BofA Finance LLC
Form 424B2
November 22, 2017

Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-213265
(To Prospectus dated November 4, 2016,
Prospectus Supplement dated November 4, 2016 and
Product Supplement EQUITY INDICES LIRN-1 dated November 28, 2016)

1,883,183 Units		Pricing Date	November 21, 2017
$10 principal amount per unit		Settlement Date	November 29, 2017
CUSIP No. 097097216		Maturity Date	November 10, 2022

BofA Finance LLC
Leveraged Index Return Notes® Linked to a Global Equity Index Basket
Fully and Unconditionally Guaranteed by Bank of America Corporation

Maturity of approximately five years

162.80% leveraged upside exposure to increases in the Basket

The Basket is comprised of the Dow Jones Industrial Average℠, the EURO STOXX 50® Index, and the MSCI Emerging Markets Index. Each of the Dow Jones Industrial Average℠ and the EURO STOXX 50® Index were given an initial weight of 40%, and the MSCI Emerging Markets Index was given an initial weight of 20%

1-to-1 downside exposure to decreases in the Basket beyond a 10.00% decline, with up to 90.00% of your principal at risk

All payments occur at maturity and are subject to the credit risk of BofA Finance LLC, as issuer of the notes, and the credit risk of Bank of America Corporation, as guarantor of the notes

No periodic interest payments

In addition to the underwriting discount set forth below, the notes include a hedging-related charge of $0.075 per unit. See Structuring the Notes

Limited secondary market liquidity, with no exchange listing

The notes are being issued by BofA Finance LLC (BofA Finance) and are fully and unconditionally guaranteed by Bank of America Corporation (BAC). There are important differences between the notes and a conventional debt security, including different investment risks and certain additional costs. See Risk Factors beginning on page TS-6 of this term sheet, page PS-7 of product supplement EQUITY INDICES LIRN-1, page S-4 of the accompanying Series A MTN prospectus supplement and page 7 of the accompanying prospectus.

The initial estimated value of the notes as of the pricing date is $9.56 per unit, which is less than the public offering price listed below. See Summary on the following page, Risk Factors beginning on page TS-6 of this term sheet and Structuring the Notes on page TS-19 of this term sheet for additional information. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy.

None of the Securities and Exchange Commission (the SEC), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this Note Prospectus (as defined below) is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price[(1)]	$10.00	$18,806,830.00
Underwriting discount[(1)]	$0.25	$445,795.75
Proceeds, before expenses, to BofA Finance	$9.75	$18,361,034.25

(1) The public offering price and underwriting discount for an aggregate of 500,000 units purchased in a transaction by an individual investor will be $9.95 per unit and $0.20 per unit, respectively.

The notes and the related guarantee:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Merrill Lynch & Co.

November 21, 2017

Leveraged Index Return Notes®
Linked to a Global Equity Index Basket, due November 10, 2022
Summary

The Leveraged Index Return Notes® Linked to a Global Equity Index Basket, due November 10, 2022 (the notes) are our senior unsecured debt securities. Payments on the notes are fully and unconditionally guaranteed by BAC. The notes and the related guarantee are not insured by the Federal Deposit Insurance Corporation or secured by collateral. **The notes will rank equally with all of BofA Finance's other unsecured and unsubordinated debt, and the related guarantee will rank equally with all of BAC's other unsecured and unsubordinated obligations. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of BofA Finance, as issuer, and BAC, as guarantor.** The notes provide you a leveraged return if the Ending Value of the Market Measure, which is the global equity index basket described below (the Basket), is greater than the Starting Value. If the Ending Value is equal to or less than the Starting Value but greater than or equal to the Threshold Value, you will receive the principal amount of your notes. If the Ending Value is less than the Threshold Value, you will lose a portion, which could be significant, of the principal amount of your notes. Any payments on the notes, will be calculated based on the $10 principal amount per unit and will depend on the performance of the Basket, subject to our and BAC's credit risk. See Terms of the Notes below.

The Basket is comprised of the Dow Jones Industrial Average℠, the EURO STOXX 50® Index, and the MSCI Emerging Markets Index (each a Basket Component). On the pricing date, each of the Dow Jones Industrial Average℠ and the EURO STOXX 50® Index were given an initial weight of 40%, and the MSCI Emerging Markets Index was given an initial weight of 20%.

The economic terms of the notes (including the Participation Rate) are based on BAC's internal funding rate, which is the rate it would pay to borrow funds through the issuance of market-linked notes and the economic terms of certain related hedging arrangements. BAC's internal funding rate is typically lower than the rate it would pay when it issues conventional fixed or floating rate debt securities. This difference in funding rate, as well as the underwriting discount and the hedging related charge described below, reduced the economic terms of the notes to you and the initial estimated value of the notes on the pricing date. Due to these factors, the public offering price you pay to purchase the notes is greater than the initial estimated value of the notes.

On the cover page of this term sheet, we have provided the initial estimated value for the notes. This initial estimated value was determined based on our, BAC's and our other affiliates' pricing models, which take into consideration BAC's internal funding rate and the market prices for the hedging arrangements related to the notes. For more information about the initial estimated value and the structuring of the notes, see Structuring the Notes on page TS-19.

Terms of the Notes

Issuer:	BofA Finance LLC (BofA Finance)
Guarantor:	Bank of America Corporation (BAC)
Principal Amount:	$10.00 per unit
Term:	Approximately five years
Market Measure:	A global equity index basket comprised of the Dow Jones Industrial Average℠ (Bloomberg symbol: INDU), the EURO STOXX 50® (Bloomberg symbol: SX5E) and the MSCI Emerging Markets Index (Bloomberg symbol: MXEF). Each Basket Component is a

Redemption Amount Determination

On the maturity date, you will receive a cash payment per unit determined as follows:

	price return index.
Starting Value:	100.00
Ending Value:	The average of the values of the Market Measure on each calculation day occurring during the Maturity Valuation Period. The scheduled calculation days are subject to postponement in the event of Market Disruption Events, as described on page PS-24 of product supplement EQUITY INDICES LIRN-1.
Threshold Value:	90.00 (90% of the Starting Value, rounded to two decimal places).
Participation Rate:	162.8%
Maturity Valuation Period:	October 31, 2022, November 1, 2022, November 3, 2022, November 4, 2022 and November 7, 2022
Fees and Charges:	The underwriting discount of $0.25 per unit listed on the cover page and the hedging related charge of $0.075 per unit described in Structuring the Notes on page TS-19.
Calculation Agent:	Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S), an affiliate of BofA Finance.

Leveraged Index Return Notes®
Linked to a Global Equity Index Basket, due November 10, 2022
The terms and risks of the notes are contained in this term sheet and in the following:

Product supplement EQUITY INDICES LIRN-1 dated November 28, 2016:
https://www.sec.gov/Archives/edgar/data/70858/000119312516778251/d301984d424b5.htm

Series A MTN prospectus supplement dated November 4, 2016 and prospectus dated November 4, 2016:
https://www.sec.gov/Archives/edgar/data/70858/000119312516760144/d266649d424b3.htm

These documents (together, the Note Prospectus) have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated above or obtained from MLPF&S by calling 1-800-294-1322. Before you invest, you should read the Note Prospectus, including this term sheet, for information about us, BAC and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES LIRN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to we, us, our, or similar references are to BofA Finance, and not to BAC.

Investor Considerations

You may wish to consider an investment in the notes if:	**The notes may not be an appropriate investment for you if:**
You anticipate that the value of the Basket will increase from the Starting Value to the Ending Value.	You believe that the value of the Basket will decrease from the Starting Value to the Ending Value or that it will not increase sufficiently over the term of the notes to provide you with your desired return.
You are willing to risk a loss of principal and return if the value of the Basket decreases from the Starting Value to an Ending Value that is below the Threshold Value.	You seek 100% principal repayment or preservation of capital.
You are willing to forgo the interest payments that are paid on conventional interest bearing debt securities.	You seek interest payments or other current income on your investment.
You are willing to forgo dividends or other benefits of owning the stocks included in the Basket Components.	You want to receive dividends or other distributions paid on the stocks included in the Basket Components.
You are willing to accept a limited or no market for sales prior to maturity, and understand that the market prices for the notes, if any, will be affected by various factors, including our and BAC's actual and perceived creditworthiness, BAC's internal funding rate and fees and charges on the notes.	You seek an investment for which there will be a liquid secondary market.
You are willing to assume our credit risk, as issuer of the notes, and BAC's credit risk, as guarantor of the notes, for all payments under the notes, including the Redemption Amount.	You are unwilling or are unable to take market risk on the notes, to take our credit risk as issuer of the notes, or to take BAC's credit risk, as guarantor of the notes.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Leveraged Index Return Notes®
Linked to a Global Equity Index Basket, due November 10, 2022
Hypothetical Payout Profile and Examples of Payments at Maturity

Leveraged Index Return Notes

This graph reflects the returns on the notes, based on the Participation Rate of 162.8% and the Threshold Value of 90% of the Starting Value. The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Basket Components, excluding dividends.

This graph has been prepared for purposes of illustration only.

The following table and examples are for purposes of illustration only. They are based on **hypothetical** values and show **hypothetical** returns on the notes. They illustrate the calculation of the Redemption Amount and total rate of return based on the Starting Value of 100, the Threshold Value of 90, the Participation Rate of 162.8% and a range of hypothetical Ending Values. **The actual amount you receive and the resulting total rate of return will depend on the actual Ending Value, and whether you hold the notes to maturity.** The following examples do not take into account any tax consequences from investing in the notes.

For recent **hypothetical** values of the Basket, see The Basket section below. For recent actual levels of the Basket Components, see The Basket Components section below. Each Basket Component is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in any of the Basket Components, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer and guarantor credit risk.

Redemption Amount per Unit[1]
$1.0000
$6.0000
$9.0000
$10.0000
$10.0000
$10.0000
$10.0000
$10.0000
$10.3256
$10.8140
$11.6280
$13.2560
$14.8840
$16.5120

imited history of generating revenues, and the future revenue potential of our business is uncertain. As a result of our short operating hi
t can be used to evaluate our business and assess our future prospects. Any evaluation of our business and our prospects must be consi
, which may not be indicative of future performance, and the risks and uncertainties encountered by companies in our stage of develop
e increased risks, uncertainties, expenses and difficulties. To address these risks and uncertainties, we must do the following:

ain and expand our current, and develop new, relationships with broadband service providers and other potential customers;

ain and expand our current, and develop new, relationships with third-party content owners;

ain and expand our current, and develop new, relationships with search and advertising partners;

or improve our current revenue-sharing arrangements with our customers, third-party content owners and our search and
tising partners;

ue to develop new high-quality products that achieve significant market acceptance;

ue to develop and upgrade our technology;

ue to enhance our information processing systems;

se the number of subscribers that access our content and purchase our premium offerings;

te our business and marketing strategies successfully;

nd to competitive developments; and

, integrate, retain and motivate qualified personnel.

le to accomplish one or more of these objectives, which could cause our business to suffer. In addition, accomplishing these objectives
ersely impact our operating results and financial condition.

ry of significant net losses and may not be profitable in future periods.

d significant losses since inception, including a net loss of $3.0 million in 2004, a net loss of $0.8 million in 2005 and a net loss of $2.3

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t loss for the six months ended June 30, 2007 exceeded our net loss for the comparable period in 2006, and our net loss for the year end
d our net loss for 2006. Our expenses will continue increasing as we implement initiatives designed to grow our business, including, am
d marketing of new services and products, licensing of content, expansion of our infrastructure, international expansion and general and
being a public company. If our revenues do not sufficiently increase to offset these expected increases in operating expenses, we will co
ot become profitable. Our revenue growth in recent periods should not be considered indicative of our future performance. In fact, in fu
ccordingly, we may not be able to achieve profitability in the future. Any failure to achieve profitability may materially and adversely a
d financial condition, as well as the trading price of our common stock.

revenues and operating results can fluctuate, and if we fail to meet or exceed the expectations of securities analysts or investors, vestment could decline substantially.

r limited operating history and the rapidly changing nature of the markets in which we compete, our quarterly revenues and operating re
eriod. These fluctuations may be caused by a number of factors, many of which are beyond our control, including:

ilure of significant customers to renew their agreements with us;

bility to attract new customers;

ilure to maintain strong relationships and favorable revenue sharing arrangements with our search and advertising partners, in
ular Google;

bility to increase sales of value-added services and paid content to existing subscribers;

ction in the quantity or pricing of sponsored links that subscribers click on;

ction in the pricing of display advertisements by advertisers;

ning and success of new service and product introductions by us or our competitors;

e outages, other technical difficulties or security breaches;

tions relating to the capacity of our networks, systems and processes;

es in our pricing policies or those of our competitors;

es in the prices our customers charge for value-added services and paid content;

ions in the demand for our services and products and the implementation cycles of our services and products by our customers;

ilure to accurately estimate or control costs, including costs related to the initial launch of new customers websites;

aining appropriate staffing levels and capabilities relative to projected growth;

ning of costs related to the development or acquisition of technologies, services or businesses to support our existing customer
nd potential growth opportunities; and

al economic, industry and market conditions and those conditions specific to Internet usage and online businesses.

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ket for our services and products is relatively new and rapidly changing, it is difficult to predict future financial results. For these reason comparisons of our financial results, if any, as indications of future results. Our future operating results could fall below the expectation nificantly reduce the trading price of our common stock. Fluctuations in our operating results will likely increase the volatility of our st

s for a significant portion of our revenue, and any loss of, or diminution in, our business relationship with Google could materia rformance.

fic on our customers websites to generate search and advertising revenues, a substantial portion of which are derived from text-based ernet searches. We have a revenue-sharing relationship with Google, under which we typically include a Google-branded search tool on s a search request using this tool, we deliver it to Google. Google returns search results to us that include advertiser-sponsored links. If t Google receives payment from the sponsor of that link and shares a portion of that payment with us. We then typically share a portion o mer. Our Google-related revenues, which consist of the portion of the payment from the sponsor that Google shares with us, accounted n 2006 and 44.4% of our net sales in the six months ended June 30, 2007. Our agreement with Google, which was renewed in July 2006 oogle mutually elect to renew it. If advertisers were to discontinue their usage of Internet search, if Google s revenues from search-bas hare of Google s revenues were to be reduced, or if our agreement with Google were to be terminated for any reason or renewed on les e materially and adversely affected.

tomers are MSOs and Telcos, and consolidation within the cable and telecommunications industries, or migration of MSO and service provider to another, could adversely affect our business.

m MSOs and Telcos, including our search and advertising revenue generated by the traffic on these customers websites, accounted fo d more than 82% of our net sales in the six months ended June 30, 2007. The cable and telecommunications industries have experienced s, and we expect that this trend will continue. As a result of consolidation, some of our customers may be acquired by companies with v ships and which may have relationships with one of our competitors or may have the in-house capacity to perform the services we provi d cause us to lose customers and the associated subscriber-based and search and advertising revenues. For example, in April 2006, Com eted its acquisition of Susquehanna Communications, which subsequently ended its relationship with us as a customer in April 2007. In ble Inc., or Time Warner, and Comcast announced that they completed the acquisition of substantially all of the assets of Adelphia Con nection with the acquisition, we entered into a new agreement with Time Warner, under which we agreed that we will continue providi ne Warner subscribers the same services that such subscribers had been receiving under our agreement with Adelphia prior to the acquis ne Adelphia legacy agreement. Our revenues from the traffic associated with the former Adelphia subscribers have, however, declined ted with this traffic to continue to decline or cease in the near term.

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ay also require us to reduce prices as a result of enhanced customer leverage. We may not be able to offset the effects of any price reduc
ur customer base to counter any revenue declines resulting from the loss of customers or subscribers.

subscribers may become dissatisfied with their current broadband service provider and may switch to another provider. In the event tha
tion from our existing customers to service providers with which we do not have a relationship, the fees that we receive on a per-subscr
tising revenues generated by these customers websites, could decline.

gnificant customer could negatively affect our financial performance.

stantial portion of our net sales from a small number of customers. For example, net sales attributable to two customers, Charter Commu
r (pursuant to the Adelphia legacy agreement only), together accounted for approximately 53% of our net sales for the year ended Dece
to each of these customers accounting for more than 20% in such period. In addition, net sales attributable to Charter, Time Warner (p
t only) and Embarq Corporation, or Embarq, together accounted for approximately 56% of our net sales for the six months ended June
o of these customers each accounting for more than 15% in such period and net sales attributable to the third customer accounting for m
ese customers includes the subscriber-based revenues earned directly from them, as well as the search and advertising revenues earned
n traffic generated from their websites.

th these and other customers are generally long-term contracts, with a term of approximately two to three years. If any one of these key
inated, or if revenues from these significant customers decline because of competitive or other reasons, our revenues would decline anc
ity would be impaired. In addition to loss of subscriber-based revenues, including portal and paid content sales, we would also lose sign
d advertising services that we provide on these customers websites. We must maintain our key customer relationships, but we cannot
ng so.

**s with some of our customers and content providers contain penalties for non-performance and fixed payments, which could lim
rformance.**

into service level agreements with most of our customers. These agreements generally call for specific system up times and 24 hour
d include penalties for non-performance. We may be unable to fulfill these commitments due to circumstances beyond our control, whic
ties under those agreements, harm our reputation and result in a reduction of revenues or the loss of customers, which would have an ac

n of our agreements with customers and content providers require us to make fixed payments to them. The aggregate amount of such fi
08 and 2009 are approximately $7.1 million, $6.5 million and $1.6 million, respectively. We are required to make these fixed payments
ny revenue objectives or subscriber or usage levels. If we do not achieve our financial objectives, these contractual commitments woul
r revenue than originally anticipated and affect our profitability.

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in contracting with new customers are long and unpredictable, which makes it difficult to project when we will obtain new cust onal revenues and cash flows from those customers.

ervices and products directly to broadband service providers, including MSOs, Telcos and ISPs. New customer relationships typically t ures in many organizations, a significant time period may pass between selection of our services and products by key decision-makers a gth of time between the initial customer sales call and the realization of significant sales is difficult to predict and can range from sever difficult to predict when we will obtain new customers and when we will begin to generate revenues and cash flows from these potentia

h will be adversely affected if we are unable to expand the breadth of our services and products or to introduce new services an

sting customers, attract new customers and increase overall revenues, we must continue to develop and introduce new services and prod lop additional features to our existing product base. If our existing and prospective customers do not perceive that we will deliver our se o so, and if they do not perceive our services and products to be of sufficient value and quality, we may lose the confidence of our existi to these existing customers, and we may not be able to attract new customers, each of which would adversely affect our operating resul

management team and need additional personnel to expand our business, and the loss of key officers or an inability to attract a harm our business.

e continued contributions of our senior management and other key personnel, especially Ron Frankel, our chief executive officer, Eric George Chamoun, our senior vice president, and Ross Winston, our chief technology officer. The loss of the services of any of our exe harm our business. All of our executive officers and key employees are at-will employees, which means they may terminate their empl

ss also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative person qualified individuals from numerous technology, marketing and media companies, and we may incur significant costs to attract them. W ly qualified individuals, or we may be required to pay increased compensation in order to do so. If we are unable to attract and retain th our business would suffer.

of performance in the trading price of our common stock following the consummation of this offering may also affect our ability to att y of our senior management personnel and other key employees have become, or will become, vested in a substantial amount of stock o ely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the origina rcise prices of the options, or if the exercise prices of the options that they hold are significantly above the trading price of our common yees, our business, operating results and financial condition would be harmed.

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hird parties for content that is critical to our business, and our business could suffer if we do not continue to obtain high-quality

ontent that we aggregate on our customers portals from numerous third-party content providers, and our future success is highly deper
er into new relationships with these and other content providers. In the future, some of our content providers may not give us access to l
royalties, fees or percentages that they charge us for their content, which could have a material negative effect on our operating results.
our customers and their subscribers are not exclusive, and the content providers could license their content to our competitors. Our conte
titors exclusive licenses. In addition, our customers are not prohibited from entering into content deals directly with our content provide
factory arrangements with content providers would adversely affect our ability to provide a variety of interesting services and products
perating results could suffer as a result, and it may be more difficult for us to develop new relationships with potential customers. Our c
so increase due to price competition.

or capacity constraints could harm our business and financial performance.

our services and products depends on the continuing operation of our information technology and communications systems. Any dama
sult in interruptions in our service. Interruptions in our service could reduce our revenues and profits, and our reputation could be dama
liable. Our systems are vulnerable to damage or interruption from snow storms, terrorist attacks, floods, fires, power loss, telecommunic
r denial of service attacks or other attempts to harm our systems and similar events. Our data center is also subject to break-ins, sabotag
potential disruptions if the operators of the facility have financial difficulties. Although we maintain insurance to cover a variety of ris
coverage may not be sufficient to cover our losses resulting from system failures or other disruptions to our online operations. For exan
tion insurance is approximately $1.0 million. Any system failure or disruption and any resulting losses that are not recoverable under o
our business, operating results and financial condition.

ularly back-up our systems and store these system back-ups in a site located in the greater Buffalo, New York area, we do not have full
o rely on our system back-ups, we would experience significant delays in restoring the functionality of our customers websites and co
m our business and our operating results.

d products may become less competitive or even obsolete if we fail to respond to technological developments.

ss will depend, in part, on our ability to modify or enhance our services and products to meet customer and subscriber needs, to add fun
vancements that would improve their performance. For example, if our services and products do not adapt to the increasing video usage
lving developments in social networking, then they could begin to appear obsolete.

