companies' Key Employees
Schedule 5.5(b)	Seller Parent's Key Employees
Schedule 6.2(c)	Certain Indemnifiable Matters

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (including all Schedules and Exhibits hereto and, as it may be from time to time amended, the "**Agreement**") is made and entered into as of August 11, 2015, by and among: **INTELIUS HOLDINGS, INC.**, a Delaware corporation ("**Purchaser**"); **UNITED ONLINE, INC.**, a Delaware corporation ("**Seller Parent**"); and **CLASSMATES MEDIA CORPORATION**, a Delaware corporation and wholly-owned subsidiary of Seller Parent ("**Seller**"). Certain capitalized terms used in this Agreement are defined in Exhibit A.

RECITALS

A. Seller owns all of the issued and outstanding shares of capital stock of Classmates, Inc., a Washington corporation (the "**Company**"), which as of the date of this Agreement consists of 1,000 shares of common stock, par value \$0.001 per share (such shares, the "**Shares**").

B. Prior to the date hereof, the Company distributed or transferred to Seller or an Affiliate of Seller (other than an Acquired Company) all shares of capital stock of Classmates International, Inc., a Delaware corporation (together with its subsidiaries, the "**Excluded Subsidiaries**") (such distribution, the "**Pre-Closing Restructuring**").

C. Upon the terms and subject to the conditions set forth in this Agreement, Purchaser desires to acquire from Seller, and Seller desires to sell to Purchaser, all of the Shares (such purchase and sale, the "**Stock Purchase**").

AGREEMENT

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

1. DESCRIPTION OF TRANSACTION

1.1 Purchase and Sale of Shares. At the Closing, upon the terms and subject to the conditions set forth in this Agreement, Seller shall sell, assign, transfer and convey to Purchaser, and Purchaser shall purchase and acquire from Seller, all of the Shares, in consideration for payment of the Purchase Price.

1.2 Purchase Price; Closing.

(a) Aggregate Purchase Price. The purchase price payable by Purchaser to Seller for all of the Shares shall be an amount (the "**Purchase Price**") equal to: (i) \$30,000,000 (the "**Transaction Value**"); *plus* (ii) the Aggregate Adjustment Amount as finally determined pursuant to Section 1.3. For purposes of this Agreement the "**Aggregate Adjustment Amount**" shall mean the aggregate net amount (which may be a positive or negative number) of the following, without double counting any amounts: (A) Indebtedness (which, if any, shall be a negative number and shall reduce the Purchase Price) as of immediately prior to the Closing (the "**Closing Date Indebtedness**") as finally determined pursuant to Section 1.3; *plus* (B) an amount (which may be a positive or negative number) equal to: (x) the Closing Date Net Working Capital Amount as finally determined pursuant to Section 1.3; *minus* (y) the Target Net Working Capital Amount (such amount determined in accordance with this clause "(B)" being referred to as the "**Net Working Capital Adjustment**"); *plus* (C) the Closing Company Transaction Expenses (which, if any, shall be a negative number and shall reduce the Purchase Price).

(b) Estimated Purchase Price. Prior to the anticipated Closing, Seller shall deliver to Purchaser a certificate, signed by the Chief Executive Officer or Chief Financial Officer of Seller and in a form reasonably satisfactory to Purchaser (the “Pre-Closing Certificate”) setting forth: (A) Seller’s good faith estimate (with an attached spreadsheet containing reasonable supporting detail of Seller’s calculations) of: (i) the Closing Date Indebtedness; (ii) the Net Working Capital Adjustment; (iii) the Closing Company Transaction Expenses; (iv) the Aggregate Adjustment Amount (the “Estimated Aggregate Adjustment Amount”); and (v) the Estimated Purchase Price; (B) with respect to each Person entitled to receive any payment in respect of any portion of the Closing Date Funded Indebtedness or the Closing Company Transaction Expenses, the amount of such payment and the applicable bank wire instructions for such Person; and (C) the bank wire instruction for Seller. For purposes of this Agreement, the “Estimated Purchase Price” shall mean the amount equal to: (I) the Transaction Value; *plus* (II) the Estimated Aggregate Adjustment Amount (which may be a positive or negative number).

(c) Deliveries at Closing.

(i) At the Closing, Purchaser shall deliver to Seller:

- (1)** the Estimated Purchase Price by wire transfer of immediately available funds to the bank account of Seller set forth in the Pre-Closing Certificate;
- (2)** to each Person identified in the Pre-Closing Certificate as a recipient of an amount in respect of the Closing Date Funded Indebtedness, such amount by wire transfer of immediately available funds to the bank account of such Person set forth in the Pre-Closing Certificate;
- (3)** to each Person identified in the Pre-Closing Certificate as a recipient of an amount in respect of the Closing Company Transaction Expenses, such amount by wire transfer of immediately available funds to the bank account of such Person set forth in the Pre-Closing Certificate; and
- (4)** a Transition Services Agreement, in substantially the form of Exhibit B (the “Transition Services Agreement”), duly executed by the Company.

(ii) At the Closing, Seller shall deliver to Purchaser:

- (1)** written resignations of all officers and directors (or those individuals holding similar positions) of the Acquired Companies other than those listed on Schedule 1.2(c)(ii)(1), effective as of the Closing;
- (2)** the Transition Services Agreement, duly executed by Seller;
- (3)** original stock certificates representing the Shares, duly endorsed in blank for transfer to, or accompanied by duly executed stock transfer powers executed in favor of, Purchaser;

(4) good standing (to the extent applicable in the particular jurisdiction) certificates for each of the Acquired Companies from the jurisdiction of each such Person's organization;

(5) payoff and release letters from the holders of the Closing Date Indebtedness of the type contemplated by clauses "(a)" and "(c)" of the definition of "Indebtedness" (the "Closing Date Funded Indebtedness") that (i) reflect the amounts required in order to pay in full such Indebtedness; and (ii) provide that, upon payment in full of the amounts indicated, all Encumbrances on assets of the Acquired Companies with respect to the Closing Date Funded Indebtedness shall be terminated and of no further force and effect, together with UCC-3 termination statements with respect to the financing statements filed against the assets of the Acquired Companies by the holders of such Encumbrances, in each case in form and substance reasonably satisfactory to Purchaser;

(6) a certificate in form and substance reasonably satisfactory to Purchaser executed by Seller under penalties of perjury, certifying that Seller is not a "foreign person" as defined in Section 1445 of the Code; and

(7) evidence reasonably satisfactory to Purchaser of the full and final discharge of any payables owed by any Acquired Company to Seller, Seller Parent or any of their Subsidiaries (other than any other Acquired Company).

(d) Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place concurrently with the execution and delivery of this document on the date hereof (the "Closing Date"). The Closing shall take place through electronic transfer of documents and signature pages, or at such location as the parties hereto may agree. The parties agree that the Closing shall be deemed to have occurred as of 12:01 a.m. Pacific time on the Closing Date other than, for the avoidance of doubt, for purposes of calculating the Closing Date Indebtedness Amount and the Closing Company Transaction Expenses.

1.3 Purchase Price Adjustment.

(a) Within 75 calendar days following the Closing, Purchaser will deliver to Seller a consolidated balance sheet of the Acquired Companies as of 12:01 a.m. Pacific Time on the Closing Date (the "Closing Date Balance Sheet") and a certificate substantially in the form attached hereto as Exhibit C (the "Post-Closing Certificate") setting forth Purchaser's good faith calculation of (with an attached spreadsheet containing reasonable detail of the Purchaser's good faith calculation of): (i) the Closing Date Indebtedness; (ii) the Net Working Capital Adjustment; (iii) the Closing Company Transaction Expenses; and (iv) the Aggregate Adjustment Amount. The Closing Date Balance Sheet and Purchaser's calculation of Closing Date Net Working Capital Amount shall be prepared in accordance with GAAP and, to the extent consistent with GAAP, consistent with the accounting principles and methodologies used in the preparation of the Most Recent Balance Sheet. Between the Closing Date and the date on which the Post-Closing Certificate is delivered to Seller, Purchaser shall (and shall cause the Acquired Companies to) use commercially reasonable efforts consistent with past practice to collect all accounts receivables and invoices outstanding as of the Closing Date.

(b) Seller shall have 45 calendar days following receipt of the Post-Closing Certificate to deliver to Purchaser a written notice (a "Notice of Dispute") that Seller disputes the calculation of any of the amounts or any portion of the amounts set forth therein, which Notice of Dispute shall set forth in reasonable detail the basis for each element of such dispute and Seller's calculation of the amount in dispute. During such 45-day period Seller and its accountants shall have

reasonable access to the Acquired Companies' management personnel, accountants, representatives, documents (including working papers) and records, in each case to the extent relevant to the Acquired Companies' calculation of the Closing Date Indebtedness, the Net Working Capital Adjustment, the Closing Company Transaction Expenses and the Aggregate Adjustment Amount (and the components thereof); *provided, however*, that in no event shall such access unreasonably interfere with the operation of the business of the Acquired Companies or shall Purchaser be obligated to disclose any information that is subject to a confidentiality obligation existing at Closing or that is subject to attorney-client privilege (it being understood that with respect to any information that is subject to a confidentiality agreement or the attorney-client privilege, Purchaser shall, and shall cause the Acquired Companies to, reasonably cooperate with Seller to enable Seller and its Representatives to enter into appropriate confidentiality, joint defense or similar agreements (or other arrangements), if and as applicable, so that Seller and its Representatives may have access to such information). Purchaser shall use its (and shall cause the Acquired Companies to use their) commercially reasonable efforts to cause any such management personnel, accountants and representatives to cooperate with and respond to such reasonable inquiries as Seller may make of them. If Seller does not deliver a Notice of Dispute on or before the expiration of such 45-day period (or if Seller notifies Purchaser in writing that there is no such dispute), the calculations of the Closing Date Indebtedness, the Net Working Capital Adjustment, the Closing Company Transaction Expenses and the Aggregate Adjustment Amount set forth in the Post-Closing Certificate shall be deemed to be final, binding and conclusive (except to the extent related to, or derived from, any disputed item). In the event Seller delivers a Notice of Dispute with respect to only certain of the amounts or certain portions of the amounts set forth in the Post-Closing Certificate but not others, then any undisputed amount or portion thereof shall be deemed to be final, binding and conclusive (except to the extent related to, or derived from, any disputed item). In the event Seller delivers a Notice of Dispute to Purchaser, Purchaser and Seller shall cooperate in good faith to resolve any such dispute as promptly as possible.

(c) In the event that Purchaser and Seller are unable to resolve all such disputes on or before the 30th calendar day following the delivery of the Notice of Dispute, then Purchaser and Seller shall jointly retain a mutually acceptable third party accounting firm (such third party accounting firm being referred to as the "Firm"). The Firm may only resolve disagreements as to matters covered by the Notice of Dispute and matters related to, or derived from, one of the matters in the Notice of Dispute. All matters not covered by the Notice of Dispute shall be deemed to be final, binding and conclusive (except for matters related to, or derived from, any disputed item). The determination by the Firm shall be final, binding and conclusive on both Seller and Purchaser. Each of Purchaser and Seller shall promptly provide their assertions regarding the Closing Date Indebtedness, the Net Working Capital Adjustment, the Closing Company Transaction Expenses and/or the Aggregate Adjustment Amount, as applicable, in writing to the Firm and to each other. The Firm shall consider only those items which Seller and Purchaser are unable to resolve. The Firm's determination will be based solely on the definitions of Closing Date Indebtedness, Net Working Capital Adjustment, Company Transaction Expenses and Aggregate Adjustment Amount contained herein and the provisions of this Agreement. Further, the Firm's determination shall be based solely on the presentations by Purchaser and Seller which are in accordance with the terms and procedures set forth in this Agreement (i.e., not on the basis of an independent review). Seller and Purchaser shall each pay the fees and disbursements of their respective internal and independent accountants and other personnel incurred in the initial preparation, review and final determination of the Aggregate Adjustment Amount. The costs and expenses of the Firm shall be allocated between Purchaser, on the one hand, and Seller, on the other hand, based upon the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party. For example, if Seller claims the Closing Date Indebtedness is \$1,000 less than the amount determined by Purchaser's accountants, and Purchaser contests only \$500 of the reduced amount claimed by Seller, and if the Firm ultimately resolves the dispute by awarding Seller

\$300 of the \$500 contested, then the costs and expenses of arbitration will be allocated 60% (i.e., $300 \div 500$) to Purchaser and 40% (i.e., $200 \div 500$) to Seller. The Firm shall be instructed to render its determination as soon as reasonably possible (which the parties hereto agree should not be later than 60 calendar days following the day on which the disagreement is referred to the Firm). The Firm shall conduct its determination activities in a manner wherein all materials submitted to them are simultaneously delivered to the other party, but are otherwise held in confidence and shall not be disclosed to third parties. The parties agree that judgment may be entered upon the determination of the Firm in any court having jurisdiction over the party against which such determination is to be enforced.

- (d) Promptly after the Aggregate Adjustment Amount shall have become final, binding and conclusive in all respects in accordance with this Section 1.3:
 - (i) if the Purchase Price *exceeds* the Estimated Purchase Price, Purchaser shall deliver to Seller the amount of such excess; or
 - (ii) if the Estimated Purchase Price *exceeds* the Purchase Price, Seller shall deliver to Purchaser the amount of such excess.
- (e) All payments under Section 1.3(d) shall be made by wire transfer of immediately available funds to an account specified in the Pre-Closing Certificate.

2. REPRESENTATIONS AND WARRANTIES RELATING TO SELLER PARENT AND SELLER

Seller Parent and Seller hereby represent and warrant, except as set forth in the Disclosure Schedule, to and for the benefit of Purchaser, as follows:

2.1 Due Organization and Good Standing. Each of Seller Parent and Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller Parent and Seller are qualified to do business as a foreign corporation and (to the extent “good standing” is recognized in a particular jurisdiction) are in good standing under the laws of all jurisdictions where the property owned, leased or operated by it or the nature of its business requires such qualification and where the failure to be so qualified would be adverse in any material respect to Seller Parent and Seller, taken as a whole.

2.2 Authority. Each of Seller Parent and Seller has all requisite corporate power and authority to execute and deliver this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement to be executed by Seller Parent and Seller and to perform its obligations hereunder and thereunder (including, with respect to Seller, all right, power, capacity and authority to sell, transfer, convey and surrender the Shares as provided by this Agreement), and the execution, delivery and performance by Seller Parent or Seller of this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Seller Parent and Seller and no other proceedings are necessary to authorize the execution, delivery and performance by Seller Parent or Seller of this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement.

2.3 Execution, Delivery; Valid and Binding Agreements. This Agreement and each other agreement, document or instrument referred to in or contemplated by this Agreement to be executed and delivered by Seller Parent or Seller have been duly executed and delivered by Seller Parent and Seller, and assuming that this Agreement and any other agreement, document or instrument referred to in or

contemplated by this Agreement have been duly executed and delivered by the other parties hereto and thereto, constitute, or, when executed by the other parties hereto and thereto, will constitute, valid and binding agreements of Seller Parent and Seller, enforceable against Seller Parent and Seller (as applicable) in accordance with their terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws from time to time in effect relating to creditors' rights and remedies generally and general principles of equity.

2.4 Non-Contravention; No Consents or Approvals. Neither: (1) the execution, delivery or performance of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; nor (2) any of the transactions contemplated by this Agreement or any such other agreement, document or instrument, will (with or without notice or lapse of time):

- (a) contravene, conflict with or result in a violation of: (i) any of the provisions of the certificate of incorporation or by-laws of Seller Parent or Seller; or (ii) any resolution adopted by the equity holders or board of directors (or similar body) of Seller Parent or Seller;
- (b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the transactions contemplated by this Agreement or to exercise any remedy or obtain any relief under, any Legal Requirement or any order, writ, injunction, judgment or decree to which Seller Parent or Seller or any of the assets owned or used by Seller Parent or Seller, is subject; or
- (c) contravene, conflict with or result in a violation or breach of, or result in a default under, give any party the right to supplement, terminate or amend, or accelerate or materially alter any rights or obligations under, or result in the automatic modification, amendment or termination of, any provision of any Contract to which Seller Parent or Seller is a party or by which Seller Parent or Seller is bound.

Neither Seller Parent nor Seller is (and neither Seller Parent nor Seller will be) required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the performance by Seller Parent or Seller of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; or (y) the consummation by Seller Parent or Seller of any of the transactions contemplated by this Agreement or by any of the other agreements, documents or instruments referred to in this Agreement.

2.5 Title and Ownership. Seller is the record and beneficial owner of the Shares and has good, valid and marketable title to all of the Shares, free and clear of all Encumbrances. There are no outstanding options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, calls, puts, rights of first refusal or other rights to acquire any Shares or any securities exercisable or exchangeable for, or convertible into, shares of capital stock or other equity interests in any Acquired Company.

2.6 Legal Proceedings. There is no pending Legal Proceeding and, to the knowledge of Seller, no Person has threatened to commence any Legal Proceeding, that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement. There is no order, writ, injunction, judgment or decree to which Seller Parent or Seller is subject that may have the effect of preventing, delaying, making illegal or otherwise interfering with any of the transactions contemplated by this Agreement.

3. REPRESENTATIONS AND WARRANTIES RELATING TO THE ACQUIRED COMPANIES

Seller represents and warrants, except as set forth in the Disclosure Schedule, to and for the benefit of Purchaser, as follows:

3.1 Due Organization, Etc.

(a) Organization. Each Acquired Company has been duly organized, and is validly existing and (to the extent “good standing” is recognized in a particular jurisdiction) in good standing under the laws of the jurisdiction of its incorporation and has full corporate or limited liability company power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; and (ii) to perform its obligations under all Material Contracts by which it is bound. Part 3.1(a) of the Disclosure Schedule sets forth the jurisdiction of incorporation or formation of each of the Acquired Companies.

(b) Qualification. Each Acquired Company is qualified to do business as a foreign corporation or limited liability company, and (to the extent “good standing” is recognized in a particular jurisdiction) is in good standing, under the laws of all jurisdictions where the property owned, leased or operated by it or the nature of its business requires such qualification and where the failure to be so qualified would have a Material Adverse Effect. To the extent applicable, Part 3.1(b) of the Disclosure Schedule sets forth each state or other jurisdiction in which each Acquired Company is licensed or qualified to do business.

(c) Directors, Officers and Managers. Part 3.1(c) of the Disclosure Schedule accurately sets forth, if applicable: (i) the names of the members of the board of directors (or similar bodies) of the Acquired Companies; (ii) the names and titles of the officers (or those individuals holding similar positions) of the Acquired Companies; and (iii) the names of the managers of the Acquired Companies that are limited liability companies.

3.2 Organizing Documents; Ownership Records. Seller has Made Available to Purchaser accurate and complete copies of the current:

(a) certificate or articles of incorporation, bylaws, operating agreement or equivalent governing documents of the Acquired Companies (the “Organizing Documents”); and (b) stock or membership records of the Acquired Companies.

3.3 Capitalization, Etc.

(a) Outstanding Securities. The authorized capital stock of the Company consists of 1,000 shares of common stock, par value \$0.001 per share, of which 1,000 shares have been issued and are outstanding as of the date of this Agreement. The Shares represent one hundred percent (100%) of the outstanding capital stock of the Company. The Shares have been duly authorized and validly issued, and are fully paid and non-assessable. Seller is the sole shareholder of record of the Company.

(b) No Other Securities. There is no: (i) outstanding subscription, option, call, convertible note, warrant or right (whether or not currently exercisable) to acquire any shares of the capital stock or other securities of the Company; (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any shares of the capital stock or other securities of the Company or (iii) stock appreciation, phantom stock, profit participation or similar rights with respect to the capital stock of the Company.

(c) Legal Issuance. The Shares have been issued and granted in compliance with all applicable securities laws or pursuant to valid exemptions therefrom and other applicable Legal Requirements.

(d) Acquired Companies Shares or Membership Interests. Part 3.3(d) of the Disclosure Schedule sets forth, as of the date of this Agreement: (i) the names of each shareholder or member of each Acquired Company Subsidiary; and (ii) the number of shares or percentage of limited liability company interests owned by each shareholder or member of each Acquired Company Subsidiary. The Company does not own any equity interest in any Entity other than the Acquired Company Subsidiaries. All shares or limited liability company interests of the Acquired Companies (other than the Company) are owned by the Company or another Acquired Company (as identified in Part 3.3(d) of the Disclosure Schedule) free and clear of any Encumbrance. The outstanding shares or limited liability company interests of the Acquired Companies have been duly authorized and validly issued and are fully paid and nonassessable, have been issued in compliance with all applicable securities laws and other applicable Legal Requirements and were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities of such Acquired Companies. There are no options, warrants or other rights outstanding to subscribe for or purchase any shares or other securities of the Acquired Companies. There are no voting trusts, proxies, or other agreements with respect to the voting of the shares or other securities of the Acquired Companies. There are no outstanding stock appreciation, phantom stock, profit participation or similar rights with respect to the capital stock of any Acquired Company.

3.4 Financial Statements; Absence of Changes.

(a) Delivery of Financial Statements. The following financial statements and notes (collectively, the “Company Financial Statements”) are attached as Part 3.4 of the Disclosure Schedule: (i) the unaudited consolidated balance sheets of the Acquired Companies as of December 31, 2013 and December 31, 2014, and the related unaudited consolidated statements of cash flows and unaudited consolidated statements of income for the years ended December 31, 2013 and December 31, 2014; and (ii) the unaudited consolidated balance sheet of the Acquired Companies (the “Most Recent Balance Sheet”) as of June 30, 2015 (the “Balance Sheet Date”), and the related unaudited consolidated statement of cash flows and unaudited consolidated statement of income of the Acquired Companies for the six months then ended.

(b) Fair Presentation. The Company Financial Statements present fairly the consolidated financial position of the Acquired Companies as of the respective dates thereof and the results of operations, financial condition, and cash flow of the Acquired Companies for the periods covered thereby. The Company Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered, except that the Company Financial Statements do not contain footnotes.

(c) Absence of Changes. Except as set forth in Part 3.4(c) of the Disclosure Schedule, between March 31, 2015 and the date of this Agreement: (i) there has not been any Material Adverse Effect on the Acquired Companies; (ii) there has not been any material loss, damage or destruction to, or any material interruption in the use of, the material assets of the Acquired Companies; (iii) none of the Acquired Companies has declared, accrued, set aside or paid any dividend or made any other distribution in respect of any shares of its capital stock or limited liability company interests, and has not repurchased, redeemed or otherwise reacquired any shares of its capital stock, limited liability company interests or other securities; (iv) none of the Acquired Companies has changed any of its methods of accounting or accounting practices in any material respect; (v) none of the Acquired

Companies has forgiven, cancelled, compromised, waived or released any Indebtedness owed to them; (vi) there has been no increase in salary or bonus or other compensation or benefits payable or provided to any director, officer, employee, consultant, advisor or agent of the Acquired Companies, except wage or salary increases required by existing Acquired Company Contracts; (vii) none of the Acquired Companies has made any commitment outside of the ordinary course of business or in excess of \$250,000 in the aggregate for capital expenditures to be paid after the Closing or failed to incur capital expenditures in accordance with the capital expense budget attached to Part 3.4(c) of the Disclosure Schedule; (viii) none of the Acquired Companies has issued, assumed or incurred any Indebtedness involving more than \$250,000 in the aggregate; (ix) no Contract has been terminated or expired which, if in existence on the date hereof, would constitute a Material Contract; (x) none of the Acquired Companies has made or changed any Tax election except as required by any Legal Requirements; and (xi) none of the Acquired Companies has agreed or committed to any of the foregoing.

3.5 Liabilities. As of the date of this Agreement, none of the Acquired Companies has any liabilities of the type required to be reflected in the “Liabilities” column of a balance sheet of the Company prepared in accordance with GAAP, except for: (a) liabilities identified as such in the Most Recent Balance Sheet; (b) liabilities that have been incurred by the Acquired Companies since the Balance Sheet Date in the ordinary course of business; (c) liabilities under the Acquired Company Contracts; and (d) the liabilities identified in Part 3.5 of the Disclosure Schedule.

3.6 Proprietary Assets.

(a) Registered Proprietary Assets. Part 3.6(a) of the Disclosure Schedule sets forth, with respect to each Acquired Company Proprietary Asset owned by any of the Acquired Companies and registered with any Governmental Body or for which an application for registration has been filed with any Governmental Body, (i) a brief description of such Proprietary Asset and (ii) the names of the jurisdictions covered by the applicable registration or application. All Proprietary Assets listed on Part 3.6(a) of the Disclosure Schedule are subsisting, valid, enforceable and in full force and effect, and the Acquired Companies have performed all acts and have paid all renewal, maintenance and other fees and taxes required to maintain each and every registration and application listed on Part 3.6(a) of the Disclosure Schedule in full force and effect. The Company does not have any material unregistered trademarks.

(b) In-Licensed Proprietary Assets. Part 3.6(b) of the Disclosure Schedule identifies and provides a brief description of each material Proprietary Asset that is licensed or otherwise made available to any of the Acquired Companies by any Person (except for any Proprietary Asset that is licensed to any of the Acquired Companies under any third party software license generally available to the public at a cost of less than \$50,000), and identifies the Contract under which such Proprietary Asset is being licensed or otherwise made available to any of the Acquired Companies.

(c) Ownership Free and Clear. The Company or an Acquired Company Subsidiary has good and valid title to all of the Acquired Company Proprietary Assets (other than Acquired Company Proprietary Assets licensed to an Acquired Company), free and clear of all Encumbrances (other than Permitted Encumbrances).

(d) Protective Measures. The Acquired Companies have taken commercially reasonable measures and precautions necessary to protect and maintain the confidentiality, secrecy and value of all Acquired Company Proprietary Assets (except Acquired Company Proprietary Assets whose value would not be materially impaired by public disclosure and except for the absence (or permitted lapse) of registrations of trade names, service marks and copyrights).

(e) No Infringement. None of the Acquired Company Proprietary Assets infringes any Proprietary Asset owned or used by any other Person. Except as set forth in Part 3.6(e) of the Disclosure Schedule, there is no Legal Proceeding pending (or to the knowledge of Seller threatened) against any Acquired Company in which the Acquired Company is alleged to have infringed, violated or misappropriated the Proprietary Assets owned by another Person. To the knowledge of Seller, no other Person is infringing, violating or misappropriating any Acquired Company Proprietary Asset owned by an Acquired Company.

(f) User Privacy. Seller has Made Available to Purchaser a copy of all online privacy policies of each of the Acquired Companies, as currently in effect and as in effect since January 1, 2010. Each Acquired Company is, and since January 1, 2010 has been, in material compliance with (i) its privacy policies and terms of use (including those posted from time to time on the Acquired Company website at www.classmates.com); (ii) all other contractual obligations relating to collection, storage, use, dissemination and disposal of personally-identifiable information by the Acquired Companies; and (iii) all applicable Privacy Laws. The execution, delivery and performance of this Agreement complies with and is permitted under all Privacy Laws applicable to the Acquired Companies and with the Acquired Companies' privacy policies. Except as set forth in Part 3.6(f) of the Disclosure Schedule, since January 1, 2010, each such privacy policy has at all times made all disclosures to users or customers required by applicable Privacy Laws, and none of such disclosures made or contained in any such privacy policy has been in violation of any Privacy Laws. The Acquired Companies have in place commercially reasonable information security and data protection controls, consistent with general industry practices based on the type of data and degree of risk associated with the personal information collected by the Acquired Companies, and there has been no material breach thereof or loss of data in the last five years. None of the Acquired Companies has experienced a "breach of security" as that term is defined under breach notification provisions of applicable Privacy Laws. Since January 1, 2010, none of the Acquired Companies has received any written notice of any Legal Proceeding alleging a violation of any Person's privacy or data rights or misuse of any personally-identifiable information under applicable Privacy Laws or alleging any non-compliance with Privacy Laws applicable to the Acquired Companies or the Acquired Companies' privacy policies or terms of use relating thereto.

(g) Software. The Acquired Companies employ commercially reasonable virus scanning tools designed to prevent the introduction into the Acquired Companies' computer systems of any computer code or any other mechanisms which may: (i) disrupt, disable, erase or harm in any way such computer systems' operation, or cause damage or corruption of data, hardware, storage media, programs, equipment or communications included in such systems; or (ii) permit any Person to access such computer systems without authorization. No Open Source Software or Software that incorporates, is linked to or is derived from Open Source Software has been distributed, published or licensed by any Acquired Company to third parties in a manner that would: (A) require any Acquired Company to license, disclose or distribute to third parties the source code of any Software included in the Acquired Company Proprietary Assets; or (B) materially limit the Acquired Companies' freedom of action with respect to seeking compensation in connection with sublicensing, licensing, or distributing any Software included in the Acquired Company Proprietary Assets. Neither Seller nor its Affiliates nor any Acquired Company has disclosed or delivered to any Person (other than employees or contractors pursuant to agreements containing customary confidentiality and work-for-hire provisions of the Company or its Affiliates), or permitted the disclosure or delivery to any escrow agent or other Person, of the source code of Software included in the Acquired Company Proprietary Assets.

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(h) All Acquired Company Proprietary Assets (except for domain names and Acquired Company Proprietary Assets acquired as a result of, or in connection with, the prior acquisitions listed on Part 3.6(h) of the Disclosure Schedule) owned by any of the Acquired Companies, including all software developed by and/or for the Acquired Companies, was developed by: (i) employees of the Acquired Companies within the scope of their employment; or (ii) independent contractors who have entered into written agreements with the Acquired Companies that assigned all right, title and interest in and to any Acquired Company Proprietary Assets developed to the Acquired Companies. To the knowledge of Seller, no employee or independent contractor of the Acquired Companies has entered into any Contract that restricts or limits in any way the scope of the Acquired Company Proprietary Assets or requires the employee or independent contractor to transfer, assign or disclose information concerning the Acquired Company Proprietary Assets to anyone other than the Acquired Companies.

3.7 Contracts.

(a) List of Contracts. Part 3.7(a) of the Disclosure Schedule identifies the following Acquired Company Contracts in effect as of the date of this Agreement:

(i) each Acquired Company Contract with any of the Acquired Company Employees or any consultant other than: (A) any Acquired Company Contract that is substantially consistent with: (1) the form of offer letter attached to Part 3.7(a)(i) of the Disclosure Schedule; (2) the form of employee proprietary information and inventions agreement attached to Part 3.7(a)(i) of the Disclosure Schedule; (3) the form of consulting services agreement attached to Part 3.7(a)(i) of the Disclosure Schedule; (4) the form of independent contractor agreement attached to Part 3.7(a)(i) of the Disclosure Schedule; and (5) the form of recruiting agreement attached to Part 3.7(a)(i) of the Disclosure Schedule; and (B) any Acquired Company Contract with a consultant that does not require such Acquired Company to make payments in excess of \$100,000 in the aggregate;

(ii) any Acquired Company Contract pursuant to which any Acquired Company is obligated to make any Change of Control Payment;

(iii) each Acquired Company Contract creating any partnership or joint venture or any sharing of revenues, profits, losses, costs or liabilities, other than Acquired Company Contracts entered into in the ordinary course of business providing for advertising revenue sharing under which: (A) in the case of any such Contract where the Company is a recipient of advertising revenue, annual payments to the Company do not exceed \$200,000; or (B) in the case of any such Contract where the Company makes expenditures in respect of advertising, annual payments by the Company do not exceed \$200,000;

(iv) each Acquired Company Contract imposing any restriction on any of the Acquired Companies to (A) compete with any other Person or engage in any business, or (B) solicit or hire any person, other than, in the case of clause (B), any Acquired Company Contract entered into in the ordinary course of business consistent with past practices;

(v) each Acquired Company Contract that provides for indemnification of any officer, director, manager, employee or agent;

(vi) each Acquired Company Contract pursuant to which any Acquired Company leases any real property or personal property

(except personal property leases having aggregate payments of less than \$50,000);

(vii) each Acquired Company Contract with Seller or any of its Affiliates (other than any other Acquired Company);

Company;

(viii) each Acquired Company Contract providing for an exclusive relationship with any vendor or supplier to any Acquired

(ix) each Acquired Company Contract relating to material Acquired Company Proprietary Assets, except for any Proprietary Asset that is licensed to any of the Acquired Companies under any third-party software license generally available to the public at a cost of less than \$50,000;

(x) each Acquired Company Contract for Indebtedness;

(xi) each Acquired Company Contract constituting a settlement agreement for which any of the Acquired Companies has any pending or ongoing obligations or is subject to any restrictions;

(xii) each Acquired Company Contract granting a power of attorney for any of the Acquired Companies;

(xiii) each Acquired Company Contract required to be set forth in Section 3.13; and

(xiv) any other Acquired Company Contract that contemplates or involves: (A) the payment or delivery by or to any Acquired Company of cash or other consideration in an amount or having a value in excess of \$100,000 in the aggregate; or (B) the performance of services by or for any Acquired Company: (1) having a value in excess of \$100,000 in the aggregate; and (2) that may not be terminated by the relevant Acquired Company (without penalty) within 90 days after the delivery of a termination notice by the relevant Acquired Company, other than, in each case of clauses "(A)" and "(B)", any Acquired Company Contract that is substantially consistent with (x) the form of insertion order attached to Part 3.7(a)(xiv) of the Disclosure Schedule and (y) the form of recruiting agreement attached to Part 3.7(a)(xiv) of the Disclosure Schedule.

(Contracts in the respective categories described in clauses "(i)" through "(xiv)", together with each Contract required to be listed in Part 3.6(b) of the Disclosure Schedule and each Real Property Lease and Lessor Instrument required to be listed in Part 3.16 of the Disclosure Schedule are collectively referred to in this Agreement as "Material Contracts".)

(b) Delivery of Contracts. Seller has Made Available to Purchaser accurate and complete copies of all written Material Contracts, including all amendments thereto, and a detailed description of the terms of any oral Material Contract. Each Material Contract is valid and in full force and effect, and, to the knowledge of Seller, is enforceable by the relevant Acquired Companies in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(c) No Breach. Except as set forth in Part 3.7(c) of the Disclosure Schedule, none of the Acquired Companies has committed a breach in any material respect of any Material Contract that remains uncured, and, to the knowledge of Seller, no other Person has committed a breach of any Material Contract that remains uncured. To the knowledge of Seller, there is no event which, upon giving of notice or lapse of time or both, would constitute a breach or default under any such Material Contract or would permit the termination, modification or acceleration of such Material Contract. Since December 31, 2014, no counterparty to any Material Contract has provided Seller or any of the Acquired Companies written notice or, to the knowledge of the Company, oral notice of a breach or default by any Acquired Company under any Material Contract.

(d) Seller and Seller Parent Contracts. Part 3.7(d) of the Disclosure Schedule sets forth each Contract to which Seller or Seller Parent is a party under which any Acquired Company receives or provides services (other than immaterial services).

3.8 Compliance with Legal Requirements; Governmental Authorizations.

(a) Compliance with Legal Requirements. The Acquired Companies are, and for the past three years have been, in compliance in all material respects with all applicable Legal Requirements. Except as set forth in Part 3.8(a) of the Disclosure Schedule, since January 1, 2013, none of the Acquired Companies has received any written notice from any Governmental Body regarding any actual or possible violation of, or failure to comply with, any material Legal Requirement.

(b) Governmental Authorizations. Part 3.8(b) of the Disclosure Schedule identifies each material Governmental Authorization held by the Acquired Companies. The Governmental Authorizations identified in Part 3.8(b) of the Disclosure Schedule: (i) are valid and in full force and effect; and (ii) collectively constitute all Governmental Authorizations necessary to enable each of the Acquired Companies to conduct its business in the manner in which its business is currently being conducted. The Acquired Companies are in substantial compliance with the terms and requirements of the respective Governmental Authorizations identified in Part 3.8(b) of the Disclosure Schedule. Since January 1, 2012, none of the Acquired Companies has received any written notice from any Governmental Body regarding any material violation of or material failure to comply with any term or requirement of any Governmental Authorization.

(c) Foreign Corrupt Practices Act and Export Control and Antiboycott Laws. No Acquired Company and no representative of any Acquired Company in its capacity as such has violated the Foreign Corrupt Practice Act of 1977, as amended, or the anticorruption laws of any jurisdiction in which the Acquired Companies conduct business. Each Acquired Company has at all times complied with all Legal Requirements relating to export control and trade sanctions or embargoes. No Acquired Company has violated the antiboycott prohibitions contained in 50 U.S.C. Sections 2401 et seq. or taken any action that can be penalized under Section 999 of the Code. No Acquired Company has undergone and is not currently undergoing, any audit, review, inspection, investigation, survey or examination by a Governmental Body relating to the Foreign Corrupt Practice Act of 1977, as amended, the anticorruption laws of any jurisdiction in which the Acquired Companies conduct business, or export, import, or other trade-related activity.

3.9 Tax Matters.

(a) Tax Returns. All Tax Returns required to be filed by or on behalf of the Acquired Companies with any Governmental Body with respect to any taxable period ending on or before the Closing Date (the "Acquired Company Tax Returns"): (i) have been or will be filed on or before the applicable due date (taking into account any extensions of such due date); and (ii) have been, or will be when filed, prepared, in all material respects, in compliance with all applicable Legal Requirements. Except as reserved on the Company Financial Statements, all amounts shown on the Acquired Company Tax Returns to be due on or before the Closing Date have been or will be paid on or before the Closing Date. No Acquired Company is currently the beneficiary of any extension of time within which to file any Tax Return or pay any Tax.