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etitive, we will need to develop new services and products and adapt our existing ones to address these and other evolving technologies
ccessful in identifying new opportunities or in developing or marketing new services and products in a timely or cost-effective manner.
not achieve the market penetration or price levels necessary for profitability. If we are unable to develop enhancements to, and new fea
ducts or if we are unable to develop new services and products that keep pace with rapid technological developments or changing indus
y become obsolete, less marketable and less competitive, and our business will be harmed.

vely manage growth in our business.

e expanded our business through organic growth. We expect to continue to grow organically, and we may also grow through strategic ac
placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Our ability
o integrate new technologies and acquisitions into our existing business will require us to continue to expand our operational, financial a
ems and to continue to retain, attract, train, motivate and manage key employees. Continued growth could strain our ability to:

op and improve our operational, financial and management controls;

ce our reporting systems and procedures;

t, train and retain highly skilled personnel;

ain our quality standards; and

ain content owner and customer satisfaction.

owth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of
t grows, our business, operating results and financial condition would be harmed.

**international markets, which is an important part of our strategy, but where we have limited experience, will subject us to risks
perations.**

nd our product offerings internationally, particularly in Europe and, over the long term, in Asia and Latin America. We have limited exp
rvices and products in international markets, and we may not be able to successfully develop our business in these markets. Our success
o the success of relationships with potential customers, content partners and other third parties.

nal markets in which we plan to operate continue to grow, competition in these markets will intensify. Local companies may have a sub
se of their greater understanding of and focus on the local markets. Some of our domestic competitors who have substantially greater re
ckly and comprehensively develop and grow in the international markets. International expansion may also require significant financial
ngs, the expense of developing localized products, the costs of acquiring foreign companies and the integration of such companies with
eveloping customer and content relationships and the increased costs of supporting remote operations.

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ing business in international markets include the increased risks and burdens of complying with different legal and regulatory standards
ign operations, recruiting and retaining talented direct sales personnel, limitations on the repatriation of funds and fluctuations of foreig
t technology adoption and infrastructure, and our ability to enforce contracts in foreign jurisdictions. In addition, our success in internati
rs to international expansion such as tariffs, adverse tax consequences and technology export controls. If we cannot manage these risks
n some international markets may be prohibitive or our costs may increase disproportionately to our revenues.

**l our business through acquisitions of, or investments in, other companies or new technologies, which may divert our manageme
sful.**

ve no present understandings, commitments or agreements to pursue acquisitions of other businesses, we may decide to do so in the futu
agement s time and focus from operating our business. In addition, integrating an acquired company, business or technology is risky a
lties and expenditures, including, among other things:

porating new technologies into our existing business infrastructure;

lidating corporate and administrative functions;

inating our sales and marketing functions to incorporate the new business or technology;

aining morale, retaining and integrating key employees to support the new business or technology and managing our expansion
acity; and

aining standards, controls, procedures and policies (including effective internal controls over financial reporting and disclosure
ols and procedures).

nificant portion of the purchase price of companies we may acquire may be allocated to acquired goodwill and other intangible assets, v
ast annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our earnings based or
ess, which could harm our operating results.

ns could result in potentially dilutive issuances of our equity securities, including our common stock, or the incurrence of debt, conting
ired in-process research and development expenses, any of which could harm our financial condition and operating results. Future acqu
tional financing, which may not be available on favorable terms or at all.

epends, in part, on our ability to protect and enforce our intellectual property rights.

f our intellectual property is critical to our success. We rely on copyright and trademark enforcement, contractual restrictions and trade
s. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure ag
m we conduct business to limit access to and disclosure of our proprietary information. However, if we are unable to adequately protect
v suffer from the piracy of our technology and the associated loss in revenue. Other parties may

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ly develop similar or competing products that do not infringe upon our intellectual property rights, and that are similar or superior to ou

st the unauthorized use of our intellectual property and other proprietary rights is expensive, difficult and, in some cases, impossible. Li
nforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rig
e costly and divert management resources, either of which could harm our business. Furthermore, many of our current and potential co
antially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to
r misappropriating our intellectual property.

**n a third party that we are infringing upon its intellectual property, whether valid or not, could subject us to costly and time-co
es or force us to curtail some services or products.**

e Internet and technology industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into lit
fringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property r
nologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or withou
expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent us fro
others and may require that we procure substitute products or services for our customers.

y intellectual property rights claim, we may have to pay damages or stop using technology found to be in violation of a third party s rig
chnology, which may not be available on reasonable terms and may significantly increase our operating expenses. The technology also
ll. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and exp
ology for the infringing aspects of our business, we may be forced to limit our service and product offerings and may be unable to comp
ces could harm our operating results.

ntly subject to any legal proceedings with respect to our intellectual property; however, we may from time to time become a party to va
ur intellectual property arising in the ordinary course of our business.

ed disclosure or theft of private information we gather could harm our reputation and subject us to claims or litigation.

have access to, personal information of subscribers, including names, addresses, account numbers, credit card numbers and email addres
sonally identifiable information regarding website visitors, whether through breach of our systems by an unauthorized party, employee
harm our business. If there were an inadvertent disclosure of personally identifiable information, or if a third party were to gain unauth
fiable information we possess, our operations could be seriously disrupted and we could be subject to claims or litigation arising from d
r customers. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding th
mation. Finally, any perceived or actual

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closure of the information we collect could harm our reputation, substantially impair our ability to attract and retain customers and have

e additional capital to grow our business, and this capital may not be available on acceptable terms or at all.

ally relied on outside financing, principally equity investments by venture capital investors, which are a substantial majority of our exis
sh flows from operations to fund our operations, capital expenditures and expansion. In the future, the operation of our business and our
nt additional capital, especially if we were to accelerate our expansion and acquisition plans. If the cash generated from operations and f
t our capital requirements, we will need to seek additional capital, potentially through debt or equity financings, to fund our growth. We
n terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, an
be willing to purchase our securities may be lower than the initial public offering price, in which case our existing stockholders would s
ew securities may also receive rights, preferences or privileges that are senior to those of existing holders of our common stock. If new
insufficient or unavailable, we could be required to delay, abandon or otherwise modify our growth and operating plans to the extent of
ability to grow our business.

nterpretations of, accounting rules and regulations, including recent rules and regulations regarding expensing of stock options
counting charges and make attracting and retaining personnel more difficult.

financial statements to conform to accounting principles generally accepted in the United States, or GAAP. These accounting principles
the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission, or SEC, and other regulatory bodies. A
have a significant effect on our reported results and might affect our reporting of transactions completed before a change is announced.
ns as a fundamental component of our employee compensation packages. We believe that stock options directly motivate our employees
e and, through the use of vesting, encourage employees to remain in our employ. Several regulatory agencies and entities have made reg
ficult or expensive for us to grant stock options to employees. For example, the FASB released Statement of Financial Accounting Stan
ayments, which required us to record a charge to earnings for employee stock option grants beginning in January 2006. We may, as a r
nsation costs or change our equity compensation strategy, which could make it more difficult to attract, retain and motivate employees.
dversely affect our business, operating results and financial condition.

lose confidence in our financial reports, and the trading price of our common stock may be adversely affected, if our internal co
und by management or by our independent registered public accounting firm not to be adequate or if we disclose material weak

l controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Ac
Act, will require us to evaluate and report on our internal control over financial reporting and have our independent registered public ac
ning

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Report on Form 10-K for the year ending December 31, 2008. We are in the process of preparing and implementing an internal plan fo strengthening and testing our system of internal controls to provide the basis for our report. The process of implementing our internal co be expensive and time consuming, and will require significant attention of management. We cannot be certain that these measures will equate controls over our financial processes and reporting in the future. Even if we conclude, and our independent registered public acco rol over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial rdance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may n . Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating rting obligations.

pendent registered public accounting firm discover a material weakness in our internal control over financial reporting, the disclosure o reduce the market s confidence in our financial statements and harm our stock price.

ay in compliance with Section 404 could subject us to a variety of administrative sanctions, including ineligibility for short form resale sion or delisting of our common stock from The Nasdaq Global Market and the inability of registered broker-dealers to make a market i ther reduce the trading price of our common stock and could harm our business.

our initial public offering may limit our ability to use our net operating loss carryforwards.

31, 2006, we had substantial federal and state net operating loss, or NOL, carryforwards. Under the provisions of the Internal Revenue ges in our ownership may limit the amount of NOL carryforwards that we can utilize in the future to offset taxable income. We believe t ering, it is possible that a change in our ownership will be deemed to have occurred. If such a change in our ownership is deemed to occ rds in any fiscal year may be limited under these provisions.

Risks Related to Our Industry

he market for our services and products depends on the continued growth of the Internet as a medium for content, advertising, s.

sales of our services and products depends on the continued acceptance of the Internet as a platform for content, advertising, commerce e Internet as a medium for such uses could be adversely impacted by delays in the development or adoption of new standards and protoc rnet activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service. The performance of the Internet and its acceptan viruses, worms, and similar malicious programs, and the Internet has experienced a variety of outages and other delays as a result of dar for any reason the Internet does not remain a medium for widespread content, advertising, commerce and communications, the demand be significantly reduced, which would harm our business.

s

he market for our services and products depends on the development and maintenance of the Internet infrastructure.

ategy depends on continued Internet and broadband access growth. Any downturn in the use or growth rate of the Internet or broadband
ır business. If the Internet continues to experience significant growth in number of users, frequency of use and amount of data transmitt
ght not be able to support the demands placed on it and the performance or reliability of the Internet may be adversely affected. The suc
s on the development and maintenance of a sound Internet infrastructure. This includes maintenance of a reliable network backbone wi
urity, as well as timely development of complementary products, such as routers, for providing reliable Internet access and services. Co
the growth of the market for our products depends upon improvements made to the Internet as well as to individual customers network
ding and congestion. In addition, any delays in the adoption of new standards and protocols required to govern increased levels of Inter
gulation may have a detrimental effect on the Internet infrastructure.

**ortion of our net sales are derived from search and advertising, so that our net sales might decline if advertisers do not continue
dvertising medium.**

and expect to continue to derive a substantial portion of our net sales from search-based and other advertising on our customers webs
mand and market acceptance for Internet advertising are uncertain. If advertisers do not continue to increase their usage of the Internet,
rtisers that have traditionally relied on other advertising media may not advertise on the Internet. Most advertising agencies and potenti
have only limited experience advertising on the Internet and devote only a small portion of their advertising expenditures to online adv
ers may find online advertising to be a less attractive or effective means of promoting their services and products than traditional metho
llocate funds for Internet advertising. Many historical predictions by industry analysts and others concerning the growth of the Internet
he growth of the Internet and you should not rely upon them. This growth may not occur or may occur more slowly than estimated.

ch revenues are based on the number of paid clicks on sponsored links that are included in search results generated from our custome
clicks on a sponsored link, the search provider that provided the commercial search result receives a fee from the advertiser who paid f
rovider pays us a portion of that fee and we, in turn, typically share a portion of the fee we receive with our customer. If an advertiser re
er of clicks for which it needs to pay, but that do not result in a desired activity or an increase in sales, the advertiser may reduce or elim
ch provider that provided the commercial search result to us. This may lead to a loss of revenue to our search providers and consequentl
e a material negative effect on our financial results.

e you that market prices for online advertising will not decrease due to competitive or other factors. In addition, if a large number of Int
ns that limit or remove advertising from the users view, advertisers may perceive that Internet advertising is not effective and may cho
er, there are varying standards for the measurement of the effectiveness of Internet advertising, and no single standard may develop suf

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significant advertising medium. If no such standards develop, advertisers may be reluctant to transition to the Internet from conventiona

Internet-based services and products in which we operate is highly competitive, and if we cannot compete effectively, our sales e harmed.

he market for Internet-based services and products in which we operate is intense and involves rapidly-changing technologies and custo well as evolving industry standards and frequent product introductions. Our primary competitors include broadband service providers v capable of developing similar solutions in-house and Yahoo! Inc., or Yahoo!, InfoSpace, Inc., or InfoSpace, Ask.com, a wholly-owned Corp, or Ask, Google, AOL LLC, or AOL, and MSN, a division of Microsoft Corporation, or Microsoft. Advantages of some of our exi er us include the following:

icantly greater revenues and financial resources;

ger brand and consumer recognition;

pacity to leverage their marketing expenditures across a broader portfolio of services and products;

extensive proprietary intellectual property from which they can develop or aggregate content without having to pay fees or g significantly lower fees than we do;

xisting relationships with content providers that afford them access to content while blocking the access of competitors to that content;

xisting relationships with MSOs, Telcos and ISPs that afford them a strong customer base;

labor and development costs; and

er global distribution and presence.

to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline, our margins could d y of which would materially harm our business, operating results and financial condition.

es continually change and are unpredictable, and our sales may decline if we fail to enhance our service and content offerings to ptance.

pends on aggregating and providing services and content that our customers will place on their websites, including news, entertainment, find engaging, and value-added services and paid content that subscribers will buy. We must continue to invest significant resources in t and marketing to enhance our service and content offerings, and we must make decisions about these matters well in advance of produ manner. Our success depends, in part, on unpredictable and volatile factors beyond our control, including subscriber preferences, comp vailability of other news, entertainment, sports and other services and content. If our services and content are not responsive to the requ s of their subscribers, or the services and content are not brought to market in a timely and effective manner, our business, operating res be harmed. Even if our services and content are successfully introduced and initially adopted, a subsequent

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rences of our customers or their subscribers could cause a decline in our services and content s popularity that could materially reduce
of operations and financial condition.

gulation of the Internet continues to evolve, and new laws and regulations could significantly harm our financial performance.

relatively few laws specifically directed towards conducting business over the Internet. We expect more stringent laws and regulations
adoption or modification of laws related to the Internet could harm our business, operating results and financial condition by, among oth
strative burdens. Due to the increasing popularity and use of the Internet, many laws and regulations relating to the Internet are being de
levels, which are likely to address a variety of issues such as:

rivacy and expression;

to collect and/or share necessary information that allows us to conduct business on the Internet;

t compliance;

g and taxation;

tising;

ctual property rights;

mer protection;

tion of minors;

nt regulation;

nation security; and

y of services and products.

aws that could have an impact on our business have been adopted. The Digital Millennium Copyright Act of 1998 is intended to reduce
s of third-party content, including content that may infringe copyrights or rights of others. The Children s Online Privacy Protection Ac
e ability of online services to collect user information from minors. In addition, the Protection of Children from Sexual Predators Act re
rt evidence of violations of federal child pornography laws under certain circumstances.

tions regarding user privacy and information security impact our business because we collect and use personal information regarding th
e this information to deliver more relevant content and services and provide subscribers with a personalized online experience. We shar
with our partners and, subject to confidentiality agreements, to prospective partners and sponsors. Laws such as the CAN-SPAM Act of
could restrict our and our customers ability to market products to their subscribers, create uncertainty in Internet usage and reduce the
ire us to redesign our customers Internet portals.

costly for us to comply with existing and potential laws and regulations, and they could harm our marketing efforts and our attractivene
gs, restricting our ability to collect demographic and personal information from

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use or disclose that information in certain ways. If we were to violate these laws or regulations, or if it were alleged that we had, we co
nd injunctions and our business could be harmed. Even though we believe we meet the safe harbor requirements of the Digital Millenni
d to copyright actions, which could be costly and time-consuming to defend.

cability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, s
vacy is uncertain. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not curren
n of existing laws and regulations to the Internet and other online services could also increase our costs of doing business, discourage In
or our services, and expose us to substantial liability.

Risks Related to this Offering and Ownership of Our Common Stock

**ckholders will continue to have substantial control over us after this offering, which could limit your ability to influence the out
as an acquisition of our company.**

nsummation of this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their af
egate, approximately % of our outstanding common stock, or % if the underwriters exercise their over-allotment option in full. As
er, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directo
sale of all or substantially all of our assets. In addition, these stockholders, if they act together, would have the ability to control the ma
dingly, this concentration of ownership might harm the trading price of our common stock by:

ng, deferring or preventing a change in our control;

ling a merger, consolidation, takeover or other business combination involving us; or

uraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

our common stock may cause the trading price of our common stock to decline.

ockholders, particularly our directors, their affiliated venture capital funds and our executive officers, sell substantial amounts of our co
rceived by the public market as intending to sell, the trading price of our common stock could decline below the initial public offering p
f June 30, 2007, upon completion of this offering, we will have outstanding shares of common stock (or shares if the under
ption in full). Of these shares, only the shares of common stock sold in this offering will be immediately freely tradable, without restrict
shares held by affiliates, as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act.

ecutive officers, holders of substantially all of our common stock and holders of options and warrants to purchase our stock have agree
exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable or exercisable for shar

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he date that is 180 days after the date of this prospectus, except with the prior written consent of Deutsche Bank Securities Inc. In additi
ommon stock and options to purchase our common stock have previously entered into agreements with us not to sell or otherwise transfe
es convertible into or exchangeable for shares of common stock for a period through the date 180 days after the date of this prospectus.

ricted period under the agreements with the underwriters described in the preceding paragraph will be automatically extended if: (1) du
d period we release earnings results or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-d
e will release earnings results during the 16-day period following the last day of the 180-day period, in which case the restrictions descr
ontinue to apply until the expiration of the 18-day period beginning on the release of the earnings results or material news or the occurre

ion of the contractual lock-up agreements pertaining to this offering 180 days from the date of this prospectus, or such longer period de
shares will be eligible for sale in the public market, of which will be held by directors, executive officers and other affiliates and
r Rule 144 under the Securities Act and, in certain cases, various vesting agreements. Some of our existing stockholders have demand an
ster with the Securities and Exchange Commission, or SEC, up to 11,671,891 shares of our common stock, subject to contractual lock-u
Capital Stock Registration Rights for more information. If we register any of these shares of common stock, the stockholders would b
lic market.

hares that are either subject to outstanding options or that may be granted in the future under our 2007 Equity Incentive Plan, and the sh
rants, will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the cont
nd 701 under the Securities Act.

g, we intend to register the shares of our common stock that we may issue under our equity plans. Once we register these shares, they c
on issuance, subject to any vesting or contractual lock-up agreements.

dditional shares described are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stoc
nation, see Shares Eligible for Future Sale.