(b) Payment and Withholding of Taxes. Except as reserved on the Company Financial Statements, all Taxes due on or before the Closing Date in respect of any Acquired Company have been paid or will be paid on or before the Closing Date, whether or not shown on the Acquired Company Tax Returns. The Acquired Companies have paid or withheld with respect to their respective employees, stockholders and other third parties all Taxes and social security charges and similar fees required to be paid or withheld, and have timely paid over any such Taxes to the appropriate Governmental Body.

(c) Inquiries, Extensions and Waivers. Between January 1, 2010, and the date of this Agreement: (i) no Acquired Company Tax Return has been examined or audited by any Governmental Body (excluding any examination or audit relating to a consolidated, combined, unitary or similar Acquired Company Tax Return but not specifically relating to the activities or operations of any Acquired Company); and (ii) no extension or waiver of the limitation period applicable to any of the Acquired Company Tax Returns has been granted. No deficiency or proposed adjustment for a material amount of Tax has been proposed, asserted or assessed by any Governmental Body against any Acquired Company (excluding any deficiency or proposed adjustment relating to a consolidated, combined, unitary or similar Acquired Company Tax Return but not specifically relating to the activities or operations of any Acquired Company) that has not been paid, settled or otherwise resolved. There is no Legal Proceeding or audit now pending, proposed, or, to the knowledge of any Acquired Company and Seller, threatened against any Acquired Company or concerning any Acquired Company (excluding any Legal Proceeding or audit relating to a consolidated, combined, unitary or similar Acquired Company Tax Return but not specifically relating to the activities or operations of any Acquired Company) with respect to any Taxes.

(d) Tax Sharing Agreement. None of the Acquired Companies is a party to or bound by any tax indemnity agreement, tax-sharing agreement, tax allocation agreement or similar Contract (other than customary commercial arrangements the primary purpose of which is not Taxes).

(e) Tax Shelter. No Acquired Company has consummated or participated in, or is currently participating in, any transaction which was or is a "Tax shelter" transaction as defined in Sections 6662 or 6111 of the Code or the Treasury Regulations promulgated thereunder. No Acquired Company has participated in or is currently participating in, a "Listed Transaction" or a "Reportable Transaction" within the meaning of Section 6707A(c) of the Code or Treasury Regulation Section 1.6011-4(b).

(f) No Liability for Taxes of Others. No Acquired Company has any liability for the Taxes of any Person (other than for members of an affiliated, consolidated, combined or unitary group of which Seller Parent is the consolidated parent) under Section 1.1502-6 of the Treasury Regulations as a transferee or successor, by Contract or otherwise.

(g) No Jurisdictional Claims. No written claim has ever been made by an authority in a jurisdiction where an Acquired Company does not file Tax returns that it is or may be subject to taxation by that jurisdiction.

(h) Real Property Holding Corporation. No Acquired Company is or has ever been a "United States real property holding corporation" within the meaning of Section 897 of the Code, and each Acquired Company has filed with the Internal Revenue Service all statements, if any, which are required under Section 1.897-2(h) of the Treasury Regulations.

(i) Inclusion/Exclusion from Income. No Acquired Company will be required as a result of: (i) a change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) use of an improper method of accounting for a taxable period ending on or prior to the Closing Date; (iii) any “closing agreement,” as described in Section 7121 of the Code (or any corresponding provision of state, local or foreign Law); (iv) any installment sale or open transaction disposition; (v) any intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (vi) the receipt of any prepaid revenue; or (vii) an election under Section 108(i), to include any item of income or exclude any item of deduction for any taxable period (or portion thereof) beginning after the Closing Date that would not have otherwise so been included or excluded as the case may be.

(j) No Distributed Stock. No Acquired Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or Section 361.

(k) No Permanent Establishment. No Acquired Company has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the United States.

3.10 Employee and Labor Matters; Benefit Plans.

(a) Employee List. Part 3.10(a) of the Disclosure Schedule contains a list of each employee (with respect to any jurisdiction where disclosure by name would be prohibited by applicable Legal Requirement, by employee number rather than by name) of any of the Acquired Companies (such an employee, an “Acquired Company Employee” and all such employees, collectively, the “Acquired Company Employees”) as of the date of this Agreement, and correctly reflects: (i) their start dates; (ii) their positions; (iii) their salaries; (iv) any bonus compensation paid or payable to them for the year ended December 31, 2014 (or if such amount is not known by the Closing Date, a good faith estimate of such amount); (v) employment classification (exempt or nonexempt); (vi) whether or not such employee is on leave; and (vii) accrued vacation, sick or paid time-off. The Acquired Company Employees, together with employees providing services under the Transition Services Agreement, constitute all of the current employees of Seller Parent and its Subsidiaries that have been involved, in any material respect, in the operation of the business of the Acquired Companies since January 1, 2015.

(b) Employee Plans. Part 3.10(b) of the Disclosure Schedule identifies each “employee benefit plan” (as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)), and each other salary, bonus, deferred compensation, incentive compensation, employment, retention, stock purchase, stock option, severance pay, termination pay, hospitalization, medical, life or other insurance, profit-sharing, pension or retirement plan, program or arrangement (other than Acquired Company Contracts that are substantially consistent with the forms attached to Part 3.7(a)(i) of the Disclosure Schedule), whether or not subject to ERISA (each, an “Employee Benefit Plan”) sponsored, maintained, contributed to or required to be contributed to by the Acquired Companies for the benefit of any Acquired Company Employee or with respect to which any Acquired Company has any liability (such Employee Benefit Plans, collectively, the “Acquired Company Employee Plans”). Part 3.10(b) of the Disclosure Schedule separately lists each Employee Benefit Plan sponsored, maintained, contributed to or required to be contributed to by Seller Parent or Seller with respect to which any Acquired Company is a participating employer or with respect to which any Acquired Company Employee is entitled to receive any employee benefits, each such plan listed in Part 3.10(b) of the Disclosure Schedule is also referred to herein as an Acquired Company Employee Plan.

(c) Plan Documents. With respect to each Acquired Company Employee Plan, Seller has Made Available to Purchaser: (i) an accurate and complete copy of such Acquired Company Employee Plan (including all amendments thereto); (ii) an accurate and complete copy of the annual report, if required under ERISA, with respect to such Acquired Company Employee Plan for the last three years; (iii) an accurate and complete copy of the most recent summary plan description, together with each Summary of Material Modifications, if required under ERISA, with respect to such Acquired Company Employee Plan; (iv) if such Acquired Company Employee Plan is funded through a trust or any third party funding vehicle, an accurate and complete copy of the trust or other funding agreement (including all amendments thereto) and accurate and complete copies of the most recent financial statements thereof; (v) an accurate and complete copy of the most recent determination letter received from the Internal Revenue Service with respect to such Acquired Company Employee Plan (if such Acquired Company Employee Plan is intended to be qualified under Section 401(a) of the Code); (vi) an accurate and complete copy of the most recent nondiscrimination testing reports, if required under ERISA or the Code; and (vii) all non-routine correspondence with any Governmental Body with respect to any Acquired Company Employee Plan within the last three years.

(d) ERISA Liability. None of the Acquired Companies is required to be treated as a single employer with any other Person under Section 4001(b)(1) of ERISA or Section 414(b), (c), (m) or (o) of the Code, and none of the Acquired Companies has been a member of an “affiliated service group” within the meaning of Section 414(m) of the Code. None of the Acquired Companies has made a complete or partial withdrawal from a multiemployer plan, as such term is defined in Section 3(37) of ERISA, resulting in “withdrawal liability,” as such term is defined in Section 4201 of ERISA (without regard to subsequent reduction or waiver of such liability under either Section 4207 or 4208 of ERISA). None of the Acquired Companies has sponsored, maintained or contributed to or has any liability with respect to any defined benefit plan (as defined in Section 3(35) of ERISA), any “multiple employer plan” subject to Sections 4063 or 4064 of ERISA or Section 413(c) of the Code or otherwise has any liability under Section 412 of the Code or Title IV of ERISA. No Acquired Company has any obligation to provide post-termination health, life or other welfare-type benefits to any current or former employee, officer or director, other than in accordance with the terms of the Acquired Company Employee Plans and applicable law.

(e) 401(a) Qualification and Compliance with Law. Each of the Acquired Company Employee Plans intended to be qualified under Section 401(a) of the Code has received a favorable determination from the Internal Revenue Service, and to the knowledge of Seller, no fact, circumstance or event has occurred or exists since the date of such determination letter that would reasonably be expected to adversely affect the qualified status of such Acquired Company Employee Plan. Each Acquired Company Employee Plan complies in form and in operation, in all material respects, with its terms and with the requirements of the Code, ERISA and all applicable Legal Requirements. All individuals who have performed services for the Acquired Companies or who otherwise have claims for compensation from the Acquired Companies have been properly classified as an employee or independent contractor and as exempt or non-exempt pursuant to all Legal Requirements.

(f) Contributions. With respect to the Acquired Company Employee Plans, all contributions due prior to the Closing Date have been timely made or properly accrued in accordance with GAAP.

(g) Reports. All required reports and descriptions and participant notices have been filed or distributed in compliance with the applicable requirements of ERISA and the Code with respect to each Acquired Company Employee Plan.

(h) Claims, Prohibited Transactions. No Legal Proceeding or audit or investigation with respect to the Acquired Company Employee Plans (other than routine claims for benefits) is pending or, to knowledge of any Acquired Company, threatened. There have been no “prohibited transactions” (as defined in Section 406 of ERISA or Section 4975 of the Code) with respect to any Acquired Company Employee Plan. No “fiduciary” (as defined in Section 3(21) of the Code) had any liability for breach of fiduciary duty with respect to the investment of the assets or the administration of any Acquired Company Employee Plan.

(i) 409A. Each Acquired Company Employee Plan that is a “nonqualified deferred compensation plan” (as defined in Section 409A(d)(1) of the Code) that is subject to Section 409A of the Code is and has been in material documentary and operational compliance with such section and all applicable regulatory guidance. The Company does not have any obligation to gross up, indemnify or otherwise reimburse any individual for any Taxes, interest or penalties incurred pursuant to Section 4999 of the Code or Section 409A of the Code.

(j) Change of Control Payments. Neither the execution, delivery or performance of this Agreement, nor the consummation of the Stock Purchase or any of the other transactions contemplated by this Agreement, will result in any Change of Control Payment or similar payment (including any bonus, golden parachute or severance payment) by any Acquired Company, Seller, Seller Parent or any of their affiliates to any current or former Acquired Company Employee or director of any of the Acquired Companies (whether or not under any Acquired Company Employee Plan), or materially increase the benefits payable by any Acquired Company under any Acquired Company Employee Plan, or result in any acceleration of the time of payment or vesting of any such benefits, or result in any payment or series of payments that would constitute an “excess parachute payment” (as such term is defined in Section 280G(b)(1) of the Code) to any Person.

(k) Labor Relations. None of the Acquired Companies is a party to any collective bargaining contract or other Contract with a labor union involving any of its Acquired Company Employees. Seller has no knowledge of any organizational effort currently being made or threatened by or on behalf of any labor union or works council with respect to the Acquired Company Employees. There is no labor strike, slowdown, work stoppage, material grievance or lockout actually pending or, to the knowledge of Seller, threatened against any Acquired Company or, with respect to the Acquired Company Employees. Except as set forth in Part 3.10(k) of the Disclosure Schedule, all of the Acquired Company Employees are “at will” employees.

3.11 Legal Proceedings; Orders. Except as set forth in Part 3.11 of the Disclosure Schedule, there are no (and during the last three years, there have not been any) Legal Proceedings pending or, to the knowledge of Seller, threatened: (a) against any of the Acquired Companies; or (b) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Stock Purchase or any of the other transactions contemplated by this Agreement. There is no order, writ, injunction, judgment or decree to which any of the Acquired Companies is subject.

3.12 Non-Contravention; Consents. None of the transactions contemplated by, and consummated pursuant to, this Agreement will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation by any of the Acquired Companies of: (i) any of the provisions of the Organizing Documents; or (ii) any resolution adopted by the shareholders, members or boards of directors (or similar bodies) of the Acquired Companies;

(b) contravene, conflict with or result in a violation by any of the Acquired Companies of any Legal Requirement or any order, writ, injunction, judgment or decree to which any of the Acquired Companies is subject;

(c) contravene, conflict with or result in a violation of any of the terms or requirements of any Governmental Authorization that is held by any of the Acquired Companies; or

(d) contravene, conflict with or result in a material violation or breach by any of the Acquired Companies of, or result in a material default by any of the Acquired Companies under, give any party the right to supplement, terminate or amend, or accelerate or materially alter any rights or obligations under, or result in the automatic modification, amendment or termination of, any provision of any Material Contract.

Except as set forth in Part 3.12 of the Disclosure Schedule, none of the Acquired Companies is required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the execution, delivery or performance of this Agreement or any of the other agreements referred to in this Agreement; or (y) the consummation of the Stock Purchase or any of the other transactions contemplated by this Agreement, except for such filings, notices or Consents, the failure to obtain which would not be adverse in any material respect to the Acquired Companies, taken as a whole.

3.13 Key Suppliers.

(a) Part 3.13 of the Disclosure Schedule sets forth a correct and complete list of the 10 largest suppliers, vendors or providers (by dollar volume) of products or services to the Acquired Companies (including, without limitation, advertising and marketing third party providers) during calendar year 2014 (each, a "Key Supplier"). Part 3.13 of the Disclosure Schedule also sets forth, for each Key Supplier, the aggregate payments from and to such Person by the Acquired Companies during such periods. To the knowledge of Seller, there are no outstanding disputes with any Key Supplier.

(b) Since December 31, 2014, none of the suppliers listed on Part 3.13 of the Disclosure Schedule has indicated that it shall stop, or materially decrease the rate of, supplying materials, products or services to the Acquired Companies, or otherwise materially change the terms of its relationship with the Acquired Companies.

3.14 No Brokers. Except as set forth on Part 3.14 of the Disclosure Schedule (which fees are Company Transaction Expenses), none of the Acquired Companies has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement, and no Acquired Company has any liability or obligation (contingent or otherwise) with respect to any such fees or commissions payable by Seller or Seller Parent.

3.15 Insurance. There is no pending claim by the Acquired Companies under any Company Insurance Agreements as to which coverage has been questioned, or disputed. All premiums payable under all such Company Insurance Agreements have been paid. To the knowledge of Seller, there are no threatened terminations of, or material premium increases with respect to, any of such Company Insurance Agreements. Since January 1, 2014, the Acquired Companies have maintained insurance policies with coverage and policy limits that are substantially similar to the coverage and policy limits provided by the Company Insurance Agreements.

3.16 Real Property.

(a) None of the Acquired Companies owns or has ever owned any real property.

(b) Part 3.16 of the Disclosure Schedule sets forth a list of all Real Property Leases and the legal address for the corresponding Leased Real Property and, under the heading “Lessor Instruments”, a list of all other leases, subleases, licenses, easements and Contracts relating to any of the Leased Real Property pursuant to which an Acquired Company is a lessor, sublessor, licensor, grantor or other party through whom the interest thereunder is granted (collectively, the “Lessor Instruments”).

(c) Except pursuant to the Lessor Instruments, none of the Acquired Companies has assigned, transferred, conveyed, mortgaged, deeded in trust or otherwise encumbered its interest in any Leased Real Property or portion thereof or entered into any sublease, license, option, right, concession or other similar agreement granting to any Person the present or future right to use or occupy such Leased Real Property or any portion thereof, and, except pursuant to the Lessor Instruments, there are no Persons other than the Acquired Companies actually occupying the Leased Real Property. The Leased Real Property is free of Encumbrances (other than Permitted Encumbrances).

(d) The Leased Real Property comprises all of the real property used in connection with the business of the Acquired Companies.

(e) None of the Acquired Companies’ possession and quiet enjoyment of the Leased Real Property has been disturbed, and there is no injunction, decree, order, writ or judgment outstanding, or any claim, litigation, administrative action or similar proceeding, pending or, to the knowledge of Seller, threatened, relating to the lease, use or occupancy of the Leased Real Property or any portion thereof or the operation of the Acquired Companies’ business as currently conducted thereon. To the knowledge of Seller, none of the Leased Real Property or any portion thereof or interest therein is affected by or the subject of any pending, contemplated or threatened condemnation, expropriation or other proceeding in eminent domain.

3.17 Affiliate Transactions. Except as set forth on Part 3.17 of the Disclosure Schedule (each Contract required to be listed thereon, an “Affiliate Contract”), the Acquired Companies are not, and have not since January 1, 2012 been, a party to any Contract with Seller, Seller Parent, or any Subsidiary thereof (other than another Acquired Company) or any employee of any Acquired Company (other than Contracts related to employment arrangements or benefits entered into in the ordinary course of business). None of Seller, Seller Parent or any Subsidiary thereof (other than another Acquired Company) has any claim against or owes any amount to, or is owed any amount by, the Acquired Companies.

3.18 Environmental.

(a) Except as set forth on Part 3.18(a) of the Disclosure Schedule, each of the Acquired Companies has complied and is, and since January 1, 2013, has been, in compliance, in each case in all material respects, with all Environmental, Health, and Safety Requirements.

(b) Except as set forth on Part 3.18(b) of the Disclosure Schedule, the Acquired Companies have obtained, have complied with and are in compliance with all Governmental Authorizations and other authorizations that are required pursuant to Environmental, Health, and Safety Requirements for the occupation of the facilities of the Acquired Companies and the operation of the Business.

(c) None of the Acquired Companies nor any of their Affiliates has received any written or, to the knowledge of Seller, oral notice, report or other information regarding any actual or alleged violation of Environmental, Health, and Safety Requirements, or any liabilities or potential liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), that would reasonably be expected to result in liability to any Acquired Company, including any investigatory, remedial or corrective obligations, relating to any of them or their current or former facilities arising under Environmental, Health, and Safety Requirements.

(d) None of the Acquired Companies has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled or released any substance, including any Hazardous Substance, or owned or operated any property or facility in a manner that has given or would be expected to give rise to material liabilities, including any material liability for investigation costs, response costs, remedial costs, corrective action costs, personal injury, property damage, natural resources damages or attorney and consultant fees and costs, pursuant to CERCLA, as amended, or any other Environmental, Health, and Safety Requirements.

3.19 Assets.

(a) The Acquired Companies have good and marketable title to, or a valid leasehold interest or license in, the material properties and assets (tangible and intangible) shown on the Most Recent Balance Sheet (other than assets disposed after the date thereof in the ordinary course of business consistent with past practices) or acquired after the date thereof, free and clear of all Encumbrances (other than Permitted Encumbrances). The assets, properties and rights owned by, or leased or licensed to, the Acquired Companies (together with: (i) the assets, properties and rights being made available by Seller or an Affiliate of Seller pursuant to the Transition Services Agreement; and (ii) the assets, properties and rights disclosed in Part 3.7(a)(vii) of the Disclosure Schedule and not being made available by Seller or an Affiliate of Seller pursuant to the Transition Services Agreement) constitute all the assets, properties and rights necessary to operate the business of the Acquired Companies consistent with past practice.