**s of our certificate of incorporation, bylaws and Delaware law may discourage, delay or prevent a merger or acquisition that yo
emoval of our current board of directors and management.**

d restated certificate of incorporation and amended and restated bylaws contain provisions that may discourage, delay or prevent a merg
vorable or prevent the removal of our current board of directors and management. We have a number of anti-takeover devices in place th
ng:

oard of directors is classified into three classes of directors with staggered three-year terms;

rectors may only be removed for cause, and only with the affirmative vote of at least 50.1% of the voting interest of stockholders
d to vote;

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our board of directors and not our stockholders will be able to fill vacancies on our board of directors;

our chairman of the board, our chief executive officer or a majority of our board of directors, and not our stockholders, are rized to call a special meeting of stockholders;

ockholders will be able to take action only at a meeting of stockholders and not by written consent;

mended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established hares of which may be issued without stockholder approval; and

ce notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual ng of stockholders.

and other provisions in our charter documents could discourage, delay or prevent a transaction involving a change in our control. Any l transaction could cause stockholders to lose a substantial premium over the then-current trading price of their shares. These provisions nd could make it more difficult for you and other stockholders to elect directors of your choosing or to cause us to take other corporate a

re subject to Section 203 of the Delaware General Corporation Law, which, subject to some exceptions, prohibits business combinatio an interested stockholder, which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delawar period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring stockholders might consider to be in their best interests. See Description of Capital Stock Anti-Takeover Effects of Our Certificate of

id cash dividends on our capital stock and we do not expect to do so in the foreseeable future.

orically paid cash dividends on our capital stock. We anticipate that we will retain all future earnings and cash resources for the future c and as a result, we do not anticipate paying any cash dividends to holders of our capital stock for the foreseeable future. Any future dete dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capita ons and other factors that our board may deem relevant. Consequently, investors must rely on sales of their common stock after price ap he only way to realize any future gains on their investment. Investors seeking cash dividends should not invest in our common stock.

oad discretion in the use of the net proceeds from this offering and may fail to apply these proceeds effectively.

t will have broad discretion in the application of the net proceeds that we will receive from this offering, including for working capital, rporate purposes. We cannot specify with certainty the actual uses of the net proceeds that we will receive from this offering. You may r nagement chooses to allocate and spend the net proceeds. Pending their use, we may invest the net proceeds from this offering in a man

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failure by our management to apply these funds effectively could harm our business and financial condition.

his offering will suffer immediate and substantial dilution.

c offering price of our common stock is substantially higher than the net tangible book value per share of our common stock outstanding
o forma net tangible book value as of June 30, 2007 was $16.3 million, or approximately $1.34 per share. Our pro forma net tangible bo
nount of our total tangible assets reduced by the amount of our total liabilities and divided by 12,223,502 shares of common stock outsta
nversion of all outstanding shares of preferred stock into shares of common stock upon the closing of this offering. Investors who purch
pay a price per share that substantially exceeds the pro forma net tangible book value per share of our common stock. If you purchase c
l experience immediate and substantial dilution of $ in the net tangible book value per share of our common stock, based upon the in
, which represents the mid-point of the range set forth on the cover page of this prospectus. Investors who purchase our common stock i
of the shares outstanding immediately after the offering, but will have paid % of the total consideration for those shares. If previously
rcised, additional dilution will occur. As of June 30, 2007, options to purchase 2,369,161 shares of our common stock with a weighted a
1.08 per share were outstanding. In addition, as of the date of this prospectus, warrants to purchase an aggregate of 598,292 shares of ou
$1.17 were outstanding. Exercise of these options and warrants will result in additional dilution to purchasers of our common stock in t

**et for our common stock may not develop, which could make it difficult for you to sell your shares of common stock and could h
ue of your investment.**

ring, there has been no public market for shares of our common stock. We have applied to list our common stock on The Nasdaq Globa
ver, we cannot assure you that an active public trading market for our common stock will develop on that exchange or elsewhere or, if d
sustained. Accordingly, we cannot assure you of the liquidity of any such market, your ability to sell your shares of common stock or th
hares of common stock. As a result, you could lose all or part of your investment.

ce and volume of our common stock is likely to be volatile, and you might not be able to sell your shares at or above the initial p

trading market develops, the trading price of our common stock may be highly volatile and could be subject to wide fluctuations. In ad
tock may fluctuate and cause significant price variations to occur. If the trading price of our common stock declines significantly, you m
above your purchase price. We cannot assure you that the trading price of our common stock will not fluctuate or decline significantly
l negatively

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price or result in fluctuations in the price or trading volume of our common stock include:

ions in our financial performance;

ncements of technological innovations, new services and products, strategic alliances or significant agreements by us or by our etitors;

tment or departure of key personnel;

es in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our non stock;

t conditions in our industry, the industries of our customers and the economy as a whole;

on or modification of laws, regulations, policies, procedures or programs applicable to our business or announcements relating se matters; and

piration of contractual lock-up agreements.

e market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common s d to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to event r industry even if these events do not directly affect us. Some companies that have had volatile market prices for their securities have ha n. A suit filed against us, regardless of its merits or outcome, could cause us to incur substantial costs and could divert management s a

ndustry analysts do not publish research or reports about our company, our stock price and trading volume could decline.

ket for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our busi ver obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our compa negatively impacted. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who cover us downgra favorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our comp ularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

ncreased costs and demands upon management as a result of complying with federal securities laws and regulations applicable t versely affect our financial performance.

pany, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sa ions of The Nasdaq Global Market. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and The Nasdaq G ements on public companies, including enhanced corporate governance practices. For example, the Nasdaq listing requirements require rporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, stockho tation of proxies, conflicts of interest, stockholder voting rights and codes of business conduct.

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s of these rules and regulations will increase our legal, accounting and financial compliance costs, will make some activities more diffic
lso place undue strain on our personnel, systems and resources. Our management and other personnel will need to devote a substantial a
ese rules and regulations will also make it more difficult and more expensive for us to maintain directors and officers liability insura
d coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors and officers insur
directors, especially those directors who may be considered independent for purposes of Nasdaq rules, and officers will be significantly

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

includes forward-looking statements that reflect our current views with respect to future events or our future financial performance and uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from rmance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, believes, exp ns, targets, likely, may, might, will, would, should, could, and similar expressions or phrases identify forward- ed to, statements about:

pected future financial performance;

pectations regarding our operating expenses;

ility to maintain or broaden relationships with existing customers and develop relationships with new customers;

ccess in anticipating market needs or developing new or enhanced services and products to meet those needs;

pectations regarding market acceptance of our services and products;

ility to recruit and retain qualified technical and other key personnel;

mpetitive position in our industry, as well as innovations by our competitors;

ccess in managing growth;

ans to expand into international markets;

ccess in identifying and managing potential acquisitions;

pacity to protect our confidential information and intellectual property rights;

ed to obtain additional funding and our ability to obtain funding in the future on acceptable terms;

pectations regarding the use of proceeds from this offering; and

pated trends and challenges in our business and the markets in which we operate.

king statements contained in this prospectus are based upon our historical performance and our current plans, estimates and expectation information should not be regarded as a representation by us, the underwriters or any other person that the future plans, estimates or ex ed. All forward-looking statements involve risks, assumptions and uncertainties. The occurrence of the events described, and the achiev n many factors, some or all of which are not predictable or within our control. Actual results may differ materially from expected result prospectus for a more complete discussion of these risks, assumptions and uncertainties and for other risks and uncertainties. These ris not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forwar r unpredictable factors also could harm our results. In light of these risks, uncertainties and assumptions, the forward-looking events di Except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result ise.

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USE OF PROCEEDS

our net proceeds from the sale of the shares of common stock that we are offering will be approximately $, assuming an initi
hich is the midpoint of the range of the initial public offering price listed on the cover page of this prospectus, and after deducting the e
mmissions and estimated offering expenses payable by us. If the underwriters option to purchase additional shares in this offering is e
eeds will increase by approximately $.

the net proceeds to us from this offering for working capital and other general corporate purposes. These purposes may include expans
ies through hiring additional personnel or funding new marketing initiatives. They may also include investments in research and develo
technical staff may wish to pursue in the future to enhance our product offerings. In addition, the net proceeds may be used to pursue c
t arise in the future.

a portion of the net proceeds to expand our current business through acquisitions of other companies, assets, products or technologies t
our solution, further solidify our market position or allow us to offer complementary services and products. However, we do not have ag
acquisitions at this time.

rpose of this offering is to create a public market for our common stock, and we have not yet determined the specific uses of the net pro
nnot specify with certainty the amounts to be used for each of the purposes discussed above. The amounts and timing of any expenditur
sh generated by our operations, competitive and technological developments and the rate of growth of our business. As a result, we will
proceeds from this offering, and investors will be relying on our judgment regarding the application of these net proceeds.

of the net proceeds from this offering, we intend to invest the net proceeds in short-term investment-grade, interest-bearing securities.

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DIVIDEND POLICY

eclared or paid cash dividends on our capital stock. We currently intend to retain all future earnings and cash resources for the future op
nd do not anticipate paying any cash dividends for the foreseeable future. Any future determination to declare cash dividends will be m
s and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors th
nt.

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CAPITALIZATION

ble sets forth our capitalization as of June 30, 2007:

actual basis;

ro forma basis to give effect to the automatic conversion of all outstanding shares of preferred stock into common stock rrently with the closing of this offering; and

ro forma as adjusted basis to give effect to the receipt of the estimated net proceeds from the sale of shares of common offered by us in this offering at an assumed initial public offering price of $, which is the midpoint of the range of the initial offering price listed on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions stimated offering expenses payable by us, and the filing of our amended and restated certificate of incorporation immediately o the closing of this offering.

this table in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Conditi financial statements and related notes included elsewhere in this prospectus.

	As of June 30			
	Actual		Pro Forma	
	(in thousands, except share			
quivalents	$	12,225	$	12,225
igations, including current portion		2,432		2,432
quity:				
$0.01 par value per share, 20,000,000 shares authorized, 626,743 shares issued and outstanding, 00 shares authorized, 12,223,502 shares issued and outstanding, pro forma; 100,000,000 shares shares issued and outstanding, pro forma as adjusted		6		122
vertible shares of Series A, Series A-1, Series B and Series C preferred stock ($0.01 par value per 89 shares authorized, 11,596,759 shares issued and outstanding, actual; 12,520,389 shares hares issued and outstanding pro forma; 10,000,000 shares authorized, no shares issued and forma as adjusted		28,432		
in capital		40,981		69,297
ficit		(53,077)		(53,077
rs equity		16,342		16,342
on	$	18,774	$	18,774

rs option to purchase additional shares in the offering were exercised in full, pro forma as adjusted cash and cash equivalents, addition quity (deficit), total capitalization and shares issued and outstanding as of June 30, 2007 would be $, $, $, $ and sha

des the following shares:

,161 shares of common stock issuable upon exercise of stock options outstanding as of June 30, 2007 at a weighted average
se price of $1.08 per share;

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92 shares of common stock issuable upon exercise of warrants outstanding as of June 30, 2007 at an exercise price of $1.17 per

gregate of 161,941 shares of common stock reserved as of June 30, 2007 for future grants under our 2000 Stock Plan and Stock Plan and an additional 550,000 shares of common stock reserved since June 30, 2007 for future grants; and

,000 shares of common stock reserved for future issuance under our 2007 Equity Incentive Plan and 250,000 shares of common reserved for issuance under our 2007 Employee Stock Purchase Plan, each of which will become effective on the effective date registration statement of which this prospectus is a part.

nt Equity Benefit Plans for a description of our equity plans.

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DILUTION

et tangible book value as of June 30, 2007 was $16.3 million, or approximately $1.34 per share. Our pro forma net tangible book value p
tal tangible assets reduced by the amount of our total liabilities and divided by 12,223,502 shares of common stock outstanding after gi
outstanding shares of preferred stock into shares of common stock upon the closing of this offering.

k value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of comm
a net tangible book value per share of common stock immediately after completion of this offering. After giving effect to our sale of
ring at an assumed initial public offering price of $ per share, which is the midpoint of the range of the initial public offering price li
and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our pro forma net tangible boo
$ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share attributab
on in pro forma net tangible book value of $ per share to purchasers of common stock in this offering, as illustrated in the following

public offering price per share		$
ngible book value per share as of June 30, 2007	1.34	
orma net tangible book value per share attributable to new investors		
ngible book value per share after the offering		
e to new investors		

rs exercise in full their option to purchase additional shares of our common stock in this offering, the pro forma net tangible book value
er share, the increase in pro forma net tangible book value per share to existing stockholders would be $ per share and the dilution to
ering would be $ per share.

ase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our pro forma net tangible book v
he increase in pro forma net tangible book value attributable to new investors by $ per share and the dilution in pro forma net tangibl
mmon stock in this offering by $ per share, assuming that the number of shares offered by us, as set forth on the cover page of this pr
educting an assumed underwriting discount and estimated offering expenses we must pay.

ble presents on a pro forma basis as of June 30, 2007, after giving effect to the automatic conversion of all outstanding shares of preferr
letion of this offering, the differences between the existing stockholders and the

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ares in the offering with respect to the number of shares purchased from us, the total consideration paid and the average price paid per sl

	Shares Purchased		Total Consideratio	
	Number	Percent	Amount	Per
	(in thousands except share and per share da			
lders	12,223,502		$ 69,419	
rs				

007, there were options outstanding to purchase a total of 2,369,161 shares of common stock at a weighted average exercise price of $1. ons are exercised, there will be further dilution to new investors. For a description of our equity plans, please see Management Equity

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SELECTED CONSOLIDATED FINANCIAL DATA

the following selected consolidated historical financial data below in conjunction with Management s Discussion and Analysis of Fi
nd the consolidated financial statements, related notes and other financial information included in this prospectus. The selected consolid
ended to replace the consolidated financial statements and is qualified in its entirety by the consolidated financial statements and related

elected consolidated financial data for the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007 and
ne 30, 2007 from our audited consolidated financial statements and related notes, which are included in this prospectus. We derived the
the years ended December 31, 2002 and 2003 and as of December 31, 2002, 2003 and 2004 from our audited consolidated financial st
cluded in this prospectus. The selected consolidated financial data for the six months ended June 30, 2006 are derived from our unaudite
ents and related notes included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepa
olidated financial statements and include, in the opinion of management, all adjustments, which include only normal recurring adjustme
ary for the fair presentation of the financial information set forth in those statements. Historical results are not necessarily indicative of
 months ended June 30, 2007 are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

asic and diluted net loss per common share data for the year ended December 31, 2006 and the six months ended June 30, 2007 reflect t
es of preferred stock into 11,596,759 shares of common stock in connection with this offering. See Note 1 of Notes to Consolidated Fin
e method used to determine the number of shares used in computing pro forma basic and diluted net loss per common share.

	Year Ended December 31,					S
	2002	2003	2004	2005	2006	20 (unau
	(in thousands except share and per share data)					
atements of Operations Data:						
	$ 1,782	$ 1,320	$ 2,385	$ 14,340	$ 26,327	$
ses:						
	341	1,051	1,244	7,781	15,327	
velopment	1,420	1,180	1,361	2,615	4,274	
ing	1,005	1,339	1,400	2,214	3,939	
inistrative(1)	3,930	884	1,122	2,299	4,679	
l amortization	172	202	191	177	465	
xpenses	6,868	4,656	5,318	15,086	28,684	
tions	(5,086)	(3,336)	(2,933)	(746)	(2,357)	
shment of debt					(32)	
	245	19	27	93	279	
	(127)	(75)	(77)	(117)	(132)	
me taxes	(4,968)	(3,392)	(2,983)	(770)	(2,242)	
ome taxes					14	
	$ (4,968)	$ (3,392)	$ (2,983)	$ (770)	$ (2,256)	$

mon share, basic and diluted	$	(119.72)	$	(41.24)	$	(36.27)	$	(9.20)	$	(18.83)	$

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	Year Ended December 31,					S
	2002	2003	2004	2005	2006	20 (unau
	(in thousands except share and per share data)					
ge number of common shares sic and diluted	41,497	82,253	82,260	83,630	119,815	
ss per share, basic and diluted					$ (0.19)	
ge number of common shares used in orma basic and diluted loss per share					11,716,574	

of depreciation and amortization shown separately.

	As of December 31,				
	2002	2003	2004	2005	2
	(in thousands)				
alance Sheet Data:					
quivalents	$ 1,376	$ 1,841	$ 4,472	$ 2,721	$
s, net	424	232	368	2,067	
ipment, net	350	196	613	1,190	
	2,606	2,393	5,926	6,243	
payable, capital lease obligations and other long term	630	636	845	934	
rs equity	1,109	867	3,342	2,554	

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MANAGEMENT S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

scussion of our results of operations and financial condition should be read in conjunction with the information set forth in Selected C onsolidated financial statements and the notes thereto included in this prospectus. This discussion contains forward-looking statements imates and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forwar considerations, the matters discussed under Risk Factors and Special Note Regarding Forward-Looking Statements.

nternet platform and a portfolio of digital content and services that enable broadband service providers, such as MSOs, Telcos and ISPs, e for their subscribers. Our technology platform is used to create customized Internet portals and includes integration infrastructure, sub ntent management and delivery system and a customer-branded video player and toolbar. Our platform also aggregates free and paid va ncluding video, from third-party providers to create a customized and branded Internet portal solution. We deliver a seamless subscriber d products with existing customer billing and management systems, thereby allowing our customers to extend their brands and enhance e believe our solution assists our customers in promoting subscriber retention, increasing ARPU and cultivating new revenue streams.

lly formed as a New York corporation in January 1998 with the name Chek, Inc. Chek, an Internet messaging technology provider, desi aging platform that supported the hosting of branded e-mail and time management applications. In December 2000, Chek acquired MyI nd stock swap and changed its name to CKMP, Inc. MyPersonal developed white label Internet community portals and built and manag nt-rich, branded portals to affinity groups with a focus on the educational marketplace. In July 2001, CKMP, Inc. changed its name to S Synacor re-incorporated under the laws of the State of Delaware. MyPersonal remained a subsidiary of Synacor until May 2007 when

Business

lecommunications industries have experienced considerable merger and acquisition activity over the past several years, and we expect t ations in these industries affect us because some of our customers may acquire or be acquired by other companies, which may have pre lationships with our competitors to provide the services and products that we now provide. In some cases, acquisitions have adversely a l 2007, Susquehanna Communications ended its relationship with us as a customer following its April 2006 acquisition by Comcast. In ity in the cable and telecommunications industries has presented us with opportunities for growth. For example, in 2006, Time Warner a of Adelphia s assets; and although our revenues from Adelphia subscribers have declined significantly following the acquisition, we ar mium content for its high speed Internet service, Roadrunner. In addition, in 2007 our customer NTL Incorporated, or NTL, merged wit rgin Mobile Holdings

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rgin Mobile. VirginMedia Inc., the successor to NTL, expanded the use of our platform beyond NTL s subscriber base to Telewest sub

05 and 2006, we benefited significantly from the application of search and advertising technologies to subscriber traffic generated by ou
ch and advertising revenues increase in dollar amount and as a percentage of net sales, but also these revenues enabled our service and
nters for many of our customers through revenue-sharing arrangements with them. During those three years, the growth in our search a
greater than the growth in our subscriber-based revenues. That growth was principally based on two factors: the initial rollout of searc
oss our network of customer websites; and improvement in the techniques we use to generate revenue from the traffic generated by thes
ued growth in search and advertising revenues, we believe that the rate of growth will be more in line with that of our subscriber-based
re beyond the initial rollout phase for search and advertising; and future growth will more likely result from increases in subscribers of
ll as continued improvements in our ability to monetize traffic.

nvest in building employee and systems infrastructures to support our growth and develop and promote our services and products, whic
ase. We have experienced, and expect to continue to experience, growth in our operations as we acquire new customers, as our existing
s we increase our presence in international markets. Our full-time employee headcount has increased from 28 at December 31, 2003 to
ed us to make substantial investments in property and equipment. In addition, our capital expenditures have grown from approximately
3.6 million in 2006. We expect to continue to make significant capital expenditures in 2007 related to our information and technology i
esearch and development expenses will rise in 2007 as we continue to develop our technology platform, primarily as a result of addition
rowth rate of our costs and expenses may exceed the growth rate of our revenues in 2007.

a public company, we will incur significant legal, accounting and other costs that we have not previously incurred as a private compan
ted rules of the SEC and The Nasdaq Global Market regulate corporate governance practices of public companies. We expect that comp
ments, including ongoing costs to comply with Section 404 of the Sarbanes-Oxley Act, which includes documenting, reviewing and tes
porting, will significantly increase our general and administrative costs. These costs will also include the costs of our independent regis
pinion on the effectiveness of our internal control over financial reporting on an annual basis beginning with the year ending Decembe
s for director and officer liability insurance.

et sales from two categories: subscriber-based revenues and revenues generated from search and advertising activities.

d Revenues

riber-based revenues as fees and subscription amounts that we receive from our customers. These fees and subscription amounts are for
ing the use of our proprietary technology platform and the use of, or access to, value-

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nd paid content. Our technology platform is used to create customized Internet portals and includes integration infrastructure, subscribe
ntent management and delivery system and a customer-branded video player and toolbar. Value-added services include hosted email se
sumer and small business client needs, and online security services, such as anti-virus protection, firewall and intrusion detection and p
premium online offerings from third parties, such as games and streaming and downloadable music and movies.

ber levels typically form the basis for calculating and generating subscriber-based revenues. They generally are determined by multiplyi
the number of subscribers applicable to the particular services being offered or consumed. In certain cases, we charge a fixed monthly
ustomer to form a base fee for the customer, in addition to the per-subscriber fees.

l revenues are recognized on a monthly basis as the applicable services or content is consumed by, or made available to, subscribers. W
in conjunction with our customers. Several methodologies may be used to determine the number of subscribers in a particular month, i
ribers on a particular day of the month or the average number of subscribers during the month. We typically follow the methodology ou
wn subscriber levels, and we then reconcile those levels with our own databases to determine the accurate subscriber levels for billing p

rtising Revenues

search and advertising technologies to generate revenue from the traffic generated by our customers Internet portals. In the case of sea
relationship with Google, pursuant to which we include a Google-branded search tool on our customers portals. When a subscriber ma
ver it to Google. Google returns search results to us that include advertiser-sponsored links. If the subscriber clicks on a sponsored link,
of that link and shares a portion of that payment with us. We then share a portion of that payment with the applicable customer. We re
nthly.

ertising revenue when subscribers view or click on a text or display advertisement that we delivered. We recognize the revenue monthl
, who manage the placement of advertising into our customers websites and other web pages that we control. Depending on the relati
ork partners and their advertisers, the revenue may be calculated on a cost per impression basis, which means the advertiser pays based
ppear, or a cost per click basis, which means that an advertiser pays only when a subscriber clicks on one of its advertisements.

we pay a share of the advertising revenue to those customers of ours who make their web sites available for the delivery of these adverti
amounts to be paid by us take the form of variable payments based on a percentage of our advertising revenues and are paid monthly o
amounts are expensed as incurred.

Growth

es grew from approximately $2.4 million in the year ended December 31, 2004 to approximately $26.3 million in the year ended Decem
due, in large part, to growth in our customer base and development of our portfolio of digital content and services. Net sales growth in 2
of

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omers subscriber base and our improved ability to generate additional revenue from those subscribers.