(b) The buildings, machinery, equipment, and other tangible assets are free from material defects, have been maintained in accordance with normal industry practice, and are in good operating condition and repair (subject to normal wear and tear) and are suitable for the purposes for which they are presently used.

4. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants, to and for the benefit of Seller, as follows:

4.1 Due Organization and Good Standing.

(a) Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to conduct its business in the manner in which its business is currently being conducted and to own and use its assets in the manner in which its assets are currently owned and used.

(b) Qualification. Purchaser is qualified to do business as a foreign corporation, and is in good standing, in each jurisdiction in which the nature of its business and of its properties makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on Purchaser's ability to consummate the Stock Purchase or any of the other transactions contemplated by this Agreement.

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4.2 Authority. Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement to be executed by Purchaser and to perform its obligations hereunder and thereunder, and the execution, delivery and performance by Purchaser of this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Purchaser and no other proceedings are necessary to authorize the execution, delivery and performance by Purchaser of this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement.

4.3 Execution, Delivery; Valid and Binding Agreements. This Agreement and each other agreement, document or instrument referred to in or contemplated by this Agreement to be executed by Purchaser have been duly executed and delivered by Purchaser, and assuming that this Agreement and any other agreement, document or instrument referred to in or contemplated by this Agreement have been duly executed and delivered by the other parties hereto and thereto, constitute, or, when executed by the other parties hereto and thereto, will constitute, valid and binding agreements of Purchaser, enforceable against Purchaser in accordance with their terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws from time to time in effect relating to creditors' rights and remedies generally and general principles of equity.

4.4 Non-Contravention; No Consents or Approvals. Neither: (1) the execution, delivery or performance of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; nor (2) any of the transactions contemplated by this Agreement or any such other agreement, document or instrument, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of: (i) any of the provisions of the certificate of incorporation of Purchaser; or (ii) any resolution adopted by the equity holders or board of directors (or similar body) of Purchaser;

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the transactions contemplated by this Agreement or to exercise any remedy or obtain any relief under, any Legal Requirement or any order, writ, injunction, judgment or decree to which Purchaser or any of the assets owned or used by Purchaser, is subject; or

(c) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Contract to which Purchaser is a party or by which Purchaser is bound.

Purchaser is not (and Purchaser will not be) required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection

with: (x) the performance by Purchaser of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; or (y) the consummation by Purchaser of any of the transactions contemplated by this Agreement or by any of the other agreements, documents or instruments referred to in this Agreement.

4.5 Investment. Purchaser is acquiring the Shares for investment for its own account and not with a view towards (or for) resale in connection with the public sale or distribution thereof.

4.6 Legal Proceedings. There is no pending Legal Proceeding and, to the knowledge of Purchaser, no Person has threatened to commence any Legal Proceeding, that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement. There is no order, writ, injunction, judgment or decree to which Purchaser is subject that may have the effect of preventing, delaying, making illegal or otherwise interfering with any of the transactions contemplated by this Agreement.

4.7 Funding.

(a) **Sufficiency of Funding.** Purchaser has sufficient cash immediately available for Purchaser to pay the aggregate Purchase Price required to be paid at (or promptly following) the Closing.

(b) **Solvency.** Assuming the accuracy of the representations and warranties made by the Seller in Section 3 (and disregarding any materiality, “Material Adverse Effect”, “knowledge” or similar qualifiers set forth therein), immediately prior to, upon and immediately following the consummation of the Stock Purchase and the other transactions contemplated by this Agreement: (i) Purchaser will not be insolvent; (ii) Purchaser will not be left with unreasonably small capital; (iii) Purchaser will not have incurred debts beyond its ability to pay such debts as they mature; and (iv) the capital of Purchaser will not be impaired.

4.8 Independent Investigation; Seller’s Representations.

(a) **Independent Investigation.** Purchaser has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, software, technology and prospects of the Acquired Companies.

(b) **No Other Representations; Limitation of Liability.** Purchaser hereby agrees and acknowledges that: (i) other than the representations and warranties set forth in Section 2 and Section 3, none of Seller Parent, Seller, their respective Affiliates or any Representative of Seller Parent, Seller or their respective Affiliates make or have made, and Purchaser is not relying and has not relied on, any representation or warranty, express or implied, at law or in equity, with respect to the Acquired Companies, including as to: (A) merchantability or fitness for any particular use or purpose; (B) the operation of the Acquired Companies; or (C) the probable success or profitability of the Acquired Companies after the Closing; and (ii) other than the indemnification obligations of Seller set forth in Section 6, none of Seller Parent, Seller, their respective Affiliates, or any Representative of Seller Parent, Seller or their respective Affiliates will have or be subject to any liability or indemnification, reimbursement or other obligation to or remedy in favor of Purchaser or any other Person resulting from the distribution to Purchaser, Purchaser’s Affiliates or Purchaser’s or Purchaser’s Affiliates’ Representatives of, or Purchaser’s use of, any information relating to the Acquired Companies, including any information, documents or material Made Available to Purchaser, whether orally or in writing, in certain “data rooms,” management presentations, functional “break-out” discussions, responses to questions submitted on behalf of Purchaser or in any other form in contemplation of the Stock Purchase and the other transactions contemplated by this Agreement.

(c) **Indemnification Rights; Fraud.** Notwithstanding anything to the contrary in this Section 4.8 or otherwise, nothing contained in this Section 4.8 or elsewhere in this Agreement shall limit: (i) Purchaser’s indemnification rights under Article 6; or (ii) Purchaser’s rights to bring claims against Seller based on Seller’s fraud (it being understood that, for purposes of this Section 4.8, the term “fraud” shall mean fraud committed with the intent to deceive).

5. CERTAIN COVENANTS

5.1 Public Announcements. Neither Seller, Seller Parent nor Purchaser shall (and neither Seller, Seller Parent nor Purchaser shall permit any of its Affiliates or Representatives to, and Seller shall not permit any of the Acquired Companies or any of the Acquired Companies' Representatives to) issue any press release or make any public statement regarding this Agreement or the Stock Purchase, or regarding any of the other transactions or documents contemplated by this Agreement, without the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed. Notwithstanding anything to the contrary contained in the preceding sentence, Seller, Seller Parent and Purchaser may (and may permit their Affiliates and Representatives to, and Seller may permit any of the Acquired Companies to) issue any press release (or file a copy of this Agreement) or make any public statement: (a) that is required by: (i) any Legal Requirement (including, for the avoidance of doubt, the rules and regulations of the U.S. Securities and Exchange Commission); or (ii) any of the rules or regulations of any securities exchange applicable to Seller; (b) the issuance or making of which is expressly contemplated by this Agreement; or (c) that is consistent with, and not more expansive in any material respect than, any press release or public statement previously made in accordance with this Section 5.1.

5.2 Continuing Access. For a period of seven years after the Closing Date, Purchaser shall give (and shall cause its Affiliates to give) Seller and its Representatives, at Seller's expense and upon reasonable advance written notice, reasonable access during normal business hours to (and shall, and shall cause its Affiliates to, allow Seller and its Representatives to make copies of) any books and records and information relating to the Acquired Companies for any reasonable purpose, including as may be necessary for: (a) preparation of tax returns and financial statements which are the responsibility of Seller; (b) management and handling of any Tax audits and Tax disputes which are the responsibility of Seller; (c) complying with any audit request, subpoena or other investigative demand by any Governmental Body or for any civil litigation; or (d) defense or settlement of any matter set forth in Schedule 6.2(c); *provided*, that in the event of any dispute between Purchaser and Seller or Seller Parent, then with respect to the information that is the subject matter of such dispute the applicable rules of discovery (and not this Section 5.2) shall apply; *provided, further*, that in no event shall Purchaser be obligated to disclose any information that is subject to a confidentiality obligation existing at Closing or that is subject to attorney-client privilege (it being understood that with respect to any information that is subject to a confidentiality agreement or the attorney-client privilege, Purchaser shall, and shall cause the Acquired Companies to, reasonably cooperate with Seller to enable Seller and its Representatives to enter into appropriate confidentiality, joint defense or similar agreements (or other arrangements), if and as applicable, so that Seller and its Representatives may have access to such information). If any Acquired Company desires to dispose of any such books and records prior to the expiration of such seven-year period, the Acquired Company will, prior to such disposition, notify Seller and give Seller and its Representatives a reasonable opportunity, at such parties' expense, to segregate and remove such books and records as such parties may select. This Section 5.2 shall survive the Closing and shall continue in full force and effect, and, unless earlier disposed of in accordance with the immediately preceding sentence, Purchaser and the Acquired Companies shall maintain all such books and records in substantially the same or a similar accessible format and medium as currently existing, until the later to occur of: (i) seven years after the Closing Date; and (ii) the expiration of all applicable statute of limitations periods.

5.3 Employee-Related Matters.

(a) **Comparable Benefits.** Until at least the first anniversary of the Closing Date, Purchaser shall, with respect to each Acquired Company Employee who is employed by Purchaser or any

of its Affiliates: (i) cause to be maintained for such Acquired Company Employee benefits which are, with respect to each such Acquired Company Employee, substantially similar employee benefits, in the aggregate, to those benefits available to such Acquired Company Employee as of immediately prior to the Closing (except that no such Acquired Company Employee need be provided with equity compensation of Purchaser or any Affiliates of Purchaser or any severance benefits analogous to those provided under the United Online, Inc. Severance Benefit Plan); and (ii) provide for reasonable and customary severance upon termination of employment. Notwithstanding the foregoing, any employee of an Acquired Company that is on short or long term disability leave as of immediately prior to the Closing Date shall be transferred to Seller or an Affiliate that is not an Acquired Company immediately prior to the Closing Date and shall not be considered an Acquired Company Employee (each such employee shall be referred to as a "Leave Employee"). Any Leave Employee that is released to work and presents his or herself for work within six months of the Closing Date shall be hired by an Acquired Company and treated as an Acquired Company Employee as of such hire date.

(b) Treatment under Plans. For purposes of determining eligibility to participate, vesting and entitlement to benefits where length of service is relevant under the benefit plans of Purchaser or its Affiliates, Acquired Company Employees shall receive service credit for service with the Acquired Companies to the same extent such service credit was granted under the applicable employee benefit plans of the Acquired Companies to the extent Seller or the Acquired Companies provide access to employee records in order to determine such service crediting. To the extent permitted by the terms of the applicable plans, Purchaser shall (and shall cause the Acquired Companies and other applicable Affiliates of Purchaser to) use commercially reasonable efforts to: (i) waive all limitations as to preexisting conditions exclusions and waiting periods with respect to participation and coverage requirements applicable to the Acquired Company Employees under any welfare benefit plans that such employees may be eligible to participate in after the Closing, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Closing under any welfare benefit plan maintained for the Acquired Company Employees immediately prior to the Closing; and (ii) provide each Acquired Company Employee with credit for any co-payments and deductibles paid prior to the Closing in satisfying any applicable deductible or out of pocket requirements under any welfare plans that such employees are eligible to participate in after the Closing.

(c) No Guarantee of Employment. Notwithstanding the foregoing, this Section 5.3 shall not be deemed to create any right to employment or to continued employment or to a particular term or condition of employment with any Acquired Company or the Purchaser or any of their respective Affiliates.

(d) No Third Party Beneficiaries. Notwithstanding any other provision of this Agreement to the contrary, each of parties hereby acknowledges and agrees that all provisions contained in this Section 5.3 are included for the sole benefit of the parties to this Agreement, and that nothing in this Agreement, whether express or implied: (i) shall be treated as an amendment or other modification of any employee benefit plan, agreement or other arrangement; (ii) shall limit the right of Purchaser or the Acquired Companies or their respective Affiliates to amend, terminate or otherwise modify any employee benefit plan, agreement or other arrangement following the Closing Date; or (iii) shall create any third party beneficiary or other right in any other Person, including, without limitation, any current or former director, officer, employee or independent contractor of the Acquired Companies or any participant in any employee benefit plan, agreement or other arrangement (or any dependent or beneficiary thereof).

(e) No Amendment. No provision of this Section 5.3 or this Agreement is intended to or does constitute an establishment of or an amendment to any Acquired Company Employee Benefit Plan or any other employee benefit plan.

5.4 Non-Solicitation.

(a) For a period of 18 months from and after the Closing, each of Seller Parent and Seller shall not, and shall cause their respective Subsidiaries not to, without the prior written consent of Purchaser, directly or indirectly, in any manner solicit or cause to be solicited any Person who is employed by an Acquired Company as of the Closing (other than non-management employees whose annual base compensation is less than \$75,000 and who are not involved in research and development). Notwithstanding the foregoing, the restrictions on solicitation set forth in the immediately preceding sentence shall not prohibit Seller Parent, Seller or any of their respective Subsidiaries from: (i) engaging in general solicitations of employment not specifically directed toward the employees of the Acquired Companies; (ii) soliciting any person who is referred to Seller or any of its Affiliates by search firms, employment agencies or other similar entities, provided that such entities have not been specifically instructed to solicit such person; or (iii) soliciting any person after the date that is 90 days following the date upon which such person's employment with an Acquired Company has ended.

(b) For a period of 18 months from and after the Closing, Purchaser shall not, and shall cause its respective Subsidiaries and parent companies not to, without the prior written consent of Seller Parent, directly or indirectly, in any manner solicit or cause to be solicited any Person who is employed by Seller Parent or one of its Subsidiaries (other than the Acquired Companies) as of the Closing (other than non-management employees whose annual base compensation is less than \$75,000 and who are not involved in research and development). Notwithstanding the foregoing, the restrictions on solicitation set forth in the immediately preceding sentence shall not prohibit Purchaser or any of its Subsidiaries or parent companies from: (i) engaging in general solicitations of employment not specifically directed toward the employees of Seller Parent or its Subsidiaries; (ii) soliciting any person who is referred to Purchaser or any of its Affiliates by search firms, employment agencies or other similar entities, provided that such entities have not been specifically instructed to solicit such person; or (iii) soliciting any person after the date that is 90 days following the date upon which such person's employment with Seller Parent, or one of Seller Parent's Affiliates or Subsidiaries, has ended.

5.5 Non-Hire.

(a) For a period of 18 months from and after the Closing, each of Seller Parent and Seller shall not, and shall cause their respective Subsidiaries not to, without the prior written consent of Purchaser, directly or indirectly, in any manner hire or otherwise engage, or cause to be hired or otherwise engaged, any Person who is employed by an Acquired Company as of the Closing and listed as a key employee on Schedule 5.5(a). Notwithstanding the foregoing, the restrictions set forth in the immediately preceding sentence shall not prohibit Seller Parent, Seller or any of their respective Subsidiaries from hiring or engaging any person after the date that is 90 days following the date upon which such person's employment with an Acquired Company has ended.

(b) For a period of 18 months from and after the Closing, Purchaser shall not, and shall cause its respective Subsidiaries and parent companies not to, without the prior written consent of Seller Parent, directly or indirectly, in any manner hire or otherwise engage, or cause to be hired or otherwise engaged, any Person who is employed by Seller Parent or one of its Subsidiaries (other than the Acquired Companies) as of the Closing and listed on Schedule 5.5(b). Notwithstanding the foregoing, the restrictions set forth in the immediately preceding sentence shall not prohibit Purchaser or any of its Subsidiaries or parent companies from hiring or engaging any person after the date that is 90 days following the date upon which such person's employment with Seller Parent, or one of Seller Parent's Affiliates or Subsidiaries, has ended.

5.6 Non-Competition. For a period of four years from and after the Closing, Seller Parent and Seller shall not, and shall cause their respective Subsidiaries not to, without the prior written consent of Purchaser, directly or indirectly, in any manner (whether on Seller Parent's or Seller's own account, as an owner, operator, manager, consultant, investor, agent or otherwise) engage directly or indirectly in the Business anywhere in the Applicable Area, or own any interest in, manage, control, provide financing to, participate in (whether as an owner, operator, manager, consultant, investor, agent, representative or otherwise), or provide consulting or other services (in each case with respect to the Business) to, any Person that is engaged in the Business anywhere in the Applicable Area; *provided, however*, that this Section 5.6 shall not prohibit: (a) ownership of less than 5% of the outstanding equity of any Entity; or (b) Seller Parent, Seller or any of their respective Subsidiaries from acquiring a business or Entity that is engaged in the Business (the "Acquired Entity") provided that: (i) the Business conducted by the Acquired Entity does not represent more than 10% of the Acquired Entity's overall business and operations; or (ii) such Seller Parent, Seller or Subsidiary causes the disposal of the Business of such Acquired Entity within six months from the closing of the acquisition of such Acquired Entity (it being understood that, for the avoidance of doubt but without limiting the obligations of Seller or Seller Parent under this Section 5.6, this Section 5.6 shall not apply to any Entity that acquires an interest in, including all of, Seller Parent, Seller or any of their respective Subsidiaries, or any Affiliates of such acquirer). Notwithstanding the foregoing, Seller Parent, Seller and its Affiliates (other than the Acquired Companies) shall be entitled to continue to operate and otherwise be involved in the Business through StayFriends GmbH (and the other European Subsidiaries of Classmates International, Inc.) as long as such Business does not target the Applicable Area (or customers located in the Applicable Area) and such Business' contact with the Applicable Area is merely an incident of the websites of such Business being accessible in the Applicable Area, and such activities shall not be considered a violation of this Section 5.6. The immediately preceding sentence shall apply to: (A) any entity that acquires StayFriends GmbH (and/or the other European Subsidiaries of Classmates International, Inc.) or all or substantially all of their assets; and (B) StayFriends GmbH and/or any of the European Subsidiaries of Classmates International, Inc., after the consummation of such acquisition.

5.7 Enforcement. If the final judgment of a court of competent jurisdiction declares that any term or provision of Section 5.4, 5.5 or 5.6 is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closer to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed. In the event of litigation involving Section 5.4, 5.5 or 5.6, the non-prevailing party shall reimburse the prevailing party for all costs and expenses, including reasonable attorneys' fees and expenses, incurred in connection with any such litigation, including any appeal therefrom. The existence of any claim or cause of action by Seller Parent or Seller against Purchaser, the Acquired Companies or their Affiliates, whether predicated on this Agreement or otherwise, will not constitute a defense to the enforcement by Purchaser of the provisions of Section 5.4, 5.5 or 5.6, which Section will be enforceable notwithstanding the existence of any breach by Purchaser or the Acquired Companies. Notwithstanding the foregoing, Seller Parent and Seller (and their Affiliates) will not be prohibited from pursuing such claims or causes of action against Purchaser or the Acquired Companies.

5.8 Confidentiality. For a period of four years following the Closing, Seller and Seller Parent agree not to disclose to any third party (other than to Purchaser and its Affiliates and Representatives) or use any Confidential Information. In the event that Seller and/or Seller Parent are requested or required pursuant to written or oral question or request for information or documents in any Legal Proceeding, interrogatory, subpoena, civil investigation demand or similar process to disclose any Confidential Information, Seller and/or Seller Parent (to the extent not prohibited by any Legal Requirement or Governmental Body) will notify Purchaser promptly of the request or requirement so that Purchaser may seek an appropriate protective order or waive compliance with the provisions of this Section 5.8. If, in the absence of a protective order or the receipt of a waiver hereunder, Seller and/or Seller Parent is, on the advice of counsel, compelled to disclose any Confidential Information to any Governmental Body or otherwise or else stand liable for contempt, Seller and/or Seller Parent may so disclose the Confidential Information; *provided, however*, that Seller or Seller Parent, as applicable, shall use its reasonable best efforts to obtain, at the request of Purchaser and at Purchaser's sole expense, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed as Purchaser shall designate. The foregoing provisions shall not apply to any Confidential Information that is generally available to the public immediately prior to the time of disclosure unless such Confidential Information is so available due to the actions of Seller and/or Seller Parent not in accordance with this Section 5.8. Notwithstanding anything to the contrary contained in this Section 5.8, Seller and Seller Parent may use: (a) Residual Knowledge relating to the Acquired Companies; and (b) Confidential Information for any reasonable (and non-competitive) purpose, including as may be necessary for: (i) preparation of tax returns and financial statements which are the responsibility of Seller Parent or Seller; (ii) management and handling of any Tax audits and Tax disputes which are the responsibility of Seller Parent or Seller; (iii) complying with any audit request, subpoena or other investigative demand by any Governmental Body or for any civil litigation; or (iv) defense or settlement of (or otherwise for a reasonable purpose relating to) any matter set forth in Schedule 6.2(c).

5.9 Release. Each of Seller Parent and Seller, for itself, and its Subsidiaries, successors and assigns (collectively, the "Releasors"), hereby forever fully and irrevocably releases and discharges the Acquired Companies and each of their respective predecessors, successors and direct or indirect subsidiaries (collectively, the "Released Parties"), from any and all actions, suits, claims, demands, debts, agreements, obligations, promises, judgments, or liabilities of any kind whatsoever in law or equity and causes of action of every kind and nature, or otherwise (including claims for damages, costs, expense, and attorneys', brokers' and accountants fees and expenses) arising out of or related to events, facts, conditions or circumstances existing or arising prior to the Closing Date to the extent related to any relationship between Seller Parent, Seller and any of their Subsidiaries (other than the Acquired Companies), on the one hand, and the Acquired Companies, on the other hand, or the ownership or operation of the Acquired Companies prior to the Closing, which the Releasors can, shall or may have against the Released Parties, whether known or unknown, suspected or unsuspected, unanticipated as well as anticipated (collectively, the "Released Claims"), and hereby irrevocably agree to refrain from directly or indirectly asserting any claim or demand or commencing (or causing to be commenced) any suit, action, or proceeding of any kind, in any court or before any tribunal, against any Released Party based upon any Released Claim. Notwithstanding the preceding sentence of this Section 5.9, "Released Claims" does not include, and the provisions of this Section 5.9 shall not release or otherwise diminish, the obligations of any party set forth in or arising under any provisions of this Agreement or the agreements executed in connection with the transactions contemplated hereby.

5.10 Change of Name. Neither Seller nor Seller Parent shall use, or permit any of their Subsidiaries to use, the names, trade names, trademarks or service marks used by the Acquired Companies prior to the date of this Agreement, or any names confusingly similar thereto or any translations or derivatives thereof after Closing, and promptly after the Closing, Seller, Seller Parent and any other of their respective Subsidiaries using the name "Classmates" shall change its name accordingly.

5.11 Tax Matters.

(a) Filing of Tax Returns by Seller. Seller shall: (i) timely prepare and file (or cause to be timely prepared and filed) all Tax Returns that are required to be filed by or with respect to each Acquired Company on an affiliated, consolidated, combined or unitary basis with Seller or with at least one Affiliate of Seller that is not an Acquired Company for Tax years or periods beginning on or before the Closing Date; and (ii) timely prepare and file (or cause to be timely prepared and filed) all other Tax Returns required to be filed by any Acquired Company with a due date (taking into account requests for extensions to file such returns) on or before the Closing Date.

(b) Filing of Tax Returns by Purchaser. Except for the Tax Returns described in Section 5.11(a), Purchaser shall timely prepare and file (or cause to be timely prepared and filed) all Tax Returns of the Acquired Companies. If such Tax Returns reflect any Taxes for which indemnification may be claimed from Seller pursuant to Section 6.2(d), then: (i) Purchaser shall prepare (or cause to be prepared) such Tax Returns in accordance with past practices of the Acquired Companies to the extent permitted by applicable Legal Requirements; (ii) completed drafts of such Tax Returns, and, in the case of any Tax Return for a Straddle Period, a pro forma Tax Return for the portion of the Straddle Period ending on the Closing Date, shall be submitted to Seller for Seller's review not later than 30 days before the due date for filing such Tax Returns (or, if such due date is within 45 days following the Closing Date, as promptly as practicable following the Closing Date); and (iii) Seller shall have the right to review and approve (such approval not to be unreasonably withheld, conditioned or delayed) each such Tax Return delivered to it before the filing thereof.

(c) Refunds. Purchaser shall pay (or cause to be paid) to Seller any Tax refunds that are received by any Acquired Company (or Purchaser or any Affiliate of Purchaser on their behalf), and any amounts credited against Tax to which any Acquired Company (or Purchaser or any Affiliate of Purchaser on their behalf) becomes entitled, that relate to Tax periods (or portions of a Straddle Period) ending on or before the Closing Date (including any interest paid thereon and net of any out-of-pocket costs and Taxes incurred in respect of the receipt of the refund). Upon Seller's reasonable request and at Seller's sole cost and expense, Purchaser shall file (or cause to be filed) all Tax Returns (including amended Tax Returns) or other documents required to obtain such refunds, including through the carryback of any net operating losses that were incurred in a Tax period ending on or before the Closing Date, to which Seller is entitled pursuant to the immediately preceding sentence.

(d) Tax Proceedings. Purchaser shall promptly notify Seller in writing upon receipt by Purchaser or any of its Affiliates (including, following the Closing and for the avoidance of doubt, any Acquired Company) of any written communication from a Governmental Body concerning any pending or threatened audit, claim, demand or administrative or judicial proceeding (a "Tax Claim") that would be reasonably expected to give rise to a right of indemnification under this Agreement, and if and to the extent known, describing in reasonable detail the facts and circumstances with respect to the subject matter of such Tax Claim; *provided, however*, that the failure of Purchaser to provide such notice shall not release Seller from any of its obligations under this Agreement except to the extent Seller is prejudiced by such failure. With respect to Tax Claims relating to Tax periods ending on or before the Closing Date, Seller shall have the right to: (i) prepare (or cause to be prepared) any amended Tax Returns required to be filed in connection with the resolution of a Tax Claim; and (ii) to control any Tax Claim, in each case to the extent that any such Tax Return or Tax Claim: (A) relates to any Pre-Closing

Tax Period; or (B) could reasonably be expected to result in any Tax liability with respect to which Seller has agreed to provide indemnification under this Agreement. Upon Seller's reasonable request, Purchaser shall file (or caused to be filed) any amended Tax Return described in the immediately preceding sentence and shall execute any powers of attorney or similar documents that may be required to effectuate the intent of this Section 5.11(d). Except for Taxes paid on an affiliated, consolidated, combined, or unitary basis with Seller or its Affiliates, Seller shall not settle any Tax Claim without Purchaser's consent, not to be unreasonably withheld, conditioned or delayed, if such settlement would be likely to materially adversely affect Purchaser in a taxable period beginning after the Closing Date. The Purchaser and Seller shall jointly control any Tax Claim related to a Straddle Period, provided that no party shall settle any such Tax Claim without the other party's consent, not to be unreasonably withheld, conditioned or delayed.

6. INDEMNIFICATION, ETC.

6.1 Survival of Representations, Etc.

(a) Survival of Section 3 Representations. Each of the representations and warranties set forth in Section 3 shall survive the Closing and shall expire, together with any right to assert a claim for recovery under Section 6.2 (such a claim, an "Indemnification Claim") based on any alleged inaccuracy in or breach of such representations and warranties, on the date that is eighteen months after the Closing Date (the "General Termination Date"); *provided, however,* that the Fundamental Representations set forth in Section 3 shall expire, together with any right to assert an Indemnification Claim based on any alleged inaccuracy in or breach of such representations and warranties, on the date that is 60 days following the date on which the statute of limitations applicable thereto expires (each such date, a "Fundamental Representation Termination Date" and, together with the General Termination Date, the "Expiration Date"). Notwithstanding the preceding sentence of this Section 6.1(a), if, at any time prior to the applicable Expiration Date, Purchaser (acting in good faith) delivers to Seller a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties set forth in Section 3 and setting forth in reasonable detail the basis for Purchaser's belief that such an inaccuracy or breach may exist and asserting an Indemnification Claim based on such alleged inaccuracy or breach, then the Indemnification Claim asserted in such notice shall survive the applicable Expiration Date until such time as such Indemnification Claim is fully and finally resolved. For the avoidance of doubt, the time limitations set forth in this Section 6.1 shall not apply to the matters contemplated by Section 6.2(b), (c), (d) and (e).

(b) Survival of Section 2 Representations. The representations and warranties set forth in Section 2 (the "Section 2 Representations") shall survive the Closing and shall expire, together with any right to assert an Indemnification Claim based on any alleged inaccuracy in or breach of such representations and warranties, on the date that is 60 days following the date on which the statute of limitations applicable thereto expires. Notwithstanding the preceding sentence of this Section 6.1(b), if, at any time prior to such expiration date, Purchaser (acting in good faith) delivers to Seller a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties set forth in Section 2 and setting forth in reasonable detail the basis for Purchaser's belief that such an inaccuracy or breach may exist and asserting an Indemnification Claim based on such alleged inaccuracy or breach, then the Indemnification Claim asserted in such notice shall survive the expiration date until such time as such Indemnification Claim is fully and finally resolved.

(c) Survival of Section 4 Representations. Each of the representations and warranties set forth in Section 4 shall survive the Closing and shall expire, together with any right to assert a claim for recovery based on any alleged inaccuracy in or breach of such representations and warranties, on the date that is 60 days following the date on which the statute of limitations applicable thereto expires. Notwithstanding the preceding sentence of this Section 6.1(c), if, at any time prior to such expiration date, Seller (acting in good faith) delivers to Purchaser a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties set forth in Section 4 and setting forth in reasonable detail the basis for Seller's belief that such an inaccuracy or breach may exist and asserting an Indemnification Claim based on such alleged inaccuracy or breach, then the Indemnification Claim asserted in such notice shall survive the expiration date until such time as such Indemnification Claim is fully and finally resolved.

(d) Termination of Representations; Time for Making Claims. It is the express intent of Purchaser and Seller that, if the period prescribed by this Section 6.1 for the survival of the representations and warranties set forth in this Agreement and for the making of Indemnification Claims based on alleged inaccuracies in or breaches of such representations and warranties (such a period, a "Survival Period") is shorter than the statute of limitations that would otherwise have been applicable to such representations and warranties or to Indemnification Claims based on alleged inaccuracies in or breaches of such representations and warranties, then, by contract, the statute of limitations applicable to such representations and warranties and Indemnification Claims shall be reduced to the Survival Period applicable to such representations and warranties and Indemnification Claims. Subject to the penultimate sentence of Section 6.1(a) and the final sentence each of Section 6.1(b) and 6.1(c), Seller shall not be obligated to indemnify Purchaser after the last date that is within the Survival Period applicable to any particular Indemnification Claim, and all rights and remedies that may be exercised by Purchaser with respect to the representations and warranties set forth in this Agreement and any Indemnification Claims based on any alleged inaccuracies in or breaches of such representations and warranties will expire and terminate simultaneously with the ending of the Survival Period applicable to such representations and warranties. Purchaser and Seller further acknowledge that the time periods set forth in this Section 6.1 for the assertion of claims under this Agreement are the result of arms'-length negotiation between Purchaser and Seller and that Purchaser and Seller intend for the time periods to be enforced as agreed by Purchaser and Seller.

(e) Fraud. Notwithstanding the foregoing, nothing contained in this Section 6.1 or elsewhere in this Agreement shall limit Purchaser's rights to bring claims against Seller based on Seller's fraud or Seller's rights to bring claims against Purchaser based on Purchaser's fraud (it being understood that, for purposes of this Section 6, the term "fraud" shall mean fraud committed with the intent to deceive).

6.2 Indemnification by Seller. From and after the Closing (but subject to the other provisions of this Section 6), Seller shall indemnify Purchaser and its Affiliates (including the Acquired Companies), officers, directors, employees and agents (each, a "Purchaser Indemnitee") against any Damages which are suffered by any Purchaser Indemnitee and which arise from:

- hereunder;
- (a) any inaccuracy in or breach of any representation or warranty set forth in Section 2 or Section 3 or any certificate delivered
 - (b) any breach of any covenant of Seller set forth in Section 5 or elsewhere in this Agreement;
 - (c) regardless of the disclosure of any matter set forth in the Disclosure Schedule, any matter set forth in Schedule 6.2(c);
 - (d) any Indemnified Taxes; or

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- (e) any of the Designated Pre-Closing Liabilities.

For the purposes of determining whether a breach of representation or warranty has occurred for the purposes of Section 6.2(a) and calculating the amount of Damages related thereto, any qualification as to "in all material respects" and a Material Adverse Effect contained in Section 3 shall be disregarded (it being understood that the word "Material" in the defined term "Material Contract(s)" and "material" before "Proprietary Assets" in Section 3.6(b) or "loss," "interruption" or "assets" in Section 3.4(c), and the qualification as to Material Adverse Effect contained in Section 3.4(c), shall not be disregarded for any of such purposes).

6.3 Other Matters Relating to Indemnification.

(a) Effect of Knowledge. Notwithstanding anything to the contrary contained in this Agreement, in no event shall Purchaser's knowledge of the inaccuracy in or breach of, or of any facts or circumstances constituting or resulting in the inaccuracy in or breach of, any representations or warranties or covenants of Seller under this Agreement in any manner limit or prohibit Purchaser's remedies under this Agreement.

(b) Calculation of Damages; Insurance Proceeds and Tax Benefits. The amount of any Damages that are subject to indemnification under this Section 6 shall be calculated net of: (i) any net Tax benefit actually received by Purchaser or any Affiliate of Purchaser as a cash reduction in Taxes payable in the year such Damages are incurred or in the immediately preceding year in connection with such Damages or any of the events or circumstances giving rise or otherwise related to such Damages; and (ii) the amount of any insurance proceeds, indemnification payments, contribution payments or reimbursements actually received by Purchaser or any Affiliate of Purchaser in connection with such Damages (net of any increase in premium or cost of recovery attributable thereto). If Purchaser or any Affiliate of Purchaser receives a net Tax benefit of the type described in the first sentence of this Section 6.3(b) after an indemnification payment is made, Purchaser shall promptly pay the amount of such net Tax benefit to Seller at such time or times as and to the extent that such Tax benefit is realized. Purchaser shall seek, and shall cause each of its Affiliates (including the Acquired Companies) to seek, full recovery under all insurance policies covering any Damages to the same extent as they would if such Damages were not subject to indemnification hereunder. In the event that any insurance or other recovery is made by Purchaser or any Affiliate of Purchaser with respect to any Damages for which Purchaser has been indemnified hereunder, then a refund equal to the aggregate amount of the recovery shall be made promptly to Seller. Notwithstanding anything to the contrary contained in this Agreement, Purchaser acknowledges and agrees that none of it, any of the Acquired Companies, any of its other Affiliates or any Person who was an employee of any of the Acquired Companies as of or prior to the Closing shall have any rights or remedies under, or any access to coverage provided by, any insurance policies in effect prior to the Closing, except to the extent that: (A) the insurance policy is held in the name of, and provides coverage for, one or more of the Acquired Companies; (B) Seller, in its sole discretion, agrees to provide any such employee with access to such insurance; or (C) access to workers' compensation insurance policies in effect prior to the Closing must remain available to the Acquired Companies and/or any such employees under applicable Legal Requirements. If, following the Closing, any of the Acquired Companies (or any Person who was an employee of

any of the Acquired Companies as of or prior to the Closing) validly asserts a claim under applicable workers' compensation insurance policies of Seller or any of its Affiliates in effect prior to the Closing: (x) Purchaser and Seller shall use reasonable best efforts to ensure that proper notice of such claim (and any required information relating to such claim) is timely provided in accordance with the applicable insurance policy (and Purchaser shall simultaneously with providing such notice and information to the insurer cause the same to be provided to Seller); (y) Purchaser (and/or the Acquired Companies) shall be solely responsible for all deductibles

applicable to such claim (solely to the extent such claim is related to a set of facts or circumstances arising after the Closing Date); and (z) none of Purchaser, any of the Acquired Companies or any other Affiliate of Purchaser shall commence any Legal Proceeding against the insurer without the prior written consent of Seller (such consent not to be unreasonably withheld, conditioned or delayed).

(c) Qualifying Claims; Deductible. Subject to Section 6.3(f), Seller shall not be required to make any indemnification payment pursuant to Section 6.2(a) (other than with respect to any breach of or inaccuracy in any Fundamental Representation): (i) unless the amount of Damages from any individual inaccuracy in or breach of any representation or warranty made by Seller in this Agreement (or multiple inaccuracies or breaches of the same representation or warranty or of different representations and warranties, but based on similar events, conditions, facts or circumstances) exceeds \$15,000 (such a claim for an amount of Damages exceeding \$15,000, a “Qualifying Claim”); and (ii) until such time as the total amount of all Damages arising from all Qualifying Claims exceeds \$300,000 (the “Deductible”). If the total amount of all of the Damages that arise from Qualifying Claims exceeds the Deductible, then Purchaser shall be entitled to be indemnified against only the amount of such Damages arising from Qualifying Claims that are in excess of the Deductible.

(d) Liability Cap. Subject to Section 6.3(f), Purchaser agrees that the total amount of Damages for which it is entitled to seek or obtain indemnification (and the maximum amount of payments required to be made by Seller):

(i) pursuant to Section 6.2(a) (other than with respect to any breach of or inaccuracy in any Fundamental Representation) shall be limited to \$3,000,000 in the aggregate; and

(ii) pursuant to: Section 6.2(a) with respect to any breach of or inaccuracy in any Fundamental Representation shall be limited to the Purchase Price.

(e) Mitigation. Promptly after Purchaser becomes aware of any event or circumstance that would reasonably be expected to constitute or give rise to any inaccuracy in or breach of any representation, warranty or covenant of Seller set forth in this Agreement, Purchaser shall (and shall cause the Acquired Companies to) take all commercially reasonable steps to mitigate and minimize all Damages that may result from such inaccuracy or breach.