007, we derived net sales from over 30 customers, a substantial portion of which comes from a small number of them. Net sales attribut
e Warner (pursuant to the Adelphia legacy agreement only), together accounted for approximately 53.0% of our net sales for the year en
ributable to each of them accounting for more than 20% in such period. In addition, net sales attributable to Charter, Time Warner (purs
t only) and Embarq together accounted for approximately 56% of our net sales for the six months ended June 30, 2007, with net sales a
ccounting for more than 15% in such period and net sales attributable to the third customer accounting for more than 10%. Net sales att
es the subscriber-based revenues earned directly from them, as well as the search and advertising revenues earned from third parties, su
from their websites.

ting Policies

of our financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our financial s
otes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circun
these estimates. While our significant accounting policies are described in more detail in the notes to our consolidated financial stateme
elieve the following accounting policies to be the most critical to the judgments and estimates used in the preparation of our consolidate

ition

t sales in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*, or SAB 104. SAB 104 requires that four basic
nition: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the services have been rendered; (3) the fee is fixe
the resulting receivable is reasonably assured.

rangements contain multiple elements, consisting of the various services we offer. Multiple element arrangements typically consist of th
er an Internet portal combined with the delivery of our value-added services and paid content. These arrangements are accounted for in
e Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF 00-21. In such arrangements, we have historically deter
ailable to our customers constitutes a separate unit of accounting pursuant to the guidance set forth in EITF 00-21. In accordance with E
allocated to each unit based on its relative fair value. We have historically concluded that the stated rates charged for our services have b
es based on our own market knowledge and that of our customers and vendors, as well as the rates charged for these services when sold
rs. Accordingly, we have utilized these stated rates for the purposes of allocating arrangement consideration to each of the accounting u
ation of stated rates is generally consistent among our various customer arrangements, our identification of accounting units and their re
for each of our customer arrangements. Applicable revenue recognition criteria are separately considered for each unit of accounting or
defined.

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arrangements with our customers, Google and our advertising network partners are specified in written agreements. These written agre
nce of the arrangements with our customers that are a pre-condition to the recognition of revenue. The evidence used to document that
erally consists of third-party communication of either numbers of subscribers or the revenue generated in a reporting period. Occasiona
adjustments to previously reported subscriber data. These adjustments, once accepted by us, will result in adjustments to net sales and
uch adjustments, and the amounts involved, have not been significant.

used in our revenue recognition formulas are generally fixed pursuant to the written arrangements with our customers, Google and our
nber of subscribers or the amount of search and advertising revenues that are subject to our pricing arrangements are not known until th
this data is, in most cases, available prior to the completion of our periodic financial statements, this data may need to be estimated. W
ur historical experience with the relevant party. Adjustments to these estimates have historically not been significant. The receipt of thi
have appropriately satisfied our obligation to our customers for that reporting period.

erms of our customer contracts, we commence the accrual of net sales for our services once the contract has been signed, its terms revie
or both have been made available to the customer and reliable information as to the number of subscribers using the service is made ava

evaluation of the credit-worthiness of both new and, on a periodic basis, existing customers. Based on these reviews and our strong his
that collection of our calculated revenues is probable.

ove, we pay our customers a portion of the revenue generated from search and advertising. This revenue consists of the consideration w
ers in connection with traffic supplied by the applicable customer. In accordance with Emerging Issues Task Force Issue No. 99-19, *Re*
us Net as an Agent, the revenue derived from these arrangements that involve traffic supplied by customers is reported on a gross basis
rangements, are involved in the determination of the service specifications, have discretion in supplier selection and bear credit risk.

ncome taxes using the liability method in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Incon*
ome tax liability through calculations we perform for the determination of our current income tax liability, together with assessing temp
t treatment of items for income tax and financial reporting purposes. These differences result in deferred income tax assets and liabiliti
t. Management then assesses the likelihood that deferred income tax assets will be recovered in future periods. In assessing the need fo
eferred income tax asset, we consider factors such as future reversals of existing taxable temporary differences, taxable income in prior
nitted under the tax law, tax planning strategies and future taxable income exclusive of reversing temporary differences and carryforwa
that it is more likely than not that the

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ssets will be realized, we establish a valuation allowance to adjust the net carrying value of such assets.

e recorded a full valuation allowance against our gross deferred income tax assets, principally NOL carryforwards, due to uncertainty re
axable income. Any deferred income tax benefit or provision to date has been offset by changes in the valuation allowance against our d
determine that all or a portion of our valuation allowance is no longer necessary, we will recognize an income tax benefit in the period
ersal of the valuation allowance. Once the valuation allowance is eliminated, its reversal will no longer be available to offset our current
uld have a material impact on our reported results of operations.

007, we had approximately $34.7 million of federal and approximately $20.5 million of state NOL carryforwards, which begin to expire
e of control limitations that generally restrict the utilization of the NOLs on an annual basis. Due to the uncertainty as to our ability to ge
ture and utilize the NOLs before they expire, we have recorded a valuation allowance to reduce the net deferred income tax asset to zero
e net income tax expense attributable to our operations outside of the United States, which was $9,000 as of June 30, 2007.

e FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48, an interpretation of SFAS 109. Thi
or income taxes by prescribing that a company should use a more-likely-than-not recognition threshold based on the technical merits of
meet the more-likely-than-not recognition threshold should be measured as the largest amount of tax benefits, determined on a cumulativ
an not to be realized upon ultimate settlement in the financial statements. FIN 48 also provides guidance on derecognition, classification
nterim periods, disclosure and transition, and explicitly excludes income taxes from the scope of Statement of Financial Accounting Stan
s. We adopted FIN 48 effective as of January 1, 2007. As of June 30, 2007, we had gross unrecognized tax benefits of approximately $
future. Our federal and New York tax returns, constituting the returns of our major taxing jurisdictions, are subject to examination by th
escribed by applicable statute. No waivers have been executed that would extend the period subject to examination beyond the period pr
ns filed, we are no longer subject to federal, state and local tax examinations by tax authorities for years prior to 2002, although carryfor
prior to 2002 may still be adjusted upon examination by tax authorities if they either have been or will be utilized. As of June 30, 2007, t
certain tax position. We anticipate some movement in our uncertain tax positions due to changes in timing differences in the next 12 mo
ve a material effect on our financial statements due to anticipated offsetting changes in the valuation allowance. It is our policy to recog
e tax matters in income tax expense. As of June 30, 2007, there was no accrued interest or penalties related to uncertain tax positions.

npensation

tment for Options Prior to January 1, 2006. Prior to January 1, 2006, we accounted for stock option grants in accordance with Accoun
Accounting for Stock Issued to Employees, or APB 25, and complied with the disclosure provisions of Statement of Financial Accounti
tock Based Compensation, or SFAS 123, as amended by Statement of Financial Accounting

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48, *Accounting for Stock Based Compensation Transition and Disclosure*, or SFAS 148. Under APB 25, deferred stock-based compens
value of options (the difference between the deemed fair value of our common stock and the option exercise price) at the grant date and
ting period.

tment for Options Beginning January 1, 2006. On January 1, 2006, we adopted the fair value recognition provisions of Statement of Fi
23R, *Share-Based Payment*, or SFAS 123R, which requires us to measure the cost of employee services received in exchange for an aw
value of the award on the date of grant, and to recognize the cost over the period during which the employee is required to provide serv
ted SFAS 123R using the prospective transition method and, therefore, have not restated results for prior periods. Under this transition
pense is recorded only for stock-based awards granted after the date of adoption.

e adoption of SFAS 123R, we estimate the fair value of our stock-based awards on the date of grant using the Black-Scholes option-pric
fair value using the Black-Scholes model requires a number of complex and subjective variables. One key input into the model is the e
n the date of grant. For periods prior to May 1, 2006, we performed an internal valuation analysis to determine the fair value of our com
ck options to employees, as described in more detail below. Beginning May 1, 2006, we determined the fair value of our common stock
red for our board of directors by Empire Valuation Consultants, LLC, or Empire, and Anvil Advisors, or Anvil, each an unrelated valua
can Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held Company Equity Securities Issued as Compen*

les in the Black-Scholes option-pricing model include the expected volatility of our common stock price, the expected term of the awar
idend yield. We determined that, as a private company, it was not practicable to estimate the volatility of our stock price, based on our
erefore, expected volatilities were based on a volatility factor computed based upon an external peer group analysis of publicly traded c
thin a predetermined market capitalization range. The analysis provided historical volatilities of the public comparables and developed
ty for us. The expected term for options prior to January 1, 2006 is 10 years. For options granted subsequent to December 31, 2005, the
xpected term is estimated by using the actual contractual term of the awards and the length of time for the employees to exercise the aw
n the implied yield available at the time the options were granted on U.S. Treasury zero coupon issues with a remaining term equal to th
cted dividend yield is 0% for all periods presented, based upon our historical practice of electing not to declare or pay cash dividends o
FAS 123R, we are required to estimate forfeitures of unvested awards when recognizing compensation expense. If factors change and
e application of SFAS 123R in future periods, the compensation expense we record may differ significantly from what we have record
d June 30, 2007.

f Common Stock Fair Value before May 2006. Prior to May 2006, we determined the fair value of our common stock in connection wit
ncluding the price at which shares of our convertible preferred stock had been sold to investors, the liquidation preferences, dividend rig
l rights attributable to our then outstanding convertible preferred stock and our limited

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and uncertain prospects. We also based our determination on developments in our business, such as the hiring of key personnel, the sta
In addition, we took into account the illiquid nature of our common stock and the likelihood of achieving a liquidity event, such as an i
any.

f Common Stock Fair Value by Valuations Beginning in May 2006. In May 2006, in accordance with Section 409A of the Internal Reve
ions issued by the Internal Revenue Service thereunder, our board of directors received the first contemporaneous valuation of our com
o as the May 2006 valuation, and the board utilized the value determined in that report to set the exercise price and common stock fair v
y 2006 through August 2006. In October 2006, Empire prepared another valuation, which we refer to as the October 2006 valuation, an
d in that report to set the exercise price of options granted from December 2006 through May 2007. In July 2007, Empire prepared a thi
ly 2007 valuation, and the board utilized the value determined in that report to set the exercise price of options granted in July, August a
o considered the May 2006 valuation and October 2006 valuation when determining the fair value of our common stock for purposes of
nted from May through December 2006.

valuation and the July 2007 valuation, Empire used the discounted future cash flow method to estimate the enterprise value of Synacor
nd applied the guideline company method as a reasonableness check. Then Empire used the company security valuation method to allo
ts various classes of equity, thereby deriving a fully marketable value per share for the common stock.

006 valuation, Empire elected not to use the discounted future cash flow method or guideline company method because, shortly before t
ies C preferred stock to investors, and Empire believed that such transaction was a preferable indicator of Synacor s value. Empire use
d stock to imply a post-money enterprise value of Synacor and thereafter allocated that enterprise value using the company security val

future cash flow method uses cash flows as a basis to forecast the cash flows that a company will generate and then calculates an aggreg
s using a required rate of return known as the discount rate. The discount rate reflects current rates of return seen in the public capital m
dustry-specific factors. The cash flow projections used in connection with Empire s valuations were based on management s projectio

mpany method uses the pricing multiples of selected public companies with business and financial risks that are comparable to the com
value for the company under analysis. Companies whose markets, customer bases, operations and financial condition were sufficiently s
the reasonableness of the enterprise value of Synacor derived with the discounted future cash flow method.

curity valuation method may be used to allocate a company s enterprise value based on the rights and attributes of the company s vari
s many aspects of venture financing such as the capital structure of the company, seniority of securities, future financing needs, the tim
ecific volatility. In addition, the valuation determined under the company security valuation method varies depending upon the term of
shares of our preferred stock have different rights upon an initial public offering and a sale of our company,

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he company security valuation method to both scenarios and then computed a weighted average of the results based on the relative prob

ermined a fully marketable value per share for the common stock based on the methods described above, an appropriate discount for la
vas then deducted from this fully marketable value to arrive at the fair market value per share of common stock. The lack-of-marketabili
ing dividend history, ownership rights, information access and reliability, future financing and timing of exit events, lack of historic tra
rictive shareholder agreements, and overall priority and timing of any contingent financial claims.

th the preparation of our consolidated financial statements for the six months ended June 30, 2007, we engaged Anvil to assist manager
mon stock for purposes of SFAS 123R in connection with options granted during that period. In a valuation report dated September 20
valuation, Anvil retrospectively valued our common stock at prices ranging from $1.51 per share to $6.72 per share across five differen
uary 7, April 3, April 19, May 1 and May 31 and corresponded to the dates on which we granted options or sold restricted shares.

r 2007 valuation, Anvil estimated the enterprise value of our company on each applicable valuation date using the discounted future cas
ny method and then computing a weighted average of the two based on the likelihood of an initial public offering. As an initial public o
ine company method was given greater weight. Then Anvil used the company security valuation method to allocate the enterprise value
f equity to derive a fully marketable value per share for the common stock. Anvil applied an appropriate discount for lack of marketabil
the fair value per share of common stock.

etween the exercise price of the options and our estimate of the fair value has been factored into the SFAS 123R compensation expense
mpute the stock-based compensation expense for financial reporting purposes may not be reflective of the fair value that would result fr
ds, including accepted valuation methods for tax purposes.

ion Grants and Other Equity Awards. We made the following option grants to employees during the period from January 1, 2006 to Ju

	Number of Shares Subject to Options Granted		Exercise Price per Share		Common Stock Fair Value per Share
	77,500	$	1.89	$	1
)	43,125	$	1.89	$	1
1)	69,250	$	1.89	$	1
006	82,250	$	1.39	$	1
7	25,000	$	1.39	$	1
	170,650	$	1.39	$	1
	64,750	$	1.39	$	4
	41,500	$	1.39	$	6

r 2006, in connection with its review of the October 2006 valuation, our board of directors approved an option re-pricing
suant to which the exercise price of each outstanding option that had an exercise price of $1.89 per share was amended
exercise price of each such option would be equal to $1.39 per share.

management s estimate of fair value after considering the September 2007 valuation.

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e option grants listed in the foregoing table, we sold 180,000 restricted shares of common stock to our chief financial officer under our 2
t a price of $1.39 per share. Management s estimate of the fair value of our common stock on that date, after considering the Septembe

ne 30, 2007, we have granted options to purchase an aggregate of 481,648 shares of our common stock to employees and directors. On
ase 176,398 shares. On August 2, 2007, we granted options to purchase 15,000 shares, and on September 14, 2007, we granted options t
have an exercise price of $7.40 per share.

e fair value of our common stock on May 3, 2006 based on the contemporaneous May 2006 valuation, and we continued to use the same
August 1, 2006 because there had been no changes in our valuation assumptions sufficient to warrant an adjustment. In the May 2006
25% in its discounted future cash flow analysis, and the estimated time to stockholder liquidity was 1.75 years. Based on a sample of co
pany-specific volatility was determined to be 70%, and the lack-of marketability discount was 20%. Management determined that the pr
nd a sale of the company were equal, and thus equal weight was given to each scenario.

timate of the fair value of our common stock on December 15, 2006 in part on the October 2006 valuation from Empire, which we requ
recently completed a private placement of shares of our Series C preferred stock. In making our estimate, we also considered that the sa
uidation preferences ahead of the common stock in our capital structure and that our former chief financial officer, Robert Rusak, resign
stockholder liquidity in the October 2006 valuation increased to 3 years because management determined that, with the proceeds from
main private for a longer period of time. For similar reasons, the probabilities of an initial public offering and a sale of the company shi
e company-specific volatility decreased to 52% because the volatility of the comparable publicly-traded companies decreased. A discou
ture cash flow analysis, and the lack-of-marketability discount was 20%.

he fair value of our common stock on February 7, 2007 was based principally on the September 2007 valuation. We also considered tha
venue from our contract with Susquehanna Communications would end in April 2007 as a result of its acquisition by Comcast. In the Se
ne to stockholder liquidity decreased to 2 years because our board of directors and management had begun to reconsider a possible initia
c volatility decreased to 49% because the volatility of the comparable publicly-traded companies decreased. A discount rate of 25% wa
analysis, and the lack-of-marketability discount was 20%. The probabilities of an initial public offering and a sale were 25% and 75%,

timate of the fair value of our common stock on April 3 and April 19, 2007 primarily on the September 2007 valuation. For the sale of r
we also considered that we hired a new chief financial officer with prior public company experience on that date. According to the Septe
common stock increased primarily because of a rise in the valuation and trading multiples of the comparable publicly-traded companies
culated enterprise value under both the discounted future cash flow method and the guideline company method. The estimated time to s
l 19 was 1.75 years and 1.5 years, respectively. The company-specific volatility was 48% on April 3 and

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. A discount rate of 25% was used in the discounted future cash flow analysis. The lack-of-marketability discount was 20%. The probab
le were 25% and 75%, respectively.

he fair value of our common stock on May 1, 2007 was based on the September 2007 valuation. The fair value increased primarily beca
ering was greater and, as a result, the guideline company method was given greater weight in calculating our enterprise value. The disco
eline company method were weighted 33% and 67%, respectively, whereas prior to May 1, 2007 they had been weighted 67% and 33%
-of-marketability discount was reduced from 20% to 15%, and the estimated time to stockholder liquidity decreased to 1.25 years. The
discount rate of 25% was used in the discounted future cash flow analysis. The probabilities of an initial public offering and a sale were

he fair value of our common stock on May 31, 2007 was based on the September 2007 valuation and the fact that we had begun discuss
r initial public offering. Fair value as calculated in the September 2007 valuation increased primarily as a result of a change in manage
s, which contained more favorable projections of EBITDA than prior projections, caused the enterprise value determined using the disc
ater. In addition, due to our ongoing preparations for an initial public offering, the estimated time to stockholder liquidity decreased to
to the discounted future cash flow method and the guideline company method shifted to 20% and 80%, respectively. The company-spe
te of 25% was used in the discounted future cash flow analysis. The probabilities of an initial public offering and a sale were 50% and
bility discount was 15%.

sic Values of Options. Assuming the sale of shares contemplated by this offering is consummated at $ per share, which is the midpo
ering prices listed on the cover page of this prospectus, the aggregate intrinsic values of vested and unvested options to purchase shares
f June 30, 2007 would be $ million and $ million, respectively. However, the amount of any additional value that would be added
annot be measured with precision or certainty.

007, the unrecognized compensation expense related to unvested stock-based awards granted prior to that date, for which vesting is prob
expenses are expected to be recognized over a weighted average period of 3.4 years.

-based compensation expense to increase in absolute dollars as a result of the adoption of SFAS 123R as options that were granted at th
we continue to grant new options to employees. The actual amount of stock-based compensation expense we record in any fiscal perio
ing the number of shares subject to the stock options issued, the fair value of our common stock at the time of issuance and the expecte

il provided their reports with respect to the valuation of our common stock to management. Management is responsible for the financial

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ations

ble sets forth selected consolidated statements of operations data as a percentage of total net sales for each of the periods indicated.

	Year Ended December 31,		
	2004	2005	2006
l	91%	63%	49%
rtising	9%	37%	51%
	100%	100%	100%
ses:			
	52%	54%	58%
velopment	57%	18%	16%
ting	58%	15%	15%
inistrative(1)	47%	16%	18%
l amortization	8%	1%	2%
xpenses	223%	105%	109%
tions	(123)%	(5)%	(9)%
shment of debt			
	1%	1%	1%
	(3)%	(1)%	(1)%
me taxes	(125)%	(5)%	(9)%
ome taxes			
	(125)%	(5)%	(9)%

f depreciation and amortization shown separately.

ix Months Ended June 30, 2006 and 2007

otal net sales increased by approximately $5.9 million, or 50%, to approximately $17.7 million for the six months ended June 30, 2007
r the same period in 2006.

l net sales increased approximately $2.1 million, or 32%, to approximately $8.6 million in the six months ended June 30, 2007 from app
od in 2006. The increase was driven almost exclusively by the addition of new customers during the period.

rtising net sales increased by approximately $3.7 million, or 71%, to approximately $9.0 million for the six months ended June 30, 2007
he same period in 2006, primarily as a result of increases in the traffic on our customers portals, as measured by the number of subscr
cks, and the number of display advertising impressions. The total number of paid clicks increased by 2% during the period. The increase
y 70% of the increase in search and advertising net sales, while the increase in display advertising impressions accounted for approxima

ducts in the six months ended June 30, 2007 did not change materially from the same period in 2006.

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ost of sales consists of revenue-sharing costs, vendor content acquisition costs and infrastructure costs. Revenue-sharing and vendor co
rcentage of our revenue, on a fixed fee schedule, on the number of subscribers per month or any combination of the foregoing. Percenta
e expensed as incurred based on the revenue earned during the relevant accounting period. Fixed fee arrangements are expensed ratably
forecasted per subscriber use basis. Fees based on the number of subscribers are expensed based on the number of subscribers having ac
nt accounting period.

increased by approximately $3.2 million, or 46%, to approximately $10.2 million for the six months ended June 30, 2007 from approxi
006. The increase was proportional to the increase in our net sales and was largely driven by additional revenue-sharing costs, which ac
ase in cost of sales; additional vendor content acquisition costs, which accounted for approximately 23% of the increase; and an increas
for approximately 8% of the increase. Cost of sales as a percentage of net sales declined to 58% of sales in the six months ended June
nonths ended June 30, 2006.

evelopment Expenses. Research and development expenses include costs incurred for product development, including the development
platform and related infrastructures, and customer and content integration. These expenses consist primarily of compensation and relatec
esearch and development activities.

velopment expenses increased by approximately $1.0 million, or 50%, to approximately $3.0 million for the six months ended June 30,
the same period in 2006. The increase was due primarily to increased headcount to support new product initiatives and customer deploy
h and development expenses remained consistent at 17% in the six months ended June 30, 2007 as compared to the first half of 2006.

ting Expenses. Sales and marketing expenses consist primarily of salaries, benefits, commissions and bonuses paid to our direct sales a
ted to advertising, industry conferences, promotional materials and other sales and marketing programs. We expense advertising as inc

ting expenses increased by approximately $1.3 million, or 73%, to approximately $3.1 million for the six months ended June 30, 2007 f
the same period in 2006. This increase was largely driven by the hiring of a new direct salesperson and additional marketing personnel,
0% of the increase, and the launch of new marketing programs during the last half of 2006 and the first half of 2007, which accounted f
es and marketing headcount increased by approximately 102% during the period.

ninistrative Expenses. General and administrative expenses consist primarily of salaries and related expenses for executive managemen
and other administrative functions, as well as professional fees, overhead, rent and expenses incurred for general corporate purposes.

inistrative expenses increased by approximately $0.7 million, or 34%, to approximately $2.7 million for the six months ended June 30,
the same period in 2006. This increase was largely attributable to the following factors: higher rent and occupancy expenses for our new
proximately 6% of the increase; increased audit fees, which accounted for approximately

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ase; increased legal expenses, which accounted for approximately 11% of the increase; and additional headcount in our finance and hur
for approximately 44% of the increase. Other various general and administrative expenses accounted for the remaining 29% of the incr
sed by approximately 39% during the period. As a percentage of sales, general and administrative expenses declined to 15% of net sale
om 17% of net sales in the same period in 2006 as sales growth outpaced spending for the first half of 2007 as compared to the first half

d Amortization. Depreciation and amortization includes depreciation of our computer hardware and software, furniture and fixtures, and
capital leased assets, amortization of leasehold improvements and amortization of deferred financing costs.

l amortization increased by approximately $386,000 to approximately $577,000 for the six months ended June 30, 2007 from approxim
006 due principally to our acquisition of additional equipment to support the addition of both new customers and increased personnel.

Other income consists primarily of interest income on cash deposits. Other income increased to approximately $330,000 for the six mon
ely $36,000 for the same period in 2006 due largely to the investment of the proceeds from the sale of Series C preferred stock in Octob

. Interest expense increased to approximately $91,000 for the six months ended June 30, 2007 from approximately $73,000 for the sam
itional capital lease obligations.

come Taxes. We have incurred operating losses since our inception and, consequently, did not incur any federal or state income taxes fo
d 2007. We have a deferred income tax asset at June 30, 2007 of approximately $13.8 million, resulting primarily from NOLs. Due to u
cient taxable income in the future to utilize these deferred tax assets, we have recorded a valuation allowance for their full amount at Jun
ing significant tax benefits or provisions in the near future.

on the factors described above, our net loss for the six months ended June 30, 2007 was approximately $1.6 million, which was approx
for the same period in 2006.

Years Ended December 31, 2005 and 2006

otal net sales increased by approximately $12.0 million, or 84%, to approximately $26.3 million in 2006 from approximately $14.3 mill

l net sales increased approximately $3.9 million, or 43%, to approximately $12.9 million in 2006 from approximately $9.0 million in 20
the addition of new customers, which accounted for approximately 44% of the increase, and an expansion in the number of our existin
for approximately 56% of the increase.

rtising net sales increased by approximately $8.1 million to approximately $13.4 million in 2006 from approximately $5.3 million in 20
t of increases in the number of paid clicks and the number of display advertising impressions. The total number of paid clicks increased
l. The increase in paid clicks accounted for approximately 97% of the increase in search and advertising net sales, while the increase in
ounted for approximately 3%. Prices for services and products in 2006 did not change materially from 2005.

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ost of sales increased by approximately $7.5 million to approximately $15.3 million in 2006 from approximately $7.8 million in 2005. C
f net sales to 58% in 2006 from 54% in 2005. Cost of sales increased at a rate greater than the growth of net sales primarily because of
ounted for approximately 76% of the increase in cost of sales, and additional vendor content acquisition costs, which accounted for appr
of sales.

evelopment Expenses. Research and development expenses increased by approximately $1.7 million, or 63%, to approximately $4.3 mi
2.6 million in 2005, primarily as a result of increased headcount to support new product initiatives and customer deployments. As a perc
elopment expenses declined to 16% in 2006 from 18% in 2005.

*ting Expenses. S*ales and marketing expenses increased by approximately $1.7 million, or 78%, to approximately $3.9 million in 2006
005. This increase was primarily a result of the hiring of our vice president of marketing and other marketing personnel, which account
nd the launch of new marketing programs during the second half of 2006, which accounted for approximately 32% of the increase. Sale
roximately 60% from 2005 to 2006. Other various sales and marketing expenses accounted for the remaining 25% of the increase.

ninistrative Expenses. General and administrative expenses increased by approximately $2.4 million to approximately $4.7 million in 2
005 and increased to 18% of net sales in 2006 from 16% of net sales in 2005. This increase was due largely to the following factors: add
proximately 72% of the increase; occupancy expenses resulting from the relocation of our corporate headquarters, including higher rent
proximately 7% of the increase; increased audit fees, which accounted for approximately 5% of the increase; recruiting expenses for ke
proximately 4% of the increase; and the establishment of an allowance for doubtful accounts, which accounted for approximately 11%
eadcount increased by approximately 45% from 2005 to 2006.

d Amortization. Depreciation and amortization for 2006 increased to approximately $465,000 from approximately $177,000 in 2005. T
o our acquisition of additional computing equipment, including a network operating center, for approximately $2.1 million, to support n
ustomers subscriber bases. We also acquired computing equipment for approximately $1.5 million during the period to accommodate

shment of Debt. We recognized an approximately $32,000 loss on extinguishment of debt in 2006 attributable to our early repayment o
e sale of our Series C preferred stock. The notes were originally due in November 2007 and were repaid in October 2006.

Other income increased to approximately $279,000 in 2006 from approximately $93,000 in 2005 due largely to the investment of the pro
d stock in October 2006.

. Interest expense increased to approximately $132,000 in 2006 from approximately $117,000 in 2005, primarily as a result of addition

come Taxes. We did not accrue federal or state income taxes for 2005 or 2006. We did, however, accrue approximately $14,000 of inco
n income taxes. We had a deferred income tax asset at December 31, 2006 of

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13.8 million, resulting primarily from stock and other compensation expense and NOLs. Due to uncertainty as to our ability to generate
tilize these deferred tax assets, we have recorded a valuation allowance for their full amount at December 31, 2006. We do not anticipat
sions in the near future.

on the factors described above, our net loss for 2006 was approximately $2.3 million, which was $1.5 million greater than our net loss

Years Ended December 31, 2004 and 2005

otal net sales increased by approximately $12.0 million to approximately $14.3 million in 2005 from approximately $2.4 million in 200

l net sales increased to approximately $9.1 million in 2005 from approximately $2.2 million in 2004. The increase in subscriber-based r
f new customers, which accounted for approximately 75% of the increase, and an expansion in the number of our existing customers s
y 25% of the increase.

rtising net sales increased to approximately $5.3 million in 2005 from approximately $0.2 million in 2004. The significant increase occu
ch we made search advertising technologies widely available on our customers websites. The increase in paid clicks accounted for app
h and advertising net sales, while the increase in display advertising impressions accounted for approximately 1%. Prices for our servic
rially from 2004.

ost of sales increased by approximately $6.5 million to approximately $7.8 million in 2005 from approximately $1.2 million in 2004. C
of net sales to 54% in 2005 from 52% in 2004. Cost of sales increased at a greater rate than net sales primarily because of additional rev
proximately 61% of the increase in cost of sales, and additional vendor content acquisition costs, which accounted for approximately 39

evelopment Expenses. Research and development expenses increased by approximately $1.3 million, or 92%, to approximately $2.6 mi
1.4 million in 2004, primarily as a result of the hiring of additional technical and engineering personnel. As a percentage of net sales, re
d to 18% of sales in 2005 from 57% in 2004.

ting Expenses. Sales and marketing expenses increased by approximately $0.8 million, or 58%, to approximately $2.2 million in 2005
004, primarily as a result of the addition of client services personnel. As a percentage of net sales, sales and marketing expenses decline
of net sales in 2004 due to the growth in net sales.

ministrative Expenses. General and administrative expenses increased by approximately $1.2 million to approximately $2.3 million in 2
004, largely because of the hiring of additional personnel in our finance and human resources departments. As a percentage of net sales
xpenses declined to 16% of net sales in 2005 from 47% of net sales in 2004 due to growth in net sales.

d Amortization. Depreciation and amortization decreased to approximately $177,000 in 2005 from approximately $191,000 in 2004 du
ertain assets, principally computing equipment, which was partially offset by the acquisition of additional equipment.

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Other income increased to approximately $93,000 in 2005 from approximately $27,000 in 2004 due largely to increased invested cash ar balances were higher as a result of the sale of shares of our Series B preferred stock in October 2004.

. Interest expense increased to approximately $117,000 in 2005 from approximately $77,000 in 2004, primarily as a result of additional

come Taxes. We did not incur federal or state income taxes for 2004 or 2005. We had a deferred income tax asset at December 31, 2005 sulting primarily from stock and other compensation expense and NOLs. Due to uncertainty as to our ability to generate sufficient taxab rred tax assets, we have recorded a valuation allowance for their full amount at December 31, 2005. We do not anticipate recording sig near future.

on the factors described above, our net loss for 2005 was approximately $0.8 million, which was approximately $2.2 million, or 74%, l

lts of Operations

bles set forth selected unaudited quarterly consolidated statement of operations data for each of the quarters indicated. The consolidated arters have been prepared on the same basis as the audited consolidated financial statements included in this prospectus and, in the opini tments necessary for the fair presentation of the consolidated results of operations for these periods. You should read this information to ancial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative

				Three Months Ended (unaudited)			
	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
	$ 3,044	$ 3,732	$ 5,224	$ 5,866	$ 5,957	$ 6,952	$ 7,552
	1,503	1,981	3,340	3,453	3,505	3,590	4,779
velopment	608	732	728	990	1,020	1,010	1,254
ting	537	618	611	714	1,049	897	1,279
inistrative(1)	375	636	930	913	1,098	1,326	1,342
l amortization	38	50	58	78	113	130	144
tions	(17)	(285)	(443)	(282)	(828)	(1)	(1,246
xpense):							
shment of debt							(32
	21	25	26	22	14	10	233
	(28)	(30)	(31)	(37)	(36)	(38)	(21
me (expense), net	(7)	(5)	(5)	(15)	(22)	(28)	180
me taxes	(24)	(290)	(448)	(297)	(850)	(29)	(1,066
ome taxes							14
	$ (24)	$ (290)	$ (448)	$ (297)	$ (850)	$ (29)	$ (1,080

of depreciation and amortization shown separately.

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arters presented in the table above, net sales have generally increased due primarily to the addition of new customers and an increase in ustomers. As the number of our customers subscribers increased, the subscriber-based fees we earned for the use of our technology pla also increased. A larger number of subscribers also resulted in greater traffic on customers web sites, which resulted in increased sear n, we increased the revenue generated per subscriber by selling increasing amounts of value-added services and paid content.

a percentage of net sales increased from the second quarter to the fourth quarter of 2005 from 49% to 64% as we expanded our portfolio to sell to subscribers. Cost of sales as a percentage of net sales then leveled off at 59% for the first two quarters of 2006. It decreased to non-recurring engineering fees, or NREs, contributed to an increase in our net sales for that quarter. The NREs were fees for profession stomer on a special project basis in connection with enhancements to the customer s portal and premium content delivery system. Cost creased to 63% in the fourth quarter of 2006 before returning to 59% and 58% in the first and second quarters of 2007, respectively. The was primarily a result of increased contractual commitments requiring fixed payments, which accounted for approximately 90% of the i n completion of the special project, which accounted for approximately 10% of the increase.

asis, total expenses from operations increased significantly in each of the nine quarters presented due primarily to increased cost of net tional sales and marketing expenses related to the launch of new marketing campaigns also drove the increases in the fourth quarter of 2

Capital Resources

idity and capital resource requirements are for financing working capital, investing in capital expenditures such as computer hardware a elopment efforts, introducing new technology, enhancing existing technology and marketing our services and products to new and exist ng cash and cash equivalents, cash from operations, cash from short-term borrowings and the net proceeds from this offering are insuffi y need to raise additional funds through public or private equity offerings or debt financings.

on, we have funded our operations and met our capital expenditure requirements primarily with venture capital funding. In four separat es A in November 2002 to Series C in October and November 2006, we have raised approximately $28.9 million from institutional inve nces have been used for general business purposes, with the exception of the Series C preferred stock offering, a portion of which was u 700,000 of notes payable. Each share of preferred stock is convertible into common stock at the respective conversion ratio for each ser t to adjustment triggered by changes in our capitalization such as a stock split. Conversion is automatic in the event of a public offering nting a post-offering valuation (on a fully diluted basis) of at least $150.0 million with gross proceeds of at least $25.0 million. This co s of preferred stock is expected to take place upon consummation of this offering.

007, we had approximately $12.2 million of cash and cash equivalents. We have invested a substantial portion of our available funds in is not anticipated. The primary objective of our investment activities is to preserve principal while maximizing income received from c

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our existing cash and cash equivalents and the net proceeds from this offering will be sufficient to meet our anticipated working capital
at least the next 12 months.

ties

ally experienced negative cash flows from operating activities as we continue to expand our business and build our infrastructure. Cash
fected primarily by the extent to which we increase personnel, primarily in research and development and sales and marketing, to grow
ows from operating activities is cash collections from customers. Our primary uses of cash from operating activities are for revenue-sha
, personnel related expenditures, facilities expenses and research and development costs to support our sales growth.

operating activities was approximately $2.1 million for the six months ended June 30, 2007 as compared to approximately $0.7 million
ease of approximately $1.4 million. The increase was primarily attributable to increased trade receivables corresponding with the increa
set by headcount increases of 50% that resulted in increased payroll accruals. We also experienced an increase in unearned revenues as
e 30, 2006.

operating activities was approximately $1.9 million for the year ended December 31, 2006 as compared to approximately $1.2 million
005, for an increase of approximately $0.7 million, or 58%. The increase was primarily attributable to increased trade receivables corres
r 2006.

operating activities was approximately $1.2 million for the year ended December 31, 2005 as compared to approximately $2.5 million
004, for a decrease of approximately $1.3 million, or 52%. The decrease was primarily the result of increased sales volume, combined w
centage of net sales as compared to expenses in 2004.

d losses from operations during each of the last three years as a result of our continued research and development and sales and marketi
from operations in the near future until our development efforts result in significant revenues and operating income.

ies, Including Capital Expenditures

hs ended June 30, 2007, net cash used in investing activities was approximately $0.8 million, as compared to net cash used in investing
ne 30, 2006 of approximately $1.2 million, representing a decrease of approximately $0.4 million. The decrease was largely due to incr
ipment in the second quarter of 2006 in response to increased customer requirements. We anticipate continuing to expend significant an
s we continue to invest in equipment necessary for our research and development activities. We anticipate approximately $0.8 million, i
e, of capital expenditures for the last six months of 2007.

ed December 31, 2006, net cash used in investing activities was approximately $1.9 million as compared to net cash used in investing ac
the year ended December 31, 2005, for an increase of approximately

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nilarly, net cash used in investing activities for the year ended December 31, 2005 represented an increase of approximately $0.2 millio
; activities of approximately $0.3 million for the year ended December 31, 2004. In each year, the increase was largely due to increased
arily computer hardware.

ties

into a credit agreement with Bridge Bank, pursuant to which we can borrow under a revolving credit line of $1.5 million until February
e of credit accrue interest at the prime rate plus a margin of 0.75% and must be repaid by February 2009. The credit agreement contains
ccelerate repayment of the borrowings on the revolving credit line upon occurrence of a material adverse change as defined in the agre
ontains certain financial performance and reporting covenants. There were no outstanding borrowings under the revolving credit line as

hs ended June 30, 2007, net cash used in financing activities was approximately $0.1 million as compared to net cash provided by finan
).6 million for the six months ended June 30, 2006. For the six months ended June 30, 2006, the Company had borrowings on its term l
d June 30, 2007, the Company had payments on increased capital lease obligations of approximately $0.4 million that were partially off
and restricted stock sales of approximately $0.3 million.

ed December 31, 2006, net cash provided by financing activities was approximately $16.4 million as compared to net cash used in finan
90,000 for the year ended December 31, 2005. This increase was primarily due to the receipt of gross proceeds of approximately $17.2
d stock in the fourth quarter of 2006. The primary use of cash for financing activities in the year ended December 31, 2005 was to repa
e.

ed December 31, 2005, net cash used in financing activities was approximately $90,000 as compared to net cash provided by financing
2004. This change was primarily due to the receipt of gross proceeds of approximately $5.5 million from the sale of our Series B prefer

d Qualitative Disclosures about Market Risk

quivalents and short-term investments as of June 30, 2007 consisted primarily of money market funds. Our primary exposure to market
n is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term
e of our investment activities is to preserve principal while maximizing the income we receive from our investments. Due to the short-t
olio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair
eral, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest ra

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ligations

ble describes our long-term contractual obligations and commitments as of December 31, 2006:

	Total	Less than 1 year	1-3 years	3-5 yea
			Payments Due by Period (dollars in thousands)	
mitments	$ 15,191	$ 7,058	$ 8,133	$
obligations	4,368	708	962	
igations	2,265	851	1,350	
ions				
	$ 21,824	$ 8,617	$ 10,445	$

no significant changes in the contractual obligations through June 30, 2007.

mitments

mitments include fixed payments that we are required to make to certain of our customers and content providers pursuant to our agreem
pically made on monthly or quarterly basis and are not contingent on the achievement of any revenue objectives or subscriber or usage l

apital Lease Obligations

se commitments consist of obligations under leases for office space and computer and telecommunications equipment. We finance the
nent under a capital lease arrangement over a period of 36 months. The capital lease obligations shown above include the current portio

tions

ders are normally based on our current needs and are fulfilled by our vendors within short time horizons. We do not have significant agr
ties or set prices that exceed our expected requirements in the short-term. We also enter into contracts for outsourced services; however
re not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

eet Arrangements

007, we did not have any off-balance sheet arrangements.

Accounting Pronouncements

e FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes and reduces the diversity in current practice assoc
ition and measurement of a tax position taken or expected to be taken in a tax return by defining a more-likely-than-not threshold regar
ective January 1, 2007, we adopted FIN 48. Based upon our analysis, we believe that all of our open tax positions are more-likely-than-
ditionally, we have determined that the amount of tax benefits recognized in the Company s financial statements at January 1, 2007 are
hat is greater than 50 percent likely of being recognized upon the ultimate settlement with a taxing authority. Accordingly, the adoption
ted financial statements.

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06, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, or SFAS 157. SFAS 157 provid
assets and liabilities. SFAS 157 serves to clarify the extent to which companies measure assets and liabilities at fair value, the informat
fect that fair-value measurements have on earnings. SFAS 157 is to be applied whenever another standard requires or allows assets or li
ill be required to adopt SFAS 157 effective January 1, 2008. We are currently evaluating the impact that the adoption of SFAS 157 will
ents.

7, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Li*
ASB Statement No. 115, or SFAS 159. SFAS 159 provides entities with an option to choose to measure eligible items at fair value at spe
must report unrealized gains and losses on the item in earnings at each subsequent reporting date. The fair value option may be applied
otions, such as investments otherwise accounted for by the equity method, is irrevocable (unless a new election date occurs), and is appl
not to portions of instruments. We will be required to adopt SFAS 159 effective January 1, 2008. We are currently evaluating the impac
ave on our financial statements.

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BUSINESS

nternet platform and a portfolio of digital content and services that enable broadband service providers, such as MSOs, Telcos and ISPs,
e for their subscribers. Our platform is used to create customized Internet portals and includes integration infrastructure, subscriber pers
nent and delivery system and a customer-branded video player and toolbar. Our platform also aggregates free and paid digital content a
from third-party providers to create a customized and branded Internet portal solution. We deliver a seamless subscriber experience by
h existing customer billing and management systems, thereby allowing our customers to extend their brands and enhance their subscrib
ion assists our customers in promoting subscriber retention, increasing ARPU and cultivating new revenue streams.

round

ternet and Broadband Access

emerged as a global digital medium for content, communications, advertising and commerce. According to IDC, the number of househ
imately 72.3 million in the United States and 306.7 million globally. The U.S. consumer Internet access market has evolved from a ma
cessed through narrowband or dial-up access to one in which consumers are able to access the Internet through a variety of high-speed
C estimates that the number of broadband Internet subscribers in the United States will increase from 56.3 million in 2006 to 91.5 milli
band subscribers globally will increase from 232.7 million in 2006 to 386.6 million in 2011. At the same time, IDC projects that narrow
ll decrease from 21.2 million in 2006 to 7.8 million in 2011. In addition, as broadband access speeds, particularly download speeds, co
f the subscriber s online experience will improve significantly and subscribers will access and consume an increasing amount of digita

nternet access market in the United States consists primarily of MSOs, offering cable modem-based broadband Internet access, and Tel
r DSL-based broadband Internet access. A range of new technologies and providers are also emerging that represent future broadband
s include various fixed-line and wireless Internet access standards, such as Metro Ethernet Internet Access, or MEIA, WiMax, fixed wi
and Wi-Fi. The table below provides recent IDC U.S. subscriber projections for categories of Internet access technologies.