(f) Applicability of Limitations. The limitations set forth in Section 6.3(c) and Section 6.3(d) shall not apply to any claim by Purchaser based on Seller’s fraud.

6.4 Claims.

(a) Claim Notices. Following the Closing, if Purchaser has or any other Purchaser Indemnitee claims to have incurred or suffered Damages for which it may be entitled to indemnification under this Section 6 and desires to exercise any rights or remedies it may have under this Agreement with respect thereto, Purchaser shall deliver a written claim notice (a “Claim Notice”) to Seller. Each Claim Notice shall: (a) state that Purchaser believes that there is or has been a breach of a representation, warranty or covenant contained in this Agreement or that an amount is owed under Section 6.2(c), (d) or (e); (b) contain a reasonably detailed description (if and to the extent then known) of the circumstances supporting Purchaser’s belief that there is or has been such a breach or that an amount is owed, as applicable; and (c) if and to the extent then reasonably quantifiable and known, contain a good faith, non-binding, preliminary estimate of the amount of Damages Purchaser claims to have so incurred (the “Claimed Amount”).

(b) Response Notices.

(i) Within 25 days after receipt by Seller of a Claim Notice (the “Dispute Period”), Seller may deliver to Purchaser a written response (the “Response Notice”) in which Seller: (i) agrees that the full Claimed Amount is owed to Purchaser; (ii) agrees that part, but not all, of the Claimed Amount (the “Agreed Amount”) is owed to Purchaser; or (iii) indicates that no part of the Claimed Amount is owing to Purchaser. Any part of the Claimed Amount that is not agreed to be owing to Purchaser pursuant to the Response Notice shall be the “Contested Amount.”

(ii) If Seller delivers a Response Notice agreeing that the full Claimed Amount is owed to Purchaser, then Seller shall, within 7 business days following the delivery of such Response Notice, pay the Claimed Amount to Purchaser.

(iii) If Seller delivers a Response Notice agreeing that less than the full Claimed Amount is owed to Purchaser, then Seller shall, within 7 business days following the delivery of such Response Notice, pay the Agreed Amount to Purchaser.

(iv) If, with respect to a given Claim Notice, Seller does not deliver a Response Notice within the Dispute Period in accordance with Section 6.4(b) or Seller delivers a Response Notice indicating that there is a Contested Amount, Seller and Purchaser shall attempt in good faith to resolve the dispute related to the Claim Notice. If Purchaser and Seller resolve such dispute, such resolution shall be binding on Seller and Purchaser, and a settlement agreement shall be signed by Purchaser and Seller. Seller shall, within 7 business days following the execution of such settlement agreement, or such shorter or longer period as may be set forth in the settlement agreement, pay the amount, if any, specified in such settlement agreement to Purchaser.

(c) Dispute Resolution. If Seller and Purchaser are unable to resolve the dispute relating to any Claim Notice, then the dispute shall be resolved in accordance with Section 7.6.

6.5 Third Party Claims.

(a) Notice of Third Party Claims. Purchaser shall give Seller prompt written notice of the commencement of any claim or Legal Proceeding with respect to which Seller may become obligated to indemnify Purchaser or any other Purchaser Indemnatee pursuant to this Section 6; *provided, however*, that any failure on the part of Purchaser to so notify Seller shall not limit any of the obligations of Seller under this Section 6 (except to the extent such failure prejudices the defense of such claim or Legal Proceeding).

(b) Defense of Third Party Claims. Except as set forth below and in Section 6.5(c) and with respect to Tax Claims (which shall be exclusively covered by Section 5.11(d)), in the event of the assertion or commencement by any Person (other than a party to this Agreement) of any claim or Legal Proceeding with respect to which Seller may become obligated to indemnify Purchaser or any other Purchaser Indemnatee pursuant to this Section 6, Seller shall be entitled to control the defense of any such claim or Legal Proceeding with counsel reasonably satisfactory to Purchaser, and Purchaser shall be entitled to participate in (but not control) the defense of any such claim or Legal Proceeding, with its counsel and at its own expense; *provided, however*, that if Seller does not assume the defense of any such claim or Legal Proceeding within 15 days after the receipt of notice of such claim or Legal Proceeding, Purchaser shall be entitled to control the defense of such claim or Legal Proceeding indefinitely thereafter. Notwithstanding the foregoing, in no event shall Seller be permitted to defend against any such claim or Legal Proceeding: (i) unless Seller agrees in writing to indemnify the Purchaser

Indemnitees for any Damages arising out of such claim or Legal Proceeding; (ii) unless Seller provides Purchaser with evidence reasonably acceptable to Purchaser that Seller will have the financial resources to defend against such claim or Legal Proceeding and fulfill its indemnification obligations hereunder; (iii) if the claim or Legal Proceeding involves a criminal charge; (iv) if the claim or Legal Proceeding seeks, as its principal remedy, an injunction or other equitable relief; (v) if settlement of, or an adverse judgment with respect to, the claim or Legal Proceeding would, in the good faith judgment of Purchaser, likely establish a precedential custom or practice adverse to the continuing business interests or the reputation of Purchaser; (vi) if Purchaser reasonably determines that the aggregate amount of Damages arising out of such claim or Legal Proceeding would exceed the maximum indemnification liability of Seller with respect to such claim or Legal Proceeding under this Section 6 (taking into account any previous indemnification payments paid or payable by Seller hereunder); or (vii) if Seller does not conduct the defense of such claim or Legal Proceeding actively and diligently. Except as set forth in Section 6.5(c), neither Purchaser nor Seller shall settle or compromise any such claim or Legal Proceeding subject to the indemnification provisions of this Agreement without the prior written consent of Seller or Purchaser, as the case may be, which consent shall not be unreasonably withheld or delayed.

(c) **Certain Existing Claims.** Notwithstanding anything to the contrary contained herein, Seller Parent and Seller shall have the sole right to control the defense of any claim or Legal Proceeding relating to or arising from the matters set forth in Schedule 6.2(c); *provided*, that Seller and Seller Parent shall keep Purchaser and the Acquired Companies reasonably apprised on a reasonably current basis of the status of any such claim or Legal Proceeding, including by providing copies of any legal pleadings or settlement offers, in each case promptly following filing or receipt thereof, and provide copies of other material documents as may be reasonably requested by Purchaser from time to time (it being understood that with respect to any information that is subject to a confidentiality agreement or the attorney-client privilege, Purchaser shall, and shall cause the Acquired Companies to, reasonably cooperate with Seller or Seller Parent with respect to entering into appropriate confidentiality, joint defense or similar agreements (or other arrangements), if and as applicable, prior to receiving access to such information). Further, Seller will have the right, in its sole discretion and without the consent of any other Person, to settle or compromise any such claim or Legal Proceeding, provided that either: (i) the sole relief related to such settlement or compromise is monetary damages; or (ii) the relief related to such settlement or compromise will not adversely impact (in any respect) the business of the Acquired Companies. With respect to any settlement or compromise of any claim or Legal Proceeding relating to or arising from the matters set forth in Schedule 6.2(c) that is not contemplated by clause “(i)” or “(ii)” of the immediately preceding sentence, Purchaser shall not unreasonably withhold, condition or delay its consent thereto. Purchaser shall reasonably cooperate, and shall cause the Acquired Companies to reasonably cooperate, at Seller’s sole cost and expense, in the defense of any claim or Legal Proceeding contemplated by (and in the pursuit of any insurance for the matters referred to in) this Section 6.5(c), including by providing Seller Parent and Seller (and any other Person entitled thereto) with reasonable access to and copies of documents related to such Legal Proceeding and making employees of the Acquired Companies who have information relevant to any such Legal Proceedings reasonably available to assist in such defense. For the avoidance of doubt, any amounts recovered under any insurance policy applicable to the matters set forth in Schedule 6.2(c) shall be for the sole benefit of (and paid to) Seller Parent or Seller.

6.6 Exclusive Remedy. Subject to any injunction or other equitable remedies that may be available to Purchaser, from and after the Closing, Seller shall not be liable or responsible in any manner whatsoever (whether for indemnification or otherwise) to Purchaser for a breach of this Agreement or in connection with the Stock Purchase or the other transactions contemplated by this Agreement except as expressly provided in this Section 6, and, subject to the foregoing, this Section 6 provides the exclusive remedy and cause of action of Purchaser against Seller with respect to any matter arising out of or in connection with a breach of this Agreement or in connection with the Stock Purchase and the other transactions contemplated by this Agreement. Notwithstanding anything to the contrary contained in this Agreement, no claim based on Seller’s fraud shall be subject to the limitations of this Section 6.6.

6.7 Time to Bring Claims. Subject to the limitations set forth in Section 6.1, pursuant to Section 8106, Title 10 of the Delaware Code, the parties agree that a claim may be brought by any of the parties to this Agreement to enforce the terms of this Agreement or to seek indemnification for a breach of any representation, warranty or other term of this Agreement, at any time during the survival periods specified herein and, in the absence of any such specified survival periods, until the expiration of the applicable statute of limitations under the laws of the State of Delaware to bring any such claim or action related to this Agreement.

7. MISCELLANEOUS PROVISIONS

7.1 Further Assurances. Each of Seller and Purchaser shall execute and cause to be delivered to each other such instruments and other documents, and shall take such other actions, as each may reasonably request for the purpose of carrying out or evidencing the Stock Purchase or any of the other transactions contemplated by this Agreement.

7.2 Fees and Expenses. Except as otherwise set forth in this Agreement, each party to this Agreement shall bear and pay all fees and expenses (including legal fees and accounting fees) that have been incurred or that are incurred by such party in connection with the transactions contemplated by this Agreement.

7.3 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received: (a) when delivered by hand; or (b) two business days after being sent by registered mail, by courier or express delivery service or by facsimile, in each case to the address or facsimile telephone number set forth beneath the name of such party below (or to such other address or facsimile telephone number as such party shall have specified in a written notice given to the other parties hereto):

If to Purchaser:

Intelius Holdings, Inc.
c/o H.I.G. Capital, LLC
1 Market Street — Spear Tower
18th Floor
San Francisco, CA 94105
Facsimile: (415) 439-5525
Attention: Elliot Maluth
Amanda Kalin

with a copy (which shall not constitute notice) to:

McDermott Will & Emery LLP
227 West Monroe Street
Chicago, IL 60606
Facsimile: (312) 984-7594
Attention: Brooks B. Gruemmer
Michael J. Sartor

If to Seller:

Classmates Media Corporation
c/o United Online, Inc.
21255 Burbank Boulevard, Suite 400
Woodland Hills, CA 91367
Facsimile: (818) 287-3011
Attention: Legal Department

with a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP
201 Redwood Shores Parkway
Redwood Shores, CA 94065
Facsimile: (650) 802-3100
Attention: Keith A. Flaum

7.4 Headings. The bold-faced and/or underlined headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

7.5 Counterparts and Exchanges by Fax or Email. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile or email shall be sufficient to bind the parties to the terms and conditions of this Agreement.

7.6 Governing Law; Venue; Jurisdiction.

(a) This Agreement and any claim, controversy or dispute arising out of or related to this Agreement (whether arising in contract, tort, equity or otherwise) shall be construed in accordance with, and governed in all respects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

(b) Any Legal Proceeding relating to this Agreement or to the enforcement of any provision of this Agreement (whether arising in contract, tort, equity or otherwise) may be brought or otherwise commenced in the Court of Chancery of the State of Delaware, any state appellate court therefrom within the State of Delaware or any federal court located within the State of Delaware. The parties: (i) expressly and irrevocably consent and submit to the jurisdiction of any such court in connection with any such Legal Proceeding; (ii) agree that service of any process, summons, notice or document by U.S. mail addressed as set forth in Section 7.3 shall constitute effective service of such

process, summons, notice or document for purposes of any such Legal Proceeding; (iii) agree that the courts of the State of Delaware, as described above, shall be deemed to be a convenient forum; (iv) agree not to assert (by way of motion, as a defense or otherwise), in such court, any claim that such party is not subject personally to the jurisdiction of such court, that such Legal Proceeding has been brought in an inconvenient forum, that the venue of such action or proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court; and (v) that a judgment in such Legal Proceeding may be enforced in other competent jurisdictions by suit on the judgment or in any other manner provided by Legal Requirements.

7.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and each of their respective successors and permitted assigns, if any. Neither party hereto may assign this Agreement or any or all of its rights under this Agreement or delegate any or all of its obligations under this Agreement, in whole or in part, to any other Person without obtaining the prior written consent of the other party hereto, and any such attempted assignment or delegation without such consent shall be void and of no effect; *provided, however*, that Purchaser may: (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates and designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases Purchaser nonetheless shall remain responsible for the performance of all of its obligations hereunder); (b) assign its rights under this Agreement for collateral security purposes to any lenders providing financing to Purchaser, the Acquired Companies or any of their respective Affiliates; or (c) assign its rights under this Agreement to any Person that acquires the Acquired Companies or all or substantially all of their assets.

7.8 WAIVER OF JURY TRIAL. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY (WHETHER ARISING IN CONTRACT, TORT, EQUITY OR OTHERWISE).

7.9 Specific Performance. Subject to Section 6.6, the rights and remedies of the parties hereto shall be cumulative (and not alternative). The parties to this Agreement agree that, in the event of any breach or threatened breach by any party to this Agreement of any covenant, obligation or other provision set forth in this Agreement, for the benefit of any other party to this Agreement: (a) such other party shall be entitled (in addition to any other remedy that may be available to it) to: (i) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision; and (ii) an injunction restraining such breach or threatened breach; and (b) such other party shall not be required to provide any bond or other security in connection with any such decree, order or injunction or in connection with any related action or Legal Proceeding.

7.10 Waiver.

(a) No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(b) No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

7.11 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of each of the parties hereto.

7.12 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

7.13 Parties in Interest. None of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than: (i) the parties hereto and their respective successors and assigns (if any); and (ii) the Purchaser Indemnitees.

7.14 Entire Agreement. This Agreement and the other agreements referred to herein set forth the entire understanding of the parties hereto relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof; *provided, however*, that that certain Letter Agreement, dated as of September 10, 2014, by and between H.I.G. Capital Management, Inc. and Seller Parent, as amended by Amendment #1, dated as of November 20, 2014, shall not be superseded by this Agreement and shall remain in effect in accordance with its terms.

7.15 Seller Parent Guarantee. Seller Parent unconditionally guarantees to Purchaser the due and punctual performance of the obligations of Seller under this Agreement and the transactions contemplated by this Agreement (the "Seller Guaranteed Obligations"). If, for any reason whatsoever, Seller shall fail, or be unable, to duly, punctually and fully pay or perform the Seller Guaranteed Obligations, Seller Parent will forthwith perform, or cause to be performed, the Seller Guaranteed Obligations.

7.16 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to “Sections”, “Schedules” and “Exhibits” are intended to refer to Sections of this Agreement and Schedules and Exhibits to this Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

The parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

PURCHASER:

INTELIUS HOLDINGS, INC.,
a Delaware corporation

By: /s/ Amanda Kalin

Name: Amanda Kalin

Title: Secretary

[Signature Page to Stock Purchase Agreement]

The parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

SELLER PARENT:

UNITED ONLINE, INC.,
a Delaware corporation

By: /s/ Francis Lobo

Name: Francis Lobo

Title: President and Chief Executive Officer

[Signature Page to Stock Purchase Agreement]

The parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

SELLER:

CLASSMATES MEDIA CORPORATION,
a Delaware corporation

By: /s/ Edward Zinser

Name: Edward Zinser

Title: Executive Vice President and Chief Financial Officer

[Signature Page to Stock Purchase Agreement]

EXHIBIT A
CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit A):

Acquired Companies. “Acquired Companies” shall mean: (a) the Company; and (b) each of the Acquired Company Subsidiaries.

Acquired Company Contract. “Acquired Company Contract” shall mean any Contract: (a) to which any Acquired Company is a party; or (b) under which any Acquired Company has any right or obligation.

Acquired Company Employee. “Acquired Company Employee” shall have the meaning set forth in Section 3.10(a).

Acquired Company Employee Plan. “Acquired Company Employee Plan” shall have the meaning set forth in Section 3.10(b).

Acquired Company Proprietary Asset. “Acquired Company Proprietary Asset” shall mean any Proprietary Asset owned by or licensed (or in the case of Sections 3.6(d) and 3.6(e), exclusively licensed) to any of the Acquired Companies.

Acquired Company Subsidiaries. “Acquired Company Subsidiaries” shall mean all of the Company’s Subsidiaries, including Opobox, Inc, a Delaware corporation, and Yearbook Archives, Inc., a Delaware corporation.

Acquired Company Tax Return. “Acquired Company Tax Return” shall mean any return, report, statement, schedule, form, election, or certificate filed with or submitted to, or required to be filed with or submitted to, any Governmental Body by any of the Acquired Companies in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

Affiliate. “Affiliate” shall mean, with respect to any Person, any other Person that as of the date of the Agreement or as of any subsequent date, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have correlative meanings.

Affiliate Contract. “Affiliate Contract” shall have the meaning set forth in Section 3.17.

Aggregate Adjustment Amount. “Aggregate Adjustment Amount” shall have the meaning set forth in Section 1.2(a).

Agreed Amount. “Agreed Amount” shall have the meaning set forth in Section 6.4(b)(i).

Agreement. “Agreement” shall have the meaning set forth in the Preamble.

Applicable Area. “Applicable Area” shall mean the United States and Canada.

Balance Sheet Date. “Balance Sheet Date” shall have the meaning set forth in Section 3.4(a).

Business. “Business” shall mean the business of: (a) establishing, marketing, maintaining or operating social media networking websites principally focused upon facilitating social interaction among alumni of educational institutions; (b) purchasing or acquiring yearbooks for the purpose of photo extraction, name extraction or data resale; and (c) maintaining a database of high school names and class members for the purpose of facilitating online social media interactions between alumni.

Buyer’s Cafeteria Plan. “Buyer’s Cafeteria Plan” shall have the meaning set forth in Section 5.3(d).

Cash on Hand. “Cash on Hand” shall mean cash and cash equivalents, determined in accordance with GAAP, but expressly excluding any restricted cash or third-party deposits.

CERCLA. “CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and any applicable rules, regulations, directives, Governmental Authorizations, and guidance promulgated thereunder, and any successor to such statute, rules, regulations, directives, Governmental Authorizations or guidance.

Change of Control Payment. “Change of Control Payment” shall mean any bonus, retention, termination, severance or other similar payment obligation of any Acquired Company that is payable as a result of or in connection with the consummation of the transactions contemplated by this Agreement to any present or former director, officer, shareholder, employee, independent contractor, consultant, adviser or other Persons, but excluding termination or severance payments made by Purchaser or any Acquired Company if Purchaser or an Acquired Company elects to terminate Acquired Company Employees after the Closing Date.

Claim Notice. “Claim Notice” shall have the meaning set forth in Section 6.4(a).

Claimed Amount. “Claimed Amount” shall have the meaning set forth in Section 6.4(a).

Closing. “Closing” shall have the meaning set forth in Section 1.2(d).

Closing Company Transaction Expenses. “Closing Company Transaction Expenses” shall mean the aggregate amount of unpaid Company Transaction Expenses as of immediately prior to the Closing.

Closing Date. “Closing Date” shall have the meaning set forth in Section 1.2(d).

Closing Date Balance Sheet. “Closing Date Balance Sheet” shall have the meaning set forth in Section 1.3(a).

Closing Date Indebtedness. “Closing Date Indebtedness” shall have the meaning set forth in Section 1.2(a).

Closing Date Funded Indebtedness. “Closing Date Funded Indebtedness” shall have the meaning set forth in Section 1.2(c)(ii)(5).

Closing Date Net Working Capital Amount. “Closing Date Net Working Capital Amount” (which may be a positive or a negative number) shall mean: (a) the total current assets of the Acquired Companies (excluding any current or deferred Tax assets), including Cash on Hand (none of which shall be held in bank accounts outside of the United States), as of 12:01 a.m. Pacific Time on the Closing Date; *minus* (b) the total current liabilities (excluding any current or deferred Tax liabilities, any Indebtedness, and any Company Transaction Expenses) of the Acquired Companies as of 12:01 a.m. Pacific Time on the Closing Date, in each case calculated in accordance with the sample calculation attached hereto as Exhibit D for the illustrative purposes.

Code. “Code” shall mean the Internal Revenue Code of 1986, as amended.

Company. “Company” shall have the meaning set forth in the Recitals.

Company Common Stock. “Company Common Stock” shall mean the shares of common stock of the Company, par value \$0.001 per share.

Company Financial Statements. “Company Financial Statements” shall have the meaning set forth in Section 3.4(a).

Company Insurance Agreements. “Company Insurance Agreements” shall mean the insurance policies with respect to which the Acquired Companies are a party, a named insured or otherwise the beneficiary of coverage.

Company Transaction Expenses. “Company Transaction Expenses” shall mean any and all: (a) legal, accounting, tax, financial advisory, environmental consultants and other professional or transaction related costs, fees and expenses incurred by the Acquired Companies in connection with this Agreement or in investigating, pursuing or completing the transactions contemplated hereby (including any amounts owed by an Acquired Company to any consultants, auditors, accountants, attorneys, brokers or investment bankers); (b) any Change of Control Payments; and (c) payroll, employment or other similar Taxes, if any, required to be paid by the Acquired Companies with respect to the amounts payable pursuant to this Agreement, the amounts described in clause “(a)” and “(b),” or the forgiveness of any loans or other obligations owed by employees in connection with the transactions contemplated by this Agreement.

Confidential Information. “Confidential Information” shall mean any information concerning the business and affairs of the Acquired Companies, provided that Confidential Information does not include information: (a) already generally available to the public; (b) information that is or becomes available to Seller Parent or its Representatives on a non-confidential basis from a source, other than from the Acquired Companies, which Seller Parent reasonably believes was not prohibited from so disclosing such portions by a contractual, legal or fiduciary obligation; or (c) is independently developed by Seller Parent, Seller or any Subsidiary of Seller Parent or their respective Representatives without use of the Acquired Companies’ confidential information.

Consent. “Consent” shall mean any approval, consent or authorization, permission or waiver of, or registration, declaration or other written action or filing with or exemption by such Person.

Contested Amount. “Contested Amount” shall have the meaning set forth in Section 6.4(b)(i).

Contract. “Contract” shall mean any legally binding: (a) written or oral agreement; (b) obligation; (c) undertaking; (d) license; (e) commitment; (f) promise; or (g) contract.

Damages. “Damages” shall mean any loss, damage, fee (including reasonable attorneys’ fees actually paid in connection with such Damages), penalty, Tax, cost or expense; *provided, however*, that Damages shall not include punitive damages unless recovered by a third party.

Deductible. “Deductible” shall have the meaning set forth in Section 6.3(c).

Designated Pre-Closing Liabilities. “Designated Pre-Closing Liabilities” shall mean: (a) any Closing Date Indebtedness which did not reduce the Purchase Price pursuant to Section 1.3; (b) any Closing Company Transaction Expenses which did not reduce the Purchase Price pursuant to Section 1.3; (c) any claims against the Acquired Companies by officers and directors of the Acquired Companies for indemnification relating to any acts or omissions occurring prior to the Closing; and (d) any liabilities arising out of or relating to any Excluded Subsidiaries or the Pre-Closing Reorganization.

Disclosure Schedule. “Disclosure Schedule” shall mean the schedule (dated as of the date of the Agreement) delivered to Purchaser on behalf of Seller.

Dispute Period. “Dispute Period” shall have the meaning set forth in Section 6.4(b)(i).

Employee Benefit Plan. “Employee Benefit Plan” shall have the meaning set forth in Section 3.10(b).

Encumbrance. “Encumbrance” shall mean any lien, charge, security interest, encroachment or similar encumbrance.

Entity. “Entity” shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

Environmental, Health, and Safety Requirements. “Environmental, Health, and Safety Requirements” shall mean all Legal Requirements concerning public health and safety, worker and occupational health and safety, natural resources and pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any Hazardous Substances, materials, or wastes, chemical substances, or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, fuel oil products and byproducts, mold, asbestos, polychlorinated biphenyls, noise, or radiation.

ERISA. “ERISA” shall have the meaning set forth in Section 3.10(b).

Estimated Aggregate Adjustment Amount. “Estimated Aggregate Adjustment Amount” shall have the meaning set forth in Section 1.2(b).

Estimated Purchase Price. “Estimated Purchase Price” shall have the meaning set forth in Section 1.2(b).

Expiration Date. “Expiration Date” shall have the meaning set forth in Section 6.1(a).

Firm. “Firm” shall have the meaning set forth in Section 1.3(c).

Fundamental Representations. “Fundamental Representations” shall mean the representations and warranties set forth in Sections 2.1, 2.2, 2.3, 2.4(a), 2.5, 2.6, 3.1(a), 3.3, 3.9, 3.12(a) and 3.14.

Fundamental Representation Termination Date. “Fundamental Representation Termination Date” shall have the meaning set forth in Section 6.1(a).

GAAP. “GAAP” shall mean U.S. generally accepted accounting principles.

General Termination Date. “General Termination Date” shall have the meaning set forth in Section 6.1(a).

Governmental Authorization. “Governmental Authorization” shall mean any permit, license, registration, qualification or authorization issued by any Governmental Body.

Governmental Body. “Governmental Body” shall mean any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; or (b) federal, state, local, municipal, foreign or other government.

Hazardous Substances. “Hazardous Substances” shall mean: (a) petroleum or petroleum products, flammable materials, explosives, radioactive materials, radon gas, lead-based paint, asbestos in any form, urea formaldehyde foam insulation, polychlorinated biphenyls (PCBs), transformers or other equipment that contain dielectric fluid containing PCBs and toxic mold or fungus of any kind or species; (b) any chemicals or other materials or substances which are defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “toxic substances,” “toxic pollutants,” “contaminants,” “pollutants,” or words of similar import under any applicable Environmental, Health, and Safety Requirements; and (c) any other chemical, material or substance exposure to which is prohibited, limited or regulated under any applicable Environmental, Health, and Safety Requirements.

Indebtedness. “Indebtedness” shall mean with respect to any Person, without duplication: (a) all obligations of such Person for borrowed money, whether current or funded, fixed or contingent, secured or unsecured; (b) all obligations of such Person for the deferred purchase price of assets, property or services including the amount payable with respect to earnouts, purchase price adjustments or other payments related to acquisitions (it being understood that this clause “(b)” does not include accounts payable that are reflected in the calculation of the Closing Date Net Working Capital Amount); (c) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments; (d) all obligations under capital leases (which obligations are required to be classified and accounted for as capital lease obligations on a balance sheet of such Person under GAAP); (e) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, bankers’ acceptances or similar facilities (but only to the extent drawn or called); (f) all obligations under any interest rate, currency or similar hedging agreement; (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock or equity interest of such Person or any options, rights or warrants to acquire the foregoing; (h) all obligations of such Person with respect to synthetic leases or any similar off-balance sheet financings; (i) all obligations of such Person with respect to any other long-term, non-ordinary course unfunded liabilities of such Person of the type required to be reflected in the “liabilities” column of a balance sheet of the Company prepared in accordance with GAAP or in the footnotes thereto. (j) all direct or indirect guarantee, support, keep well or other security obligations of such Person with respect to obligations of the kind referred to in clauses “(a)” through “(g)” of this definition, including, with respect to items “(a)” through “(i)” of this Agreement, all outstanding principal, prepayment premiums, breakage costs, accrued interest, fees and expenses related thereto.

Indemnification Claim. “Indemnification Claim” shall have the meaning set forth in Section 6.1(a).

Indemnified Taxes. “Indemnified Taxes” shall mean: (a) all Taxes imposed on or incurred by any Acquired Company with respect to any Pre-Closing Tax Period (including, for any Straddle Period, all Taxes of any Acquired Company that relate to the portion of such Straddle Period ending on the Closing Date); (b) any applicable sales, use, transfer, stamp, stock transfer or similar Taxes that are, or become due and payable as a result of the transactions contemplated herein; (c) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which any Acquired Company is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 (or similar provision of state, local or foreign law); and (d) all Taxes of any Person (other than any Acquired Company) imposed on an Acquired Company as a transferee or successor, by contract or pursuant to any law, rule or regulation, which Taxes relate to an event or transaction occurring prior to the Closing Date, in each case except to the extent such Taxes are reflected as a liability in the calculation of Net Working Capital Adjustment pursuant to Section 1.3 or are attributable to any actions taken by Purchaser or its Affiliates after the Closing on the Closing Date. For purposes of this Agreement, in the case of any Taxes that are payable for a Straddle Tax Period, the portion of such Tax that relates to the Pre-Closing Tax Period will: (i) in the case of any Taxes other than income Taxes or Taxes based upon or related to receipts or payroll, be deemed to equal the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in the entire Straddle Tax Period; and (b) in the case of any income Taxes or Taxes based upon or related to receipts or payroll, be deemed to equal the amount that would be payable if the relevant taxable period ended on the Closing Date.

Key Supplier. “Key Supplier” shall have the meaning set forth in Section 3.13(a).

knowledge. Information shall be deemed to be known to or to the “knowledge” of Seller if that information is actually known by Abani Heller, John Heffernan, Ed Zinser, Chris Burke and Brad Toney and any other director or officer of Seller or the Company or would reasonably be expected to be known by such person after reasonable investigation by such person. Information shall be deemed to be known to or to the “knowledge” of Purchaser if that information is actually known by any director or officer of Purchaser or Amanda Kalin, Matthew Robinson or Eric Nusbaum or would reasonably be expected to be known by such person after reasonable investigation by such person.

Leased Real Property. “Leased Real Property” shall mean the parcels of land leased or licensed to, or otherwise used or occupied under grant of easement or other contractual right by, whether written or oral, any Acquired Company, together with all fixtures, buildings, structures and improvements thereon and all easements and other rights and interest appurtenant thereto, and all rights and privileges of the Acquired Companies under the Real Property Leases related thereto.

Leave Employee. “Leave Employee” shall have the meaning set forth in Section 5.3(a).

Lessor Instruments. “Lessor Instruments” shall have the meaning set forth in Section 3.16(b).

Legal Proceeding. “Legal Proceeding” shall mean any suit, audit, investigation, litigation or legal proceeding commenced by or before any court or other Governmental Body or any arbitrator or arbitration panel.

Legal Requirement. “Legal Requirement” shall mean any domestic federal, state or local law, statute, rule, constitution or regulation issued, enacted or promulgated by any Governmental Body, or applicable common law.

Made Available. A document or any information shall be deemed to have been “Made Available” if such document or information was either: (a) uploaded at least two business days prior to the Closing Date to the “Project Redhawk” virtual data room prepared and maintained by Seller on datasite.merrillcorp.com (or other similar website administered by Merrill) in connection with the Agreement; or (b) was delivered by email to Purchaser or its Representatives in connection with their review of the Acquired Companies.

Material Adverse Effect. A violation, event, circumstance, occurrence or other matter will be deemed to have a “Material Adverse Effect” on the Acquired Companies if such violation, event, circumstance, occurrence or other matter, individually or in the aggregate with any other violation, event, circumstance, occurrence or other matter, would have, or would reasonably be expected to have, a material adverse effect on the business, results of operations or financial condition of the Acquired Companies, taken as a whole; *provided, however*, that none of the following shall be deemed either alone or in combination to constitute, and none of the following shall be taken into account in determining whether there has been or would be, a Material Adverse Effect on the Acquired Companies: (a) any adverse effect resulting from or arising out of the announcement or pendency of this Agreement or the Stock Purchase in accordance with the terms of this Agreement; (b) any adverse effect resulting from or arising out of general economic conditions to the extent that they do not disproportionately affect the Acquired Companies, taken as a whole; (c) any adverse effect resulting from or arising out of general conditions in the industries in which the Acquired Companies operate to the extent that they do not disproportionately affect the Acquired Companies, taken as a whole; (d) any adverse effect resulting from any changes to GAAP; or (e) any adverse effect resulting from or arising out of any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof to the extent that they do not disproportionately affect the Acquired Companies, taken as a whole.

Material Contract. “Material Contract” shall have the meaning set forth in Section 3.7(a).

Most Recent Balance Sheet. “Most Recent Balance Sheet” shall have the meaning set forth in Section 3.4(a).

Net Working Capital Adjustment. “Net Working Capital Adjustment” shall have the meaning set forth in Section 1.2(a).

Notice of Dispute. “Notice of Dispute” shall have the meaning set forth in Section 1.3(b).

Open Source Software. “Open Source Software” shall mean any Software that is subject to the terms of any license agreement in a manner that requires that such Software, or other Software incorporated into, derived from or distributed with such Software, be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of making derivative works; or (iii) redistributable at no charge.

Organizing Documents. “Organizing Documents” shall have the meaning set forth in Section 3.2.

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Permitted Encumbrances. “Permitted Encumbrances” shall mean: (a) statutory liens for Taxes that are not yet due and payable or liens for Taxes being contested in good faith by any appropriate proceedings in each case for which adequate reserves have been established and in the calculation of Closing Date Net Working Capital; (b) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements not incurred in connection with the borrowing of money, except to the extent such liens have been waived in the Real Property Leases; (c) deposits or pledges made in connection with, or to secure payment of, workers’ compensation, unemployment insurance or similar programs mandated by applicable Legal Requirements; (d) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens and not incurred in connection with the borrowing of money; and (e) liens, charges, security interests or encumbrances that do not materially interfere with the use, operation, occupancy, value, marketability, or transfer of, or any of the benefits of ownership of or use or occupancy rights to, the property subject thereto.

Person. “Person” shall mean any individual, Entity or Governmental Body.

Post-Closing Certificate. “Post-Closing Certificate” shall have the meaning set forth in Section 1.3(a).

Pre-Closing Certificate. “Pre-Closing Certificate” shall have the meaning set forth in Section 1.2(b).

Pre-Closing Restructuring. “Pre-Closing Restructuring” shall have the meaning set forth in the Recitals.

Pre-Closing Tax Period. “Pre-Closing Tax Period” shall mean with respect to any Acquired Company, any taxable period that ends on or before the Closing Date, and that portion of any Straddle Period ending on (and including) the Closing Date.

Privacy Laws. “Privacy Laws” shall mean all Legal Requirements and self-regulatory programs concerning the collection, use, analysis, retention, storage, protection, transfer, disclosure and/or disposal of personally identifiable information including state consumer protection Laws, state breach notification Laws, state social security number protection Laws, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Fair Credit Reporting Act and its state law equivalents, the California Online Privacy Protection Act, the Massachusetts Data Security Regulations (201 CMR 17.00 et seq.) and similar state data security laws, each as amended to the date hereof, as well as the Payment Card Industry Data Security Standards, the Payment Application Data Security Standards and all related individual card brand rules and requirements.

Proprietary Asset. “Proprietary Asset” shall mean any intellectual property rights and other similar proprietary rights in any jurisdiction, whether registered or unregistered, including all rights and interests pertaining to or deriving from: (a) inventions, invention disclosures, discoveries and improvements (whether or not patentable), issued patents and patent applications, and counterparts claiming priority therefrom, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof; (b) trademarks, service marks, certification marks, collective marks, logos, symbols, slogans, trade dress, trade names, corporate names, domain names, other source or business identifiers (and all translations, adaptations, derivations and combinations of the foregoing), together with all of the goodwill of the business associated with each of the foregoing; (c) works of authorship and other copyrightable subject matter, whether registered or unregistered, and whether or not published, including copyrights, databases, and standards, (and all translations, derivative works, adaptations, compilations, and combinations of the foregoing); (d) trade secrets, know-how, confidential

lists, technical information, information that derives economic value from not being generally known, and any other information that would constitute a trade secret as defined in the Uniform Trade Secrets Act and under corresponding foreign statutory law and common law; (e) Software; and (f) all other intellectual property or proprietary rights and claims or causes of action arising out of or related to any infringement, misappropriation or other violation of any of the foregoing, including rights to recover for past, present and future violations thereof.

Purchase Price. “Purchase Price” shall have the meaning set forth in Section 1.2(a).

Purchaser. “Purchaser” shall have the meaning set forth in the Preamble.

Purchaser Indemnitee. “Purchaser Indemnitee” shall have the meaning set forth in Section 6.2.

Qualifying Claim. “Qualifying Claim” shall have the meaning set forth in Section 6.3(c).

Real Property Leases. “Real Property Leases” shall mean all leases, lease guaranties, subleases, licenses, easements and Contracts, whether written or oral, for the leasing, use or occupancy of, or otherwise granting a right in or relating to, the Leased Real Property, including all amendments and modifications thereof.

Released Claims. “Released Claims” shall have the meaning set forth in Section 5.9.

Released Parties. “Released Parties” shall have the meaning set forth in Section 5.9.

Releasers. “Releasers” shall have the meaning set forth in Section 5.9.

Representatives. “Representatives” shall mean officers, directors, employees, agents, attorneys, accountants, advisors and representatives.

Residual Knowledge. “Residual Knowledge” shall mean any information that is retained in the unaided memories of Seller’s or Seller Parent’s Representatives who have had access to Confidential Information of the Acquired Companies.

Response Notice. “Response Notice” shall have the meaning set forth in Section 6.4(b)(i).

Section 2 Representations. “Section 2 Representations” shall have the meaning set forth in Section 6.1(b).

Seller. “Seller” shall have the meaning set forth in the Preamble.

Seller Cafeteria Plan. “Seller Cafeteria Plan” shall have the meaning set forth in Section 5.3(d).

Seller Guaranteed Obligations. “Seller Guaranteed Obligations” shall have the meaning set forth in Section 7.15.

Seller Parent. “Seller Parent” shall have the meaning set forth in the Preamble.