U.S. Broadband Services Subscriptions by Technology, 2006-2011

	2006	**2007**	**2008**	**2009**
			(in millions)	
	30.0	33.0	35.2	36.8
	24.3	29.4	33.3	36.0
	0.8	1.9	3.5	5.9
technologies	1.0	1.2	1.5	1.7

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ing Competition for Broadband Access Subscribers

ccess market has become increasingly competitive in recent years due to the commoditization of Internet access, pricing pressure, evol
mpeting new access technologies. Against this backdrop and in an attempt to increase sales, customer loyalty and differentiation, MSOs
al core service offerings of television and voice, respectively, to offer triple-play (fixed-line voice, television and broadband Internet
(fixed-line voice, television and broadband Internet access plus mobile communications) packages of services, which has put MSOs a
one another. At the same time, Internet media and technology companies such as AOL, Google, Microsoft and Yahoo! have assemble
rful brands and growing suites of digital content and service offerings, are competing against traditional media and telecommunications
ding, and are emerging as a potential competitive threat for incumbent MSOs and Telcos. These competitive dynamics are further press
ve from being providers of basic voice, television and Internet access services to becoming integrated providers of digital content and s

for Digital Content and Services

se in Internet usage has been characterized by the growing adoption of online communications, e-commerce and digital content and ser
rtant consumption and distribution platform for digital content and services, with Internet users spending increasing amounts of time an
oad range of activities including entertainment, social networking, shopping and commerce. According to Frost & Sullivan, the U.S. res
ket, which includes music, online games and video, is projected to grow from $3.1 billion in 2006 to $8.8 billion in 2011. Content prov
labels, movie studios, newspapers and other traditional and new media companies have recognized the growth potential of the Internet
nel for their content. As a result, they are increasingly focused on marketing their vast libraries of content through the Internet by devel
strategies.

tance of Internet Advertising and Search

consumption, commerce and overall usage grow across the Internet, advertisers are shifting a greater proportion of their marketing bud
rtising spending in the United States reached $16.9 billion in 2006, an increase of 35% versus 2005, and is projected to increase to $31
search advertising revenues of $10.1 billion. Online search and display advertising have emerged as the largest components of online a
ow advertisers to reach a targeted audience. Internet companies, such as Google and Yahoo!, have taken advantage of the strong growth
ding by forming advertising syndication networks that have acquired a sizeable share of the Internet search volume. The syndication ne
Internet sites with strong web traffic to partner with online advertising networks to monetize their traffic using many forms of adverti
ming video, special effects and user interactivity.

e Digital Home and Access to On-Demand, Cross-Platform Digital Media

of broadband Internet access has fundamentally changed the way that consumers access and interact with media content and Internet-b
he Internet from a range of different devices including personal computers,

s

ersonal multimedia players and mobile phones. They are increasingly using these devices to get on-demand access, and to download, co
mes and other content. As a result, there is an emerging trend towards convergence of digital media within the residence. For broadband
onger about owning the viewership of one device, but rather to own the digital home. They are responding to this trend by expanding
areas. Telcos and MSOs have invested heavily over the past decade to upgrade their existing telecommunications and cable networks to
, digital television programming and broadband Internet access, and are offering bundled packages of services and content in an attemp
ing customers.

ne networking technologies and the increased adoption of new media are helping accelerate the emergence of the digital home. Consum
orks to access multimedia, such as streaming video, music and online content from multiple platforms, including personal computers, st
riety of Internet-enabled networked devices. The network-enabled personal computer has become a center for media, entertainment, co
user-generated content, email, instant messaging and social networking proliferating alongside professionally-created content and medi
ne a digital entertainment hub, enabling consumers to access a broad range of on-demand programming through the set top box. IDC fo
video devices, one of the key building blocks of this digital home, will grow from 1.6 million units in the United States in 2006 to 4
The market for digital home services, such as digital television services delivered over the Internet, or IPTV, is also expected to grow ra
orldwide number of IPTV subscribers is projected to increase from 4.9 million in 2006 to 41.1 million in 2011, a CAGR of 53%.

Broadband Service Providers

ervice Offerings in a Highly Competitive Environment

ain and grow their subscriber bases and effectively compete in the current environment, broadband service providers are seeking to pro
cular, compelling digital content and value-added online services that can help promote subscriber retention and increase their ARPU.
gments, such as the Internet, has prompted broadband service providers to begin extending their subscriber offerings to include a variety
and service providers have found it difficult to differentiate themselves and move from providing core Internet access to becoming rele
e, as this requires competing with well-established Internet portals and online content providers. To succeed in this highly competitive e
s need to deliver a subscriber experience that is simple, personalized, engaging and valuable. As a result, broadband service providers se
al content and services coupled with personalization and other advanced features bundled into an integrated offering.

elling Suite of Digital Content and Services

nd service providers have not traditionally focused on providing online content and services, they may not have the expertise required t
rating a broad range of online offerings. Constantly changing subscriber needs and tastes and rapidly evolving technology, coupled with
al media experience, create technical and management challenges for companies seeking to deliver these offerings. For example, while
work of relationships with media companies, they have not historically been able to couple online

s

with their television offerings. In addition, although MSOs have been successful in delivering content to subscribers, they do not genera
ionships to enable them to aggregate and deliver online content in packages that subscribers perceive as valuable. The volume of conter
ents an added challenge as subscribers now have a greater variety of choices online than those offered through traditional media such as

ing Subscriber Management and Billing Systems

mless online experience for their subscribers, it is important for broadband service providers to achieve integration at the user interface
stomizable across different platforms, and at the back-end by synchronizing subscriber management and billing systems and processes.
ditional versus online services vary considerably, they require a high degree of customization to achieve integration across systems. Bro
grade Internet platform that easily interacts with existing systems and reduces information technology, or IT, and other operational cost
tible solutions on a timely basis, broadband service providers must either use solutions from third-party vendors or develop their own so
online technologies emerge, broadband service providers that choose to develop their own solutions will increasingly face challenges i
anges required to deliver online solutions while continuing to maintain integration with the rest of their IT systems.

ical Expertise and Experience

most broadband service providers lack the necessary expertise to develop and deploy a technology platform that can efficiently deliver a
ices to their subscribers. This is due, in part, to their focus on network infrastructure, their core competency, which prevents them from
elop a scalable technology platform capable of delivering an integrated, cost-effective package of online content and services to multipl
dband service providers would need to invest significant capital to acquire or build a technology platform, train specialized personnel a
elopment required to keep up with technological advances.

trengthening Brand

ce providers are challenged to extend and strengthen their brand beyond the core Internet access market. We believe that providing a co
ngthening relationships with subscribers and building and extending a brand identity as the media provider to the digital home. Establish
n co-branding or their own branded solution in order to promote their own brands, which limits the flexibility offered to the broadband
fficult for them to build and maintain a strong brand image. While this approach provides the broadband service providers with a broad
an also result in dilution to their brand in the online domain.

nce in the Digital Home

g importance of the converged digital home that utilizes access to triple- and quadruple-play services, broadband service providers must
emand access to digital content and services across various media platforms. In order to build upon their existing subscriber touch point
presence in the digital home, broadband service providers will need to deploy a scaleable technology platform that can provide digital co
and platforms

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al computers, television sets, personal multimedia players and mobile phones. In addition, as new consumption patterns emerge, broadb
ty to bundle and cross-sell emerging forms of bandwidth-intensive media and communication services across the converging digital ho

lution

nternet platform and a portfolio of digital content and services that enable broadband service providers to create a compelling online exp
solution provides our customers with the following key benefits:

f Broadband Service Providers Offerings

bles broadband service providers, domestic and international, to differentiate their offerings by packaging and customizing a wide vari
e-added services for their subscribers. These offerings are incorporated in a customer-branded, or white label, Internet portal and a c
l delivery solution that enables our customers to aggregate and deliver content and service offerings from diverse sources. All of these o
user interface, thus creating a unified and cohesive online experience.

rse Portfolio of Digital Content and Services

nsive network of relationships with digital content and service providers. We believe that our content and service providers value the ne
gy platform and customer relationships open to them, giving us an advantage when acquiring content and services. By combining our t
digital content and services, we enable our customers to flexibly package content and services for their subscribers, which allows them t
hanging subscriber needs. In addition, we create customized bundles of digital content and service offerings, which we make available t
portfolio of digital content and services includes the following categories: news; weather; family; games; music; video; entertainment;
ty. We regularly evaluate our offerings to deliver customer and subscriber value and to enable our customers to build a large, loyal and

te Different Technologies

s built on a standards-based platform, which is designed for interoperability with our customers and our content providers internal a
 of our deployments with both broadband service providers and content providers involve complex applications that are integrated into
ing, service management, customer care and other core systems. This approach provides a unified and cohesive user experience for sub
onent of building subscriber loyalty and improving the stickiness of our customers websites meaning that they increase the likeliho
scribers homepage. Due to our automated sign-on and authentication process and integration with content providers, subscribers are ab
nt from within the customer-branded portal with a single sign-on and consolidated billing. Furthermore, recognizing the need for flexib
oice of either a hosted on-demand solution or a non-hosted on-site application, as well as a number of integration methodologies. Our s
intain performance levels as our customers subscriber bases develop, media content file sizes increase and overall online consumption

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rtise in Delivering Services and Content

xpertise have enabled us to improve significantly the performance and reliability of the solutions we offer our customers, and our singul
n and providing a portfolio of digital content and services allows us to rapidly and efficiently deploy our solutions. In addition, the size o
ir associated subscriber footprint and the depth of our technology expertise, provides us with the ability to continually develop and refi
feasible for many of our customers on a stand-alone basis. We have a diversified and growing customer base of broadband service provi
nd ISPs. As of March 31, 2007, our services and products were deployed at over 30 broadband service providers, whom we believe, bas
ver 21.0 million broadband Internet subscribers, over 5.0 million narrowband Internet subscribers and over 33.0 million household telev
d the United Kingdom.

ne Branding Strategies of Broadband Service Providers

building brand loyalty is a primary objective of broadband service providers. Our white label solutions assist our customers in strengthe
their subscriber relationships. With co-branded solutions, the solution provider could have different and competing objectives. For exa
own brand at the expense of the broadband service provider s brand. In contrast, our objective is to work with our customers on a colla
online brand awareness among their subscribers. We believe that our solution offers broadband service providers the ability to develop a
ir subscribers that they previously did not have, which helps to improve subscriber satisfaction and loyalty.

mer Presence in the Digital Home

ers our customers the ability to extend their presence in the digital home by providing them with a flexible technology platform that sca
al computers, television sets, personal multimedia players and mobile phones. Customers can incorporate a selection of digital content a
xpand their triple- and quadruple-play offerings. In addition, as new consumption trends emerge in the future, we plan to enhance our p
mize and deliver emerging forms of bandwidth-intensive media and communications services.

celerate the growth of our business and to achieve long-term profitability. In order to achieve this goal, we seek to:

chnology Platform

enhance our technology platform and regularly introduce new features and services to improve subscribers online experience. For exa
features that will allow subscribers to drag and drop components, insert and remove a wide variety of components, and generally make t
digital content and services. By providing a higher degree of customization and enhancing the features and functionality of our solutio
improved subscriber satisfaction and loyalty.

ber Penetration of Paid and Packaged Online Services and Products

oratively with our customers to understand their subscribers needs, and we continually develop new content and service provider relati

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liverse and changing tastes of subscribers. We also seek new ways to bundle our content and service offerings to help our customers del
ribers. For example, we believe that broadband service providers will increasingly package online offerings with their television product
platform can enable. The first stage of this packaging trend is the offering of online packages on an *a la carte* basis to subscribers. We cu
erings with a range of marketing programs to increase the probability that they will produce significant adoption. We are also developing
ices to complement existing television packages. For example, we are bundling a range of sports-oriented online paid services so that th
offerings and offered to consumers as a single online/television offering.

and Revenue from Traffic Generated by Our Services and Products

with our customers to continuously improve our technology platform and content and service offerings. We believe this collaboration i
imizes the subscriber experience. We expect to drive increased consumption of digital content and services through our customers Inte
rings, better bundling various offerings and expanding our delivery capabilities across multiple platforms. To increase the level of and re
focus on improving the subscriber experience while conducting online searches through our customers websites and optimizing the m

rve as a profit center for our customers by sharing revenue streams is a critical aspect of the value that we provide our customers, and w
monetization of our collective online offerings. For example, we have entered into a number of relationships with search and advertisin
from the traffic generated on our customers websites, a portion of which we share with our customers. We also continue to improve t
ntory by working with advertising networks and other advertising sales enterprises.

stomer Base

pand our customer base by investing in new sales and marketing initiatives, increasing the number of sales and marketing personnel, stre
ment activities, and expanding our partnerships with digital content and service providers. We plan to acquire new customers by targetin
ould benefit from our solution, including MSOs, Telcos and ISPs as well as operators that provide Internet access through Wi-Max, fixe
power lines, Wi-Fi and other emerging technologies.

rnational Operations

a significant opportunity exists to increase our net sales in international markets where broadband service providers might not be offerin
ur solution. While only a small portion of our net sales have historically been generated abroad, as we have limited operations in the Un
s deployed our solution to provide an Internet platform to its subscribers, we intend to increase our international presence by increasing
s in selected markets in Europe, Asia-Pacific and Latin America. IDC estimates that broadband subscribers will increase from 68.6 milli
06 to 109.6 million, 158.5 million and 19.0 million by 2011 in Europe, Asia-Pacific and Latin America, respectively.

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t for New Digital Platforms and Technologies

e our customers to establish and strengthen their presence in the digital home, we intend to support multiple platforms, such as personal
edia players and mobile phones as well as emerging technologies such as IPTV and advanced set-top boxes, all of which are expected to
media within the digital home. We intend to expand our current offerings by developing an integrated technology solution that includes
v consumer devices so that we can meet the subscriber s needs for on-demand access to content and services across platforms and devic
adopting promising new digital platforms and technologies, we can take advantage of growth in consumption of digital content and serv
e digital home.

oducts

ervice and product offerings through our proprietary technology platform. We insert a wide variety of modules into our platform to enab
of Internet functionality and capability to their subscribers. Our technology platform is used to create customized Internet portals and in
bscriber personalization capabilities, a content management and delivery system and a customer-branded video player and toolbar. Our
ital content and value-added services, including video, from third-party providers to create customized and branded Internet websites. V
orm of subscriber-based fees for the use of our platform, value-added services and paid content, which we generally collect from our cu
e traffic that is generated from our platform in the form of search and advertising revenue, which we generally collect from our search p
ork providers. We often share a portion of this revenue with our customers.

d Services, Including Technology Platform, Value-Added Services and Paid Content

etary technology platform, we provide customers with a flexible, brandable Internet portal that can deliver a wide range of functionality
om multiple sources on a single, customizable website. Our customers use their portal to provide subscribers with access to free-to-subs
ing news, sports, entertainment and weather, and paid content and other value-added services, all from one location and with one login.
nd flexible architecture that allows us and our customers to add features and applications regularly.

our technology platform include portal design and development, unified registration and login, billing integration, personalization, flexib
ent management system and household management. We believe that these features increase the stickiness of our customers websites a
and promote subscriber retention. We also believe that these features strengthen our customers online presence, thereby reinforcing th

nd Development. Using our technology platform, we create, design and develop Internet portal websites for our broadband service prov
ial homepage for their subscribers. Our portal design typically aggregates a broad array of resources, including free-to-subscriber conten
ices and paid digital content and search, all in one location.

tion and Login (Single Sign-On). Our platform gives subscribers access to all of the value-added services and paid content to which the
d password. Subscribers typically log into the portal using the same user ID and

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ey use for email. Single sign-on for subscribers is accomplished by integrating with both our customers and our content and value-addec
n technology was built flexibly to accommodate many authentication mechanisms, we have been able to integrate with a wide range of

on. Our platform allows our customers to integrate billing for value-added service and paid content purchases with other services and p
uding television and telephone service. A customer may collect transaction fees via credit card or on the subscriber s service provider b
time they occur or on a monthly basis using monthly summary totals. Our system enables on-line bill presentment, which gives subscr
unt.

Our platform enables the subscriber to personalize his or her Internet experience through localization, customization and the addition o
dividual s homepage. Subscribers are able to manage access to services and products available to each member of the household, defin
ch member of the household and set the payment method (service provider bill vs. credit card) for access to paid offerings.

Capability. Our video delivery capability includes two primary components: a video player and a video discovery and delivery system.
ch as play, pause, fast forward and rewind and full-screen viewing, and can be configured to play within or on top of a page. Our video
se-driven, supports multiple video hosting methods and enables transcoding from a number of video formats. The system contains a nur
luding the ability to restrict access based on IP address location, subscriber type or household management settings. The system also pe
se by channel, genre or content type.

ment System. Our proprietary content management system enables our customers and us to create dynamic, customizable web pages an
rces. Our system is comprised of an administrative interface, a scalable content storage system and a system to distribute content to the
t system for importing content. Using our system, our or our customers editors can publish directly to a website without HTML design
onent designs prior to publishing. Our system can also automatically publish content from outside sources or assign publishing rights, b

agement. Our household management system puts parents in control of the content their children are allowed to purchase or consume fr
g other things, this system allows the head of household to specify the range of products their child accounts may access and utilize a
or content purchases such as music and movie downloads.

fer our customers the ability to create branded toolbars that can be personalized by their subscribers. The toolbar can be updated automa
e, configured with search, weather, television and movie listings and value-added services and paid content packages. The toolbars can
instant messaging, customer support and email.

gs. Our platform provides television listings and corresponding television channels, which enables subscribers to search and browse loc

e free-to-subscriber content and service offerings discussed above, we provide our customers with paid content and value-added service
ir subscribers, individually or in bundled packages. The following are

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ples of some of these packages, which we allow our customers to customize if they desire:

ty Package. Our variety package combines content from several Internet subscription and entertainment products into a single ge. These packages may include any combination of games (such as Shockwave Gameblast), greeting card services (such as ican Greetings), weather services (such as weather.com), educational elements (such as Encyclopedia Britannica or Clever) and sports elements (such as MLB or Fox Sports).

ble and Non-Portable Music. Our music offering includes download-to-own, download-to-rent, non-portable subscriptions, ble subscriptions and streaming music, using MusicNet s library of over 4.5 million songs.

ity. Our security offering typically includes anti-virus, firewall and intrusion detection, pop-up blocker, parental controls and matic updates all powered by security suites, such as F-secure.

and Calendar. We provide email and calendar solutions to our customers using Zimbra s collaboration suite of messaging cts. We integrate these products into our technology platform to deliver email and family calendar to subscribers from their page. The system enables us to highlight customer-related and community events on subscriber calendars, insert advertising into eb mail interface and provide entry to subscribers solely through our customer portals.

s on Demand. Our platform provides broadband service providers with movies as well as enabling movie downloads for ng through online distribution to the personal computer or other home entertainment devices. Our current provider, CinemaNow, library of more than 4,000 films, television programs and music concerts from over 250 licensors. The movie service currently rts pay-per-view download and streaming, and we expect that it will soon support a download-to-own business model.

ing Edge.tm Our Learning Edge package combines a number of educational products that appeal to families with young children, may include offerings from Boston Test Prep, Clever Island, Encyclopedia Britannica and IKnowThat.com.

sSomnia.tm Our GamesSomnia package includes subscriptions to popular online gaming services and gaming-related news es, which may include offerings from Classic Atari, LEGO PC Games, Yummy Arcade, Gaming Magazines and IGN Insider.

ur technology platform, value-added services and paid content, which we refer to as subscriber-based revenue, contributed approximatel al net sales for 2004, 2005 and 2006, respectively. For the six months ended June 30, 2007, subscriber-based revenue contributed appro

rtising

search and advertising technologies to generate revenue from the traffic generated by our customers Internet portals. Our search and a rch-based advertising, which we provide through our relationship with Google, and display advertising, which we provide through our orks.

dvertising. We have a revenue-sharing relationship with Google, pursuant to which we typically include a Google-branded search tool o es a search request using this tool, we deliver it to Google. Google returns search results to us that include advertiser-sponsored links. I Google receives payment from the sponsor of that link and shares a portion of that payment with us. We then typically share a portion o mer.

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ing. We generate advertising revenue when subscribers view or click on a text or display advertisement that we delivered. We have ent ertising networks, including advertising.com and Tribal Fusion, among others. Advertisers pay these networks a fee to place their adver the networks place an advertisement on one of our customers websites and other web pages that we control, the network will pay us a portion of that payment with the applicable customer.

rtising revenue contributed approximately 9.5%, 36.7% and 50.8% of our total net sales for 2004, 2005 and 2006, respectively. Revenue with Google contributed 9.3%, 36.2% and 49.7% of our total net sales 2004, 2005 and 2006, respectively. For the six months ended Ju nue contributed approximately 51.1% of our total net sales, with revenue attributable to our arrangement with Google contributing appro

l Operations

form Architecture

platform has been designed and built to support reliability and scalability. To route traffic through our network in the most efficient ma spread work among multiple servers, and link controllers, which monitor availability and performance of multiple connections to our pl ur portals, operate our unified logins and stream video content. Additional servers provide user data and content and services, and other ch as content gathering, report generation, backups and monitoring. Our technology platform is fault tolerant and scalable through the a

ilities

erate and maintain a data center, which is staffed 24 hours a day, 7 days a week, and a network operations center. Both our data center a d in a shared facility operated by Switch & Data Facilities Company, Inc. in Buffalo, New York. The network operations center houses tems that represent the operations center of the services and products delivered to our customers. All systems are fully monitored for re ta center and network operations center are in a physically secure facility using monitoring, environmental alarms, closed circuit televis

rincipally consist of MSOs, such as Charter and Time Warner; Telcos, such as Embarq Corporation; and other ISPs, such as EarthLink, er contracts typically have an initial term of two to three years from the deployment of the customer s website. As of June 30, 2007, we five Telco customers and three ISPs. Subscriber-based revenues from one customer accounted for more than 10% of our net sales in th otherwise, we did not generate subscriber-based revenues from any single customer that accounted for 10% or more of our net sales in th the year ended December 31, 2006. Net sales attributable to two customers, Charter and Time Warner (pursuant to the Adelphia legacy proximately 53% of our net sales for the year ended December 31, 2006, with each of these customers accounting for more than 20% in able to Charter, Time Warner (pursuant to the Adelphia legacy agreement only) and Embarq together accounted for approximately 56% ne 30, 2007, with net sales attributable to two of these customers each accounting for more than 15% in such period and net sales attrib ore than 10%. Net sales attributable to these customers

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scriber-based revenues earned directly from them, as well as the search and advertising revenues earned from third parties, such as Goog heir websites. We believe we have strong and collaborative relationships with our customers, which is critical to our success.

ers

s to the content that we provide to our customers, including value-added services and free and paid content offerings, from numerous th t, we enter into a variety of licensing arrangements with our content partners that typically run from one to three years in length and ma g, fixed payments over time, or both. Our partners provide a variety of content, including news and information, entertainment, music, eers and finance. We use this content to populate our customers portals, as well as to provide value-added services and paid content th es. As of June 30, 2007, we had arrangements with over 50 content providers, including American Greetings, Cinema Now, Encycloped e Media, MLB Advanced Media and MusicNet, Inc. Since that date, we have entered into an agreement with Turner Broadcasting Syste ASCAR content.

eting

arketing efforts focus on three primary areas, which are sales, client services and marketing. Our sales team consists of direct sales perso omers. Our prospective customers are typically large and mid-sized broadband service providers. A significant amount of time and effor e requirements and objectives of each prospective customer. Each bid is specifically customized for the prospective customer, and often egotiation before an agreement is reached.

ent is reached, our client services team takes over management of the customer relationship. Our client services team manages the initia d, which is usually 90 days or more, when the customer s technology platform is assessed and, if required, modifications are proposed platform. The client services team is responsible for the quality of the client deployment, customer relationship management, project ma hancements and financial elements of the customer relationship.

eam and our client services team collaborate to deliver marketing programs that support our customers sales efforts. We assist the custo ials, advertising and cross-channel commercials that can be accessed by subscribers through different media outlets, including televisior e customer in training its customer service representatives to introduce and sell value-added services and paid content offerings to new ay also participate in the development and funding of marketing programs that include sales incentives to accelerate sales of bundled pr

egulation

e not regulated other than under international, federal, state and local laws applicable to the Internet or e-commerce or to businesses in g enacted or proposed specific laws and regulations governing the Internet and online entertainment. These laws and regulations cover iss distribution, quality and delivery of services and products, electronic contracts, intellectual property rights, user privacy and informatio

arding the Internet that could have an impact on our business include the following: the Digital Millennium Copyright Act of 1998, whi

s

e service providers of third-party content, including content that may infringe copyrights or rights of others; the Children s Online Priva
al restrictions on the ability of online services to collect user information from minors; and the Protection of Children from Sexual Pred
oviders to report evidence of violations of federal child pornography laws under certain circumstances.

tions regarding user privacy and information security impact our business because we collect and use personal information regarding th
We use this information to deliver more relevant content and services and provide subscribers with a personalized online experience. W
is with our customers and content providers and, subject to confidentiality agreements, to prospective customers and content providers.
t of 2003 or other user privacy or security laws could restrict our and our customers ability to market products to their subscribers, crea
e the demand for our services and products or require us to redesign our customers Internet portals.

perty

rotection of our intellectual property is critical to our success. We rely on copyright and trademark enforcement, contractual restrictions
rietary rights. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondi
ith whom we conduct business in order to limit access to and disclosure of our proprietary information. Our registered trademark in the

protect our internally developed systems and maintain our trademarks and service marks. We generally control access to and use of our
l information through the use of internal and external controls, including contractual protections with employees, contractors, customer
cted by United States and international copyright laws.

gal protections, we believe that factors such as the technological and creative skills of our personnel, new product developments, frequen
uct support and services are essential to establishing and maintaining a technology leadership position.

nternet-based services and products in which we operate is highly competitive and involves rapidly-changing technologies and custome
well as evolving industry standards and frequent product introductions. While we believe that our services and products offer considera
our customers extend their subscriber ownership to a wide variety of Internet-based services, we face competitors when one of our pros
ders another supplier for elements of the services and products we provide.

platform, value-added services and paid content offerings compete primarily with broadband service providers that have internal inform
oping similar solutions in-house, such as Comcast and Time Warner. In addition, we compete with companies such as Yahoo!, InfoSpac
capable of delivering competing platforms for broadband service providers to develop a co-branded Internet portal with content and ser
mpete with providers of paid content over the Internet, especially companies with the capability of bundling paid content and value-add
t we do, such as RealNetworks Inc.

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rincipal competitive factors in our markets include a company s ability to:

rce the brand of the broadband service provider;

ce products that are flexible and easy to use;

competitive fees for portal development and operation;

ate additional revenues for broadband service providers;

d the broadband service provider s subscriber ownership to a wide variety of Internet-based services and products;

e broadband service providers to be involved in designing the look and feel of their online presence;

services and products that meet the changing needs of broadband service providers and their subscribers, including emerging
ologies and standards;

de high-quality product support to assist the customer s service representatives; and

gate content to deliver more compelling bundled packages of paid content.

we distinguish ourselves from potential competitors in three principal ways. First, we provide a white label solution that, unlike the co-b
rs, creates an Internet experience based upon our customers brands. Second, we give broadband service providers control over the sig
de range of Internet services, and content by integrating with their internal systems. Finally, our solution is flexible, and we can create v
red to each customer s desired look and feel.

007, we had 163 employees in the United States and two employees in the United Kingdom. None of our employees is represented by a
employee relations to be good.

eadquarters are located at 40 LaRiviere Drive, Buffalo, New York 14202. We lease approximately 31,000 square feet of office space at t
ent that expires in March 2016. We may, at our option, elect to terminate the sublease as of November 30, 2011 upon payment of a canc
s then outstanding under the lease. The sublease agreement grants us a right of first offer over approximately 63,000 additional square f

n administrative offices in Los Angeles, California and Herndon, Virginia.

our facilities are adequate to meet our current needs and that suitable additional or substitute space will be available as needed.

ngs

e, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently involved in any le
h, if determined adversely to us, would have a material adverse affect on our business, results of operations or financial condition.

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MANAGEMENT

ers, Key Employees and Directors

fficers, key employees and directors, and their ages and positions as of June 30, 2007, are set forth below:

	Age	Position
	51	President, Chief Executive Officer and Director
	45	Chief Financial Officer
n	33	Senior Vice President of Client Services
	35	Chief Technology Officer
	56	Vice President of Sales
	52	Vice President of Content and Value-Added Services
	54	Vice President of Marketing
	33	Vice President of Human Resources
	45	Director
	51	Director
	42	Director
e	36	Director
y	37	Director
	52	Director

served as a member of our board of directors and as our President and Chief Executive Officer since April 2001. Prior to joining us, M
r of Perks.com, Inc. from 1998 to 2001. From 1994 to 1998 Mr. Frankel served as President of MGM Interactive, the interactive divisio
-Mayer Studios Inc. From 1993 to 1994, Mr. Frankel served as Senior Vice President of Marketing and Sales at Kenfil Distribution. Fro
ed in several executive positions at Softview, Inc., lastly as Senior Vice President of Marketing and Sales. Mr. Frankel attended the Uni
eived a J.D. from the University of Southern California Law Center.

s served as our Chief Financial Officer since April 2007. From February 2006 to March 2007, Mr. Blachno was an independent consulta
n November 2004 to January 2006, Mr. Blachno served as Chief Financial Officer at Eagle Broadband, Inc. From July 2003 to June 200
Officer at Cascade Microtech, Inc. From July 2000 to June 2003, Mr. Blachno served as Chief Financial Officer at Luminent, Inc. From
ved as managing director at PMG Capital, an investment banking firm. From 1995 to 1998, Mr. Blachno served as managing director ar
st at Bear, Stearns & Co. Inc. From 1986 to 1995, Mr. Blachno held various positions at International Business Machines Corporation.
ce from the Wharton School, University of Pennsylvania, an M.S. in Telecommunications from Pace University and a B.S. with High H
University of Florida.

n has served as our Senior Vice President of Client Services since our acquisition of My Personal in December 2000. Prior to that time,
nek and served as its President from January 1998 until such acquisition. Mr. Chamoun holds a B.A. in Political Science from the State

s

s served as our Chief Technology Officer since August 2006. Prior to that period, he served as our Vice President of Engineering from J
to June 1999, Mr. Winston served as Campuswide Information Systems Coordinator for the State University of New York at Buffalo, v
ernet portals and related applications. Previously, Mr. Winston was an independent consultant and served as the lead developer for two s
mpanies. Mr. Winston holds B.S. and M.S. degrees in Computer Science from the State University of New York at Buffalo.

as served as our Vice President of Sales since February 2002. From September 2000 to November 2001, Mr. Codella served as Vice Pr
pment at Global Crossing Ltd. From July 1997 to August 2000, Mr. Codella served as President and Chief Executive Officer at Integrat
rom 1996 to 1997, Mr. Codella served as a Sales Director at Lucent Technologies Inc. From 1980 to 1996, Mr. Codella held various po
Global Enterprise Division, at AT&T Inc. Mr. Codella is a co-founder and currently serves as a Director of MedRecovery Management
ovides coordination of workers compensation benefits services to health insurers. Mr. Codella holds a B.S. in Economics and Political
w York at Brockport and an M.B.A. from the Rochester Institute of Technology. Mr. Codella also earned an Advanced Certificate from
ty of Pennsylvania.

as served as our Vice President of Content and Value-Added Services since July 2005. From July 1997 to February 2005, Mr. May held
resident of Broadband, at America Online Inc. From 1987 to 1996, Mr. May served as Director of Strategic Planning and Vice Presider
ems Corp. From 1986 to 1987, Mr. May served as a Vice President in the Controller s Division at Drexel Burnham Lambert Inc. From
ate Director of Business Planning and Development at CBS Broadcasting Inc. Mr. May holds a B.F.A. from The Julliard School and an

s served as our Vice President of Marketing since June 2006. From January 2002 to April 2006, Ms. Herbs served as Vice President of
ct Management at RCN Corporation. From October 1998 to January 2002, Ms. Herbs served as Owner and Marketing Consultant of Sa
1994 to January 1998, Ms. Herbs served as Vice President of Customer Marketing and Creative Services and Director of Programming
rom 1988 to 1994, Ms. Herbs served as Director of Marketing and Broadband Services at Greater Media Cable. From 1984 to 1988, Ms
keting and General Manager at American Cablesystems Corporation. Ms. Herbs holds a B.S. in Biology from Lynchburg College and an
llege.

served as our Vice President of Human Resources since August 2006. Prior to that period, she served as our Director of Human Resour
Manager of Human Resources from December 2004 to July 2005. From March 2002 to November 2004, Ms. Culkin served as an indep
wers Perrin, where she worked on various human resource-related projects, focusing on executive compensation. From May 2000 to De
or Compensation Analyst at Pitney Bowes Inc. From June 1998 to May 2000, Ms. Culkin served as a consultant for Towers Perrin wher
on various human resource-related projects, including executive compensation analyses, change management practices and human reso
lkin holds a B.S. in Business Administration from the State University of New York at Buffalo.

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been a member of our board of directors since Chek acquired MyPersonal in December 2000. Prior to that period, Mr. Kau served as a 1999 until such acquisition. Mr. Kau has been a managing director at Walden International since 1994. From 1991 to 1994, Mr. Kau wa entures. Mr. Kau was a management consultant at Strategic Planning Associates, LLC from 1989 to 1991 and at Booz, Allen and Hamil 85, Mr. Kau was a research scientist at Systems Planning Corporation. Mr. Kau holds a B.S. in Electrical Engineering from Brown Uni sity of Virginia.

been a member of our board of directors since October 2001. Mr. Levy has been a partner at Softbank Capital since June 2005. In Octo Capital Partners LLC and was a managing partner there until May 2005. In July 2007, he was appointed Chairman of the Erie Canal H Levy currently serves on the board of directors of Lorex Technology Inc., a publicly held company. Mr. Levy holds a B.A. in Political w York at Buffalo.

as been a member of our board of directors since September 2007. Since 2005, Mr. Mallett has served as a director and Chairman of the al music licensing and copyright management services. Since 2002, Mr. Mallett has been a principal Owner and Executive Committee M Francisco Giants baseball club. From 1995 to 2002, Mr. Mallett held various positions, including President and Chief Operating Officer llett served as Vice President and General Manager of the WordPerfect consumer division at Novell, Inc. Prior to that, Mr. Mallett was ce Software International where he held various positions from 1988 to 1992, including Vice President, Sales and Marketing. From 198 irector, Sales and Marketing at Island Pacific Telephone Corp., a privately held telecommunications company.

e has been a member of our board of directors since October 2006. Mr. Morrissette has been a Managing Director at North Atlantic Cap ecember 1998, Mr. Morrissette was a senior associate at Advent International Corporation. From August 1993 to March 1995, Mr. Mo Morrissette holds a B.A. in Economics from Dartmouth College and an M.B.A. from Harvard Business School.

has been a member of our board of directors since September 2004. Mr. Murphy is a managing director of Advantage Capital Partners . From 1998 to 1999, Mr. Murphy served as the Chief Operating Officer at iXL-New York. Prior to that period, Mr. Murphy founded S l from 1995 to 1998, when it was acquired by iXL. From 1993 to 1995, Mr. Murphy served as an associate at Bankers Trust Company N udies from Harvard University.

s been a member of our board of directors since Chek acquired My Personal in December 2000. Prior to that, Mr. Tzeng served as a dir until such acquisition. Mr. Tzeng has been a managing director of Crystal Internet Ventures since January 1997. Mr. Tzeng has served d. since October 1996. Mr. Tzeng holds an undergraduate degree in Computer Science and Electronics Engineering from National Chia omputer Engineering and Information Sciences from Case Western Reserve University.

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ectors

ectors is currently composed of seven members. Prior to the consummation of this offering, we expect to appoint at least one additional
ill serve as the chairman of the audit committee and be the audit committee financial expert as defined in Item 407(d) of Regulation
ette, Murphy and Tzeng qualify as independent directors in accordance with the published listing requirements of The Nasdaq Global M
dence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our e
any of his family members has engaged in various types of business dealings with us. In addition, as further required by the Nasdaq rul
ctive determination as to each independent director that no relationships exist which, in the opinion of our board of directors, would int
gment in carrying out the responsibilities of a director. In making these determinations, our board of directors reviewed and discussed in
with regard to each director s business and personal activities and relationships as they may relate to us and our management. See Tra
ers and Certain Control Persons.

ements

ctors were elected pursuant to a voting agreement that we entered into with certain holders of our common and preferred stock. This vot
he closing of this offering and there will be no further contractual obligations regarding the election of our directors. Our directors hold
been elected and qualified or their earlier death, resignation or removal.

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d restated certificate of incorporation and our amended and restated bylaws that will become effective immediately prior to the closing o
oard of directors consisting of three classes of directors, each serving a staggered three-year term. As a result, only one class of our boa
r from and after the closing. Our amended and restated certificate of incorporation and amended and restated bylaws that will become e
this offering will provide that the number of authorized directors may be changed only by resolution of a number of directors that is mo
authorized (including any vacancies), and that, except as otherwise required by law or by resolution of the board, any vacancies or new
y by vote of the directors and not by stockholders. The classification of the board of directors may have the effect of delaying or preven

ees

ve a compensation committee, and prior to the consummation of this offering, we will establish an audit committee and a corporate gov
board of directors and its committees will set schedules to meet throughout the year and also can hold special meetings and act by writte
he independent members of our board of directors will also regularly hold separate executive session meetings at which only independe
ectors will delegate various responsibilities and authority to its committees as generally described below. The committees will regularly

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of directors. Each member of each committee of our board of directors will qualify as an independent director in accordance with the N
mittee of our board of directors will adopt a written charter. Upon the effectiveness of the registration statement of which this prospectu
be posted on our website at *www.synacor.com* under the Investor Relations section. The inclusion of our website address in this prospe
eference the information on our website into this prospectus.

our audit committee have not yet been appointed. We intend to appoint at least three members that are independent under the rules a
rds of Nasdaq. The audit committee of our board of directors will oversee our accounting practices, system of internal controls, audit pr
ses. Among other things, our audit committee will be responsible for reviewing our disclosure controls and processes and the adequacy
It also will discuss the scope and results of the audit with our independent auditors, will review with our management and our independ
erating results and, as appropriate, will initiate inquiries into aspects of our financial affairs. Our audit committee will have oversight fo
be responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal account
rs related to our code of business conduct, and for the confidential, anonymous submission by our employees of concerns regarding suc
will have sole and direct responsibility for the appointment, retention, compensation and oversight of the work of our independent audi
arrangements. Our audit committee also will be responsible for reviewing and approving all related party transactions in accordance wi
roval policy.

ommittee

bers of our compensation committee are Messrs. Kau, Morrissette, Murphy and Tzeng, each of whom is independent under the rules
andards of Nasdaq. Following the consummation of this offering, the purpose of our compensation committee will be to have primary r
esponsibilities of our board of directors relating to executive compensation policies and programs. Among other things, specific respon
mmittee will include evaluating the performance of our chief executive officer and determining our chief executive officer s compensa
ve officer, it also will determine the compensation of our other executive officers. In addition, our compensation committee will admini
ans and will have the authority to grant equity awards and approve modifications of such awards under our equity compensation plans,
equity award policy adopted by our board of directors. Our compensation committee also will review and approve various other comp

rnance and Nominating Committee

our corporate governance and nominating committee have not yet been appointed. We intend to appoint at least three members that are
ions of the SEC and the listing standards of Nasdaq. The corporate governance and nominating committee of our board of directors wil
ng, among other things, identifying, evaluating and making recommendations of nominees to our board of directors, and will evaluate t

s

ividual directors. Our corporate governance and nominating committee also will be responsible for reviewing developments in corporat
lequacy of our corporate governance practices and making recommendations to our board of directors concerning corporate governance

ss Conduct

iness conduct applies to all of our employees, officers and directors. Upon the effectiveness of the registration statement of which this pr
ode of business conduct will be posted on our website at *www.synacor.com* under the Investor Relations section. We intend to disclose f
s of our code of business conduct, or waivers of such provisions, at the same location on our website identified above and also in public
ess in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Committee Interlocks and Insider Participation

ecisions during the year ended December 31, 2006 pertaining to executive officer compensation were made by our board of directors.

the compensation committee of our board of directors currently consists of Messrs. Kau, Morrissette, Murphy and Tzeng. In 2006, entit
bers purchased shares of our Series C preferred stock and entered into certain shareholders agreements in connection therewith, as descr
sons, Promoters and Certain Control Persons Private Placement Financings. See Note 8 of Notes to Consolidated Financial Statemen
es C preferred stock. None of our executive officers has ever served or will serve as a member of the board of directors or compensatio
function) of any other entity that has or has had one or more executive officers serving as a member of our board of directors or our co

iability and Indemnification

ummation of this offering, we will enter into indemnification agreements with each of our directors and executive officers and certain o
nt provides that we will indemnify each of our directors, executive officers and such key employees against any and all expenses incurr
or key employee because of his or her status as one of our directors, executive officers or key employees, to the fullest extent permitted
stated certificate of incorporation and our amended and restated bylaws (except in a proceeding initiated by such person without board a
provides that, to the fullest extent permitted by Delaware law, we will advance all expenses incurred by our directors, executive officers
th a legal proceeding in which they may be entitled to indemnification.

d restated certificate of incorporation and amended and restated bylaws will contain provisions relating to the limitation of liability and
icers. The amended and restated certificate of incorporation will provide that our directors will not be personally liable to us or our stoc
breach of fiduciary duty as a director, except for liability:

y breach of the director s duty of loyalty to us or our stockholders;

ts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

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pect of unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the
vare General Corporation Law; or

y transaction from which the director derives any improper personal benefit.

d restated certificate of incorporation also will provide that if Delaware law is amended after the approval by our stockholders of the cer
ate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited
aware law.

d restated bylaws will provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, as it no
ed, against all expenses and liabilities reasonably incurred in connection with their service for or on our behalf. Our amended and restate
e the expenses incurred by a director or officer in advance of the final disposition of an action or proceeding. Our amended and restated
any of our employees or agents and permit us to secure insurance on behalf of any officer, director, employee or agent for any liability a
pacity, whether or not Delaware law would otherwise permit indemnification.