Shares. “Shares” shall have the meaning set forth in the Recitals.

Software. “Software” shall mean computer programs or software including data files, source code, object code, interfaces, specifications and related documentation.

Subsidiary. “Subsidiary” shall mean, with respect to any Person, any Entity of which: (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a partnership, association or other business entity, a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a partnership, association or other business entity if such Person or Persons shall be allocated a majority of partnership, association or other business entity gains or losses or shall be or control the managing director, managing member, general partner or other managing Person of such partnership, association or other business entity.

Straddle Period. “Straddle Period” shall mean any taxable year or period beginning before and ending after the Closing Date.

Stock Purchase. “Stock Purchase” shall have the meaning set forth in the Recitals.

Survival Period. “Survival Period” shall have the meaning set forth in Section 6.1(d).

Tax. “Tax” shall mean any tax (including any income tax, franchise tax, value-added tax, excise tax, transfer tax, sales tax, use tax, property tax, withholding tax or payroll tax), levy, assessment, tariff, duty (including any customs duty or escheat obligations), deficiency or fee, and any related charge or amount (including any fine, penalty or interest), imposed, assessed or collected by or under the authority of any Governmental Body, whether disputed or not.

Tax Claim. “Tax Claim” shall have the meaning set forth in Section 5.11(d).

Tax Return. “Tax Return” shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes filed (or required to be filed) with a Governmental Body, including any schedule or attachment thereto, and including any amendment thereof.

Target Net Working Capital Amount. “Target Net Working Capital Amount” shall mean negative \$19,499,894.

Transaction Value. “Transaction Value” shall have the meaning set forth in Section 1.2(a).

Transition Services Agreement. “Transition Services Agreement” shall have the meaning set forth in Section 1.2(c)(i)(2).

EXHIBIT B

FORM OF TRANSITION SERVICES AGREEMENT

B-1

EXHIBIT C

FORM OF POST-CLOSING CERTIFICATE

C-1

EXHIBIT D
ILLUSTRATIVE EXAMPLE OF THE
CLOSING DATE NET WORKING CAPITAL AMOUNT

D-1

SCHEDULE 1.2(e)(ii)(1)
CONTINUING OFFICERS & DIRECTORS

Bradley Toney

SCHEDULE 5.5(a)

ACQUIRED COMPANIES' KEY EMPLOYEES LIST

1. Abani Heller
 2. Brad Toney
 3. Chris Burke
 4. Mindy Stoffels
 5. Paul Skillen
 6. Shawn McGehee
 7. Lindsey Johnson
 8. Cora Martin
 9. Brian Hartman
 10. Robert Ruff
 11. Tracy Jarvis
 12. Ross Marshall
 13. Erin Kelly
 14. Angela Foss
 15. Ry Robinson
-

SCHEDULE 5.5(b)

SELLER PARENT'S KEY EMPLOYEES LIST

None

SCHEDULE 6.2(c)

CERTAIN INDEMNIFIABLE MATTERS

1. Memory Lane, Inc. v. Classmates International, Inc., et al. SACV 11-00940 JLS (RNB), filed in the United States District Court, Central District of California, Southern Division, and is currently on appeal up to the United States Court of Appeals for the Ninth Circuit
 2. The investigation (and any related Legal Proceedings and settlement terms) by certain states' Attorney General and related Multistate Work Groups with respect to the Company's and its Affiliates' former post-transaction sales practices and its and their auto-renewal practices, as described in note 12 of the financial statements contained in Seller Parent's Form 10-Q for the quarter ended September 30, 2014, and in other subsequent SEC filings filed prior to the date hereof (the "Existing Proceedings"), and any investigations or Legal Proceedings commenced after the Closing by other states' Attorneys General, the Federal Trade Commission, any other Governmental Body, or any other person or Entity under a private right of action or otherwise, in each case solely to the extent: (a) based on facts substantially similar to the facts that form the basis of the Existing Proceedings; and (b) related to the pre-Closing operation of the Acquired Companies.
 3. *In re Trilegiant* (3:12-CV-00396 (VLB)), filed in the United States District Court, District of Connecticut.
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July 20, 2015

Mark Harrington

Dear Mark:

It gives me great pleasure to present to you this offer of employment as the Executive Vice President, General Counsel and Secretary of United Online, Inc. (the "Company" or "United Online"). The start date of your employment will be Monday, August 3, 2015 (the "Commencement Date").

As the Executive Vice President and General Counsel, you will report to the Company's Chief Executive Officer. During your employment with the Company, except as stated herein under the "Transition Services" heading, you will devote your full business efforts and time to the Company and will not engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without prior approval of the Chief Executive Officer of the Company or the Company's Board of Directors (the "Board").

The primary location of your employment will be at the offices of the Company, located in Woodland Hills, California. However, there may be occasional travel required to other offices and locations.

Salary and Bonus

Your starting base salary will be \$320,000 per year. You will receive a one-time sign-on bonus in the amount of \$60,000, payable to you no later than the last day of the first full biweekly pay period after your Commencement Date.

You will also be eligible to receive an annual bonus, the target value of which for the 2015 performance year will be 55% of your annual base salary for achieving all goals, subject to the terms and conditions of the applicable bonus plan maintained by the Company, which may require continued employment on each bonus payment date as a condition of eligibility. Your annual bonus for 2015 will be pro-rated based on the start date of your employment. The performance criteria for purposes of determining your actual bonus for each fiscal year, and the target percentage for purposes of determining your actual bonus for each fiscal year subsequent to 2015, will be established by the Board or the Board's Compensation Committee.

21255 Burbank Boulevard • Suite 400 • Woodland Hills, California 91367 • phone 818.287.3000 • fax 818.287.3001 • unttd.com

Equity Compensation

In addition to the cash compensation described above, you will receive a one-time equity hiring "inducement" grant, with a grant date value equal to \$750,000. Such \$750,000 value will be divided as follows: (i) 50% of the award value will be granted as non-qualified stock options to purchase shares of United Online common stock (the "Stock Options"), with a per share exercise price equal to the per share fair market value of our common stock on the grant date (expected to be August 15, 2015); and (ii) 50% of the award value will be granted as restricted stock units ("RSUs"). The Stock Options and RSUs are subject to approval by the Compensation Committee of the Board and are subject to the terms and conditions, including with respect to vesting and exercise, as set forth in the respective individual award agreements and the governing stock incentive plan.

Subject to approval by the Compensation Committee of the Board, (i) the Stock Options shall vest and become exercisable with respect to thirty-three and one-third percent (33 1/3%) of the option shares upon your completion of one (1) year of service measured from the vesting commencement date (expected to be the Commencement Date) and the balance of the option shares in a series of twenty-four (24) successive equal monthly installments upon your completion of each additional month of service over the twenty-four (24)-month period thereafter; and (ii) RSUs shall vest in a series of three (3) successive equal annual installments on each of the first three (3) one-year anniversaries from the vesting commencement date (expected to be the Commencement Date) upon your continuation of service with the Company. Notwithstanding the generality of the foregoing, no Stock Options or RSUs will vest earlier than the first anniversary of the Commencement Date.

You will also be eligible to receive annual long-term incentive equity grants as determined by the Board and/or the Compensation Committee of the Board, pursuant to the terms of the applicable stock incentive plan then maintained by the Company on the same or similar terms as similarly situated employees. The hiring inducement award is intended to be the annual award for 2015 and the next regularly scheduled date for eligibility is expected to be in February 2016 and such 2016 award will not be subject to any proration related to your Commencement Date.

Benefits

You will be eligible to participate in each of the Company's employee benefit plans that is made generally available either to the Company's employees or to the Company's senior executives and for which you satisfy the applicable eligibility requirements. You will be entitled to the greater of: (i) three (3) weeks of paid vacation time each year or (ii) an amount as determined in accordance with the Company's standard vacation policy.

In addition, the Company will promptly reimburse you for all reasonable and necessary business expenses you incur in connection with the business of the Company and the performance of your duties hereunder (including expenses associated with the travel requirements set forth in the third paragraph of this letter) upon your submission of reasonable and timely documentation of those expenses in accordance with the Company's relevant policies.

Transition Services

For a period of up to six (6) months after your Commencement Date, you shall have a right to provide transition consulting services to your current employer, Guidance Software, Inc. (“Prior Employer”) in order to assist in the orderly transition of your obligations to the Prior Employer. Except for services that may require in-person assistance (i.e. testimony at legal proceeding), such consulting services shall be no more than five (5) hours per week and shall be provided telephonically to the Prior Employer unless otherwise approved by the Company’s Chief Executive Officer.

Policies; Procedures; Proprietary Information and Inventions Agreement; Indemnification Agreement

As an employee of the Company, you will be expected to abide by all of the Company’s policies and procedures, including (without limitation) the terms of your Employee Proprietary Information and Inventions Agreement with the Company, the Insider Trading Policy, the Code of Ethics and the Employee Handbook. You and the Company will enter into the Company’s standard form of Indemnification Agreement for directors and officers effective as of the Commencement Date.

At-Will Employment

Notwithstanding anything to the contrary contained herein, your employment with the Company is “at will” and will not be for any specified term, meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause or advance notice. Although the Company’s personnel policies and procedures may change from time to time, the “at will” nature of your employment may only be changed in an express written agreement signed by you and the Chief Executive Officer of the Company and approved by the Board.

If you are terminated for “Cause” (as defined below) or if you resign for any reason other than “Good Reason” (as defined below) or if your employment terminates by reason of death or Disability, you will not be entitled to any severance and will only be entitled to earned but unpaid salary and accrued but unused vacation earned through your final date of employment (the “Accrued Obligations”), which amounts will be paid to you (or your estate, as the case may be) within thirty (30) days of your termination of employment. Rights arising from the terms of the Company’s benefit plans (including any equity plans) will be governed by the terms of such plans.

Notwithstanding the at-will nature of your employment, if the Company terminates your employment without “Cause” or you terminate employment for “Good Reason” then, in addition to the Accrued Obligations, and subject to your execution and non-revocation of a general release of claims in a form provided by the Company, you will be eligible to receive a cash separation payment in the aggregate amount of the sum of (a) your annual base salary in effect at the time of such termination and (b) any earned but unpaid annual bonus for the fiscal year preceding the year of termination (the “Separation Payment”). The amount set forth in (a) will be payable in a series

of twelve (12) successive equal monthly installments, beginning on the first regular payday for the Company's salaried employees, within the 60-day period following the date of your termination of employment on which your executed release is effective and enforceable in accordance with its terms following the expiration of the applicable revocation period in effect for that release. The remaining monthly installments will be paid on successive monthly anniversaries of the initial monthly installment. The amount set forth in (b) will be paid in a lump sum on the later of (i) the date on which the first monthly installment of the Separation Payment is paid to you or (ii) the date on which such amount would have been paid to you had you continued in the Company's employ through such payment date, but no later than the last day of the applicable period necessary to qualify the payment for the short term deferral exception under Section 409A of the Internal Revenue Code ("Section 409A").

In addition, if the Company terminates your employment without "Cause" or you terminate employment for "Good Reason" then, subject to your execution and non-revocation of a general release of claims in a form provided by the Company, you will be eligible to receive a pro-rated bonus for the fiscal year in which such termination occurs based on the level at which the applicable performance goals for such fiscal year are in fact attained, multiplied by a fraction, the numerator of which is the number of whole months you were employed by the Company during such fiscal year and the denominator of which is twelve (12), with such pro-rated bonus (if any) to be paid at the same time and in the same form that the bonus payment for such fiscal year would have been made following completion of that fiscal year had you remained in the Company's employ through the payment date (such bonus, the "Pro Rata Bonus").

For purposes of this letter, "Cause" means one or more of the following: (i) if you are convicted of, or enter into a plea of nolo contendere to, a felony or a misdemeanor involving any act of moral turpitude; (ii) if you commit an act of actual fraud, embezzlement, theft or similar dishonesty against the Company or any of its subsidiaries; (iii) if you commit any willful misconduct or gross negligence resulting in material harm to the Company or any of its subsidiaries; or (iv) if you fail, after receipt of detailed written notice and after receiving a period of at least thirty (30) days following such notice to cure such failure, to use your reasonable good faith efforts to follow the reasonable and lawful direction of the Board and to perform your obligations hereunder.

For purposes of this letter, "Good Reason" means (i) a material reduction in your base salary without your prior written consent; (ii) a material reduction in your authority, duties or responsibilities, without your prior written consent, including but not limited to a change in reporting structure to anyone other than the Company's Chief Executive Officer; (iii) a material change in the geographic location at which you must perform services, as set forth in the third paragraph of this letter, without your prior written consent (it being acknowledged that the travel requirements set forth in that paragraph do not constitute Good Reason); or (iv) any material un-waived breach by the Company of the terms of this letter; provided however, that with respect to any of the clause (i) - (iv) events above, you will not be deemed to have resigned for Good Reason unless (A) you provide written notice to the Company of the existence of the Good Reason event within ninety (90) days after its initial occurrence, (B) the Company is provided with thirty (30) days after receipt of such notice in which to cure such Good Reason event, and (C) you effectively terminate your employment within one hundred eighty (180) days following the occurrence of the non-cured clause (i) - (iv) event.

For purposes of this letter, “Disability” means your inability to engage in any substantial activity necessary to perform your duties and responsibilities hereunder by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than twelve (12) months.

You will be eligible for any change in control policy or benefits which may be established from time to time by the Board following the date of this letter, as generally provided to other senior executives of the Company below the level of Chief Executive Officer or as provided to any one or more such senior executives hired after the date of this letter, based on the terms of such policy or provisions (including but not limited to any requirement to provide a release of claims). Subject to approval by the Compensation Committee of the Board, you will be designated a Tier I Participant under the Company’s Change in Control Policy for Executives, established as of February 19, 2015 (the “Change in Control Policy”). The treatment of your Stock Options and RSUs, as well as any subsequently-granted equity awards, will be as set forth in the Change in Control Policy, the respective individual award agreements and the governing stock incentive plan.

Withholding Taxes

All forms of compensation payable to you by the Company, whether in cash, common stock or other property, are subject to reduction to reflect applicable withholding and payroll taxes.

Restrictive Covenants

Until one year after the termination of your employment with the Company, you agree not to, directly or indirectly, solicit or recruit for employment, any person or persons who are employed by the Company or any of its subsidiaries or affiliates, or who were so employed at any time within a period of twelve (12) months immediately prior to the date your employment terminated, or otherwise interfere with the relationship between any such person and the Company; nor will you assist anyone else in recruiting any such employee to work for another company or business or discuss with any such person his or her leaving the employ of the Company or engaging in a business activity in competition with the Company.

Clawback

Any amounts paid or payable to you pursuant to this letter or the Company’s equity, bonus or other compensation plans will be subject to recovery or clawback to the extent required by any applicable law or any applicable securities exchange listing standards.

Section 409A Compliance

The intent of the parties is that payments and benefits described in this letter comply with Section 409A and accordingly, to the maximum extent permitted, this letter will be interpreted in compliance therewith. You will not be considered to have terminated employment with the

Company for purposes of any payments which are subject to Section 409A unless you have incurred a “separation from service” from the Company within the meaning of Section 409A. Should the 60-day period referred to in the “At Will Employment” section above span two taxable years, then to the extent necessary to comply with Section 409A, the first monthly severance payment installment will be paid during the portion of that period that occurs in the second taxable year. Any equity award which vests on an accelerated basis based on termination of employment will be issued within the sixty 60-day period following your “separation from service” within the meaning of Section 409A, so long as the release has become effective and enforceable in accordance with its terms following the expiration of the applicable revocation period in effect for that release; provided, however, that should such sixty 60-day period span two taxable years, the issuance shall be effected during the portion of that period that occurs in the second taxable year; and provided further, however, that if a different issuance date is required for purposes of Section 409A, then the issuance shall occur on such different date. Each amount to be paid or benefit to be provided under this letter will be construed as a separate identified payment for purposes of Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid an accelerated or additional tax under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this letter during the six-month period immediately following your separation from service will instead be paid on the first business day after the date that is six months following your separation from service. In no event will any expense be reimbursed later than the end of the calendar year following the calendar year in which that expense is incurred, and the amounts reimbursed in any one calendar year will not affect the amounts reimbursable in any other calendar year. Your right to receive such reimbursements may not be exchanged or liquidated for any other benefit.

Section 280G

If any payment or benefit received or to be received by you (including any payment or benefit received pursuant to this letter or otherwise) would be (in whole or part) subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, or any successor provision thereto, or any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the “Excise Tax”), then the cash payments provided to you under this letter will first be reduced, with each such payment to be reduced pro-rata but without any change in the payment date and with the monthly installments of the Separation Payment to be the first such cash payments so reduced, and then, if necessary, any other payments or benefits reduced, but only to the extent necessary to assure that you receive only the greater of (i) the amount of those payments and benefits which would not constitute a parachute payment under Section 280G of the Internal Revenue Code or (ii) the amount which yields you the greatest after-tax amount of benefits after taking into account any Excise Tax imposed on the payments and benefits provided to you hereunder (or on any other payments or benefits to which you may become entitled in connection with any change in control or ownership of the Company or the subsequent termination of your employment with the Company). Calculations required by this paragraph will be performed by a national accounting firm mutually acceptable to you and the Company.

Entire Agreement

This letter, together with the Employee Proprietary Information and Inventions Agreement between you and the Company (or a Company subsidiary), any Company handbooks and policies in effect from time to time and the applicable stock plans and agreements evidencing the equity awards made to you from time to time during your period of employment, contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.

Governing Law

The terms of this letter and the resolution of any disputes will be governed by California law, and the venue for any disputes will be in Los Angeles, California.

Mark, the team and I are looking forward to working with you. Please indicate your acceptance of this offer on the terms and conditions described herein by signing below and returning this document no later than July 24, 2015.

Please contact me if you have any questions.

Sincerely,

/s/ Francis Lobo

Francis Lobo
Chief Executive Officer

/s/ Mark Harrington

Signature of Acceptance
Mark Harrington
Date: July 20, 2015

cc: Human Resources Department, United Online, Inc.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Francis Lobo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Online, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and to the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 6, 2015

/s/ FRANCIS LOBO

Francis Lobo
President and Chief Executive Officer

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[Exhibit 31.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Edward K. Zinser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Online, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and to the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 6, 2015

/s/ EDWARD K. ZINSER

Edward K. Zinser
Executive Vice President and Chief Financial Officer

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[Exhibit 31.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

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Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Francis Lobo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(a) The Quarterly Report on Form 10-Q of United Online, Inc. for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2015

/s/ FRANCIS LOBO

Francis Lobo
President and Chief Executive Officer

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[Exhibit 32.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)

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Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Edward K. Zinser, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(a) The Quarterly Report on Form 10-Q of United Online, Inc. for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2015

/s/ EDWARD K. ZINSER

Edward K. Zinser
Executive Vice President and Chief Financial Officer

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[Exhibit 32.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)