Discussion and Analysis

hilosophy and Objectives

pensation philosophy is designed to attract executive officers with the skills, talent, judgment and dedication to help us achieve our busi
e officers who continue to perform at or above our expectations and contribute to our long-term success. The various elements of compe
orporate performance in achieving our financial and business goals. The executive officers discussed in this Compensation Discussion a
tion tables below, are Messrs. Frankel, Chamoun, Rusak and Winston (referred to below as the named executive officers) and Mr. Bl

on committee s objectives are to align executive compensation with the achievement of long-term and short-term financial and business
each named executive officer reflects his own contribution to our company and his performance. Each compensation component is bas
ur view of internal equity and consistency, individual performance and other information we deem relevant, such as the competitive su
compensation for our executive officers are based primarily upon assessment of each individual s performance and potential to enhanc
pon judgment and not rigid guidelines or formulas in determining the amount and mix of compensation elements for each executive off
ot adopted any formal or informal policies or guidelines for allocating compensation between cash and non-cash compensation or amon
nsation. This is due to the need to tailor each executive officer s compensation package to attract and retain that officer. Factors affecti
s performance compared to the strategic goals established for the individual and the company at the beginning of the year, the nature a
and his effectiveness in leading initiatives to achieve corporate goals.

rd of directors assessed compensation levels and approved compensation plans in light of corporate performance, individual performanc
. Corporate performance was evaluated in terms of revenue growth, growth in premium subscribers and improvement in our portal s fe
ck. In

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mpensation committee intends to review relevant market data periodically and take into account any changes in our company, our indu

s to maintain base salaries at or below the 50th percentile of comparable companies while providing the opportunity to be well rewarded
d equity programs, if we achieve our short-term and long-term goals. In 2006, we used two compensation surveys, the 2006 Towers Pe
urvey and the 2006 Dow Jones Compensation Pro Survey. The participants in the Dow Jones Compensation Pro Survey are venture cap
information technology industry. The 2006 Dow Jones Compensation Pro Survey does not provide a specific participant list. The parti
Compensation Survey are publicly traded companies in the technology industry, such as Electronic Data Systems Corp., Apple Inc., In
2007, we identified Infospace Inc., Interwoven Inc., Vignette Corporation, MIVA Inc., Marchex Inc., Navisite Inc., Online Resources
Inc., The Knot, Inc., NIC Inc., TheStreet.com Inc., Broadvision Inc., Vocus Inc. and LivePerson Inc. as comparable companies.

our annual compensation decisions, we review individual and corporate performance. The board of directors has measured our performa
at the beginning of the fiscal year and determined the overall budget and targeted compensation for our executive officers. Our chief e
xecutive team, assessed each other executive officer s contributions to departmental as well as individual goals and made a recommen
spect to any merit increase in salary or target bonus and any stock option replenishment grant for that executive officer. The board of di
odified or approved those recommendations and conducted a similar evaluation of the chief executive officer s own contributions to th
were established for the chief executive officer.

sation Committee, Executive Officers and Compensation Consultant

ring, our board of directors made the final decisions on the compensation of our executive officers, although the compensation committ
s to the board of directors. After this offering, the compensation committee will make the final determinations regarding executive offic

ive officer and vice president of human resources supported our board of directors in its work by providing information relating to our f
essments of our executive officers and other personnel-related data, and they will support the compensation committee in a similar man
the chief executive officer also made recommendations to our board with respect to the compensation of other executive officers but di
his own compensation. The compensation committee has the authority under its charter to engage the services of outside advisors and e
k & Co., Inc., or Frederic W. Cook, as our executive compensation consultant to assist with the 2008 executive compensation review. C
onsultants for prior compensation reviews.

nts of Executive Compensation

mpensation program consists of the three components discussed below. In general, the determination of the board of directors with rega
rminations with regard to the other components.

Ve subscribe to various surveys and databases and review them when we review executive compensation and when making an importan

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hief executive officer and our other named executive officers are established based on the scope of their responsibilities, taking into acco
Ve attempt to set the base salaries of our executive officers at or near the 50th percentile level when compared to the salaries of executiv
onsibilities at comparable companies. We believe that salaries at this level enable us to hire and retain individuals in a competitive envi
ve officer is particularly important to our success, our board of directors or the compensation committee may provide compensation abo
in the case of Mr. Frankel, based on the compensation surveys used in 2006.

reviewed annually and adjusted as needed. Any salary adjustments will be based on competitive conditions, individual performance, ou
anges in job duties and responsibilities, and our overall budget for base salary increases. Our compensation levels reflect consideration o
s necessary, but not significantly more than necessary, to achieve our corporate goals while conserving cash and equity as much as pract

6, the compensation committee and our board of directors analyzed the base salary of each named executive officer, based on the 2006
urvey and the 2006 Dow Jones Compensation Pro Survey. The market data indicated that the base salary amounts of Messrs. Frankel, C
ecessary to achieve our compensation objectives, based on companies in our geographic region and technology companies throughout t
occurred because our base salaries generally were established during the first few years of our operation, when our revenue was lower. T
aries of Messrs. Frankel, Chamoun and Winston. Mr. Rusak resigned in October 2006. The salary actually paid in 2006 to each named e
006 Summary Compensation Table below, and his current annual base salary is as follows:

rankel: $270,000

lachno: $200,000

hamoun: $150,000

Vinston: $150,000

Compensation. Cash bonuses are intended to reward individual performance during the year and can be highly variable from year to y
ve officer and is stated in terms of a percentage of base salary for the year. The 2006 target bonus amount for Mr. Frankel was 50% of h
he fiscal year. For each of Messrs. Chamoun and Winston, the 2006 target bonus amount was 25% of salary at the rate in effect as of th
onus payable under our management bonus plan for each of Messrs. Frankel, Chamoun and Winston was two times their target bonus a
get objectives or our board of directors determined, in its sole discretion, that an officer earned additional bonus amounts as a result of h
ed complete discretion to increase or decrease variable compensation based on a variety of factors, such as accomplishing a specific bus
oals for the year, if it had a material impact on our financial results or business operations, assuming responsibility beyond the scope of
mplishing goals in a way that contributed materially to exceeding the financial targets for the year or generating revenue in future years

gement bonus plan, annual cash incentives for the executive officers and other key employees were designed to reward short-term perfo
porate goals. For 2006, Mr. Frankel s target bonus was payable if our revenue exceeded $25 million in fiscal 2006. Because we exceede
mmittee approved paying Mr. Frankel s bonus at the target level, with an additional $18,750

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target amount in recognition of our exceeding the revenue target for 2006 and for Mr. Frankel s business generation that should signifi
amoun s target bonus was payable if he achieved his goals related to client services, including increasing the revenue generated by our
ed paying Mr. Chamoun the maximum bonus permissible under our management bonus plan, which was equal to two times his target bo
e additional responsibility he accepted in 2006, his key contribution in exceeding targeted financial results and his business generation t
venue. Mr. Chamoun was also paid $25,000 after he closed a material transaction that was not in our goals for the year, and our board of
Mr. Chamoun because he played an instrumental role in closing the transaction. Mr. Winston s target bonus amount was payable if he a
opment and completion of our new products. Our board of directors approved paying Mr. Winston his target bonus amount and an addit
he development of new product offerings. The total amount actually paid to each named executive officer is reflected in the 2006 Summ

ard of directors has decided to adopt a discretionary bonus program for all named executive officers. We currently find ourselves in a ra
d the board concluded that a bonus program with predetermined performance objectives would be unduly rigid at this time. We believe
ly administered by a compensation committee of independent directors, can achieve the goals outlined above for our annual bonus prog
described above, the board of directors determined that the target bonuses of Messrs. Frankel, Blachno, Chamoun and Winston will be a

rankel: 70% of base salary

lachno: 25% of base salary

hamoun: 50% of base salary

Vinston: 25% of base salary

ntive Compensation. Our long-term equity incentive compensation is typically awarded in the form of options to acquire shares of our c
k options offer the greatest leverage and, therefore, the greatest incentive to increase the value of our business. Our equity incentive plar
loyees, including our executive officers, with incentives to support our long-term success and growth. Authority to make equity grants t
npensation committee, although it is expected that the compensation committee will consider the recommendations of our chief executiv
n himself.

ck option grant is typically made in the year that an executive officer commences employment. Thereafter, option grants may be made a
at the discretion of our compensation committee or our board of directors. We do not have any program or obligation that requires us t
any executive officer on specified dates. The size of each grant was generally set at a level that our board of directors deemed appropria
tock ownership while reflecting the individual s position with us and the individual s potential for future responsibility. Like the other
ogram, our option grants generally were intended to have a value near the 50th percentile level when compared to the awards of similar
ed above. The relative weight given to each performance element varied from individual to individual at the discretion of our board of d
e board of directors deemed reasonable to attract highly qualified candidates in the competitive environment where we operate.

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awards to our employees had an exercise price equal to the fair market value of our common stock on the grant date, determined in acco
valuation firm retained by our board of directors. Following this offering, we expect the exercise price of our options to be equal to the
n the date of the grant.

Stock Plan, assuming the employee has provided continuous service to us through each vesting date, the option will generally vest as to
of the first day of the month following the date of hire for the initial grant to an employee and the first day of the month following the
as to 1/48th of the shares each month thereafter. The vesting schedule is designed to provide a meaningful incentive to remain in our em
ce among comparable companies. An option will provide a return to the employee only if he or she remains in our employ, and then onl
ppreciates over the option term.

not granted additional options to employees on an annual basis, although we evaluate employee performance on an annual basis. Instea
employees we deem critical to our success and those who have made significant contributions in achieving our goals. The amount of the
e discretion of the board of directors, based on the recommendation of the chief executive officer. In exercising this judgment, we consi
oldings, the degree of vesting in future years and the individual s overall performance. In April 2007, the compensation committee reco
additional option grant be made to Mr. Frankel based, among other factors, on his exceptional performance to date, his existing stock h
g in future years. An option grant covering 115,150 shares was made at the then fair market value of our common stock, based on a wri
uation firm. In September 2007, Frederic W. Cook completed an executive compensation study in preparation for the 2008 annual comp
r. Frankel, Mr. Chamoun and Mr. Winston were significantly below the 25th percentile for total compensation, based on a comparison w
7, as set forth in the fourth paragraph under Compensation Philosophy and Objectives. In addition, they are almost fully vested in the
ess retention concerns, our compensation committee recommended and our board of directors approved the grant of an option to purcha
o Mr. Frankel, an option to purchase 50,000 shares of our common stock to Mr. Chamoun and an option to purchase 50,000 shares of ou

not use restricted stock awards because we believe that options offer a more powerful incentive; however, our board of directors or the
e grant of restricted shares of our common stock in appropriate circumstances. Restricted shares are subject to a risk of forfeiture that la
determined by the compensation committee or board of directors. In April 2007, the chief executive officer recommended to our board
offered the opportunity to purchase shares of restricted stock upon hire as part of his negotiated compensation package. The chief execu
n additional restricted stock award in lieu of a relocation package for Mr. Blachno. In the aggregate, Mr. Blachno purchased 180,000 res
the time of purchase.

Guidelines

not require our directors or executive officers to own a particular amount of our common stock. The compensation committee is satisfi

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tors and executive officers are sufficient at this time to provide motivation and to align this group s interests with those of our stockhol

fficers participate in the same group insurance and employee benefit plans as our other salaried employees. At this time, we do not provi
r executive officers.

eements

into letter agreements with Messrs. Frankel, Chamoun, Blachno and Rusak that provide severance benefits in certain circumstances. A
s set forth in his offer letter, as amended, was determined based on his negotiations with us when he became our chief financial officer,
nkel s letter agreement provides for a cash severance payment and 12 months of vesting acceleration with respect to his equity awards
without cause. Each letter agreement with Messrs. Blachno and Rusak provides for a cash severance payment in the event that the offic
permanent disability. Mr. Chamoun s letter agreement provides for a cash severance payment in the event that he is terminated by us v
l breach of his employment agreement or there are certain adverse changes to his job following a change of control. In September 2007
erance benefits of our executive officers. Based on Frederic W. Cook s report, our compensation committee recommended and our boa
onal change of control severance benefits to our executive officers to be effective when this offering becomes effective, other than in th
re currently in effect. If an officer is involuntarily terminated in connection with, or within twelve months following, a change of contro
ts equal to twelve months of his then base salary, twelve months of COBRA premiums and his annual target bonus amount, provided th
on, in the event of a change of control and certain reductions or changes with respect to the executive s position or compensation, addit
rotections are intended to preserve employee morale and productivity and encourage retention in the face of the disruptive impact of an
company. Please see Management Employment Agreements and Offer Letters and Management Potential Payments upon Termi

ement

on committee has not adopted a policy on whether or not we will make retroactive adjustments to any cash or equity-based incentive co
s (or others) where the payment was predicated upon the achievement of financial results that were subsequently the subject of a restate
ves that this issue is best addressed when the need actually arises, when all of the facts regarding the restatement are known.

ting Treatment of Compensation

of the Internal Revenue Code places a limit of $1 million per person on the amount of compensation that we may deduct in any one yea
tive officers. There is an exemption from the $1 million limitation for performance-based compensation that meets certain requirement
on rights under our 2007 Equity Incentive Plan are intended to qualify for the exemption. See Management Equity Incentive Plan: 200
ants of restricted shares or stock units under our 2007 Equity Incentive Plan may qualify for the exemption if

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gent on the attainment of objectives based on the performance criteria set forth in the plan and if certain other requirements are satisfied
nits that vest solely on the basis of service cannot qualify for the exemption. Our current cash incentive plan is not designed to qualify f
ity in compensating officers in a manner designed to promote varying corporate goals, our compensation committee has not adopted a p
be deductible. Although tax deductions for some amounts that we pay to our named executive officers as compensation may be limited
ot result in the current payment of increased federal income taxes by us due to our significant net operating loss carry-forwards. Our co
mpensation or changes to plans, programs or awards that may cause the compensation or awards to exceed the limitation under section 1
propriate and in our best interests.

equity compensation paid to our employees under the rules of SFAS 123R, which requires us to estimate and record an expense for each
er the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligatio
utive compensation program to achieve particular accounting results.

pensation

Compensation Table

ble sets forth the total compensation awarded to, earned by, or paid to our named executive officers for all services rendered in all capac

cipal Position	Year	Salary	Bonus	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Oth Compens
	2006	$ 232,292 (1)		$ 9,373	$ 143,750	$
ief Executive Officer						
	2006	150,000		18,777		
Officer						
n	2006	131,340 (5)	$ 25,000	2,797	75,000	
ident of Client Services						
	2006	130,298 (6)		1,404	45,000	
y Officer						

nkel s salary was increased to $250,000, effective as of September 16, 2006.

ounts in this column represent the dollar amount recognized for financial statement reporting purposes with respect to the fiscal
accordance with SFAS 123R, excluding forfeiture estimates. See Note 9 of the notes to our consolidated financial statements
d elsewhere in this prospectus for a discussion of our assumptions in determining the SFAS 123R values of our option awards.

payments pursuant to our management bonus plan.

s $50,000 in severance payments, $2,355 in COBRA premiums and $923 in accrued vacation payout. Mr. Rusak resigned
e as of October 31, 2006.

amoun s salary was increased to $150,000, effective as of September 1, 2006.

nston s salary was increased to $150,000, effective as of September 16, 2006.

s accrued vacation payout.

s

eparation agreement signed by Mr. Rusak in October 2006, his option for 115,000 shares of our common stock was amended to acceler nd to extend the term of his option from 30 days until three months following his resignation date. The dollar amount recognized for th ement reporting purposes with respect to the fiscal year in accordance with SFAS 123R was $17,717. See Management Potential Pay ol below for more details.

us and Non-Equity Incentive Plan Compensation accounted for the following percentages of the total compensation of our name

	Salary	Bonus
	60%	0%
	68%	0%
n	56%	11%
	70%	0%

Plan-Based Awards

ble sets forth the plan-based non-equity incentive awards granted to our named executive officers during the 2006 fiscal year. No plan-b de to our named executive officers during the 2006 fiscal year.

own in the Estimated Possible Payouts Under Non-Equity Incentive Plan Awards for Messrs. Frankel, Chamoun and Winston reflect bonus plan. For 2006, Mr. Frankel s target bonus was payable if in fiscal 2006 our revenue exceeded $25 million. Because we exceed mmittee approved paying Mr. Frankel s bonus at the target level, with an additional $18,750 bonus above his target amount in recogni r 2006 and for Mr. Frankel s business generation that should significantly impact future revenue. Mr. Chamoun s target bonus was pa services, including increasing the revenue generated by our current clients. Mr. Chamoun was paid the maximum bonus permissible un equal to two times his target bonus amount, in recognition of the additional responsibility he accepted in 2006, his key contribution in e usiness generation that should significantly impact future revenue. Mr. Chamoun was also paid $25,000 outside of our management bon role in closing a material contract that was not in our goals for the year. Mr. Winston s target bonus amount was payable if he achieved ent and completion of our new products. Mr. Winston was paid his target bonus amount and an additional $7,500 for his contribution in s.

	Estimated I Non-Equity Target
	125,000
n	37,500
	37,500

7, we granted Ron Frankel an option to purchase 115,150 shares of our common stock at an exercise price of $1.39 per share. The optio t to 71,942 of the shares subject to the option, with the remaining 43,208 shares

s

tion becoming exercisable at any time after December 31, 2007. Twenty-five percent of the option shares will vest when Mr. Frankel co
ce after April 3, 2007. An additional 1/48th of the option shares will vest when Mr. Frankel completes each additional month of service
bject to acceleration, as described in Management Potential Payments upon Termination or Change of Control below.

07, Eric Blachno, our current chief financial officer, purchased a total of 180,000 restricted shares of our common stock at a purchase pr
are subject to repurchase by us after Mr. Blachno s service termination. Twenty-five percent of the shares will vest when Mr. Blachno
ce after April 16, 2007, and an additional 1/48th of the shares will vest when he completes each month of continuous service thereafter.
eleration, as described in Management Potential Payments upon Termination or Change of Control below.

4, 2007, our board of directors approved the grant of an option to purchase 70,000 shares of our common stock to Mr. Frankel, an optior
stock to Mr. Chamoun and an option to purchase 50,000 shares of our common stock to Mr. Winston at an exercise price of $7.40 per sh
res will vest when each officer completes 12 months of continuous service after October 1, 2007. An additional 1/48th of the option sha
s each additional month of service thereafter. The vesting of such shares is subject to acceleration, as described in Management Poten
Change of Control below.

ity Awards at 2006 Fiscal Year-End

ble sets forth information regarding each unexercised option held by each of our named executive officers as of December 31, 2006. Th
xercise prices that appear below reflect all adjustments as a result of the Company s capitalization adjustments. As of December 31, 20
hold any exercised shares.

ted to our named executive officers are exercisable in accordance with each of the respective stock option grant notices, as described be
te is provided, all of the granted options have fully vested and are immediately exercisable. For a description of the acceleration of vest
ptions held by our executive officers, please see Management Potential Payments upon Termination or Change of Control below.

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	Number of Securities Underlying Unexercised Options (#)			Option Exercise Price
	Vested	Unvested		
	2,834		$	150.0
	2,684			150.0
	771,470			0.0
	135,005	105,004		0.3
)	40,730	74,270		0.3
n (4)	231,442			0.0
n (5)	40,501	31,502		0.3
	100			1,351.3
	60			1,450.0
	40			1,450.0
	100			150.0
	115,720			0.0
)	20,250	15,751		0.3

nkel exercised options representing 150,000 of these shares on April 19, 2007.

he 240,009 option shares are immediately exercisable, subject to our right of repurchase with respect to unvested shares. Our repurchase of unvested option shares lapses with respect to 2.083% of the total number of option shares at the conclusion of onth of continuous service provided by Mr. Frankel.

ctober 31 2006, Mr. Rusak s last date of employment with us, 38,334 option shares were vested. Pursuant to the terms of his on agreement dated October 24, 2006, the vesting of 2,396 additional option shares was accelerated when Mr. Rusak signed eement, which contained a release of claims. On January 26, 2007, Mr. Rusak exercised all of the vested 40,730 option shares. naining 74,270 unvested option shares were forfeited by him upon his resignation date.

amoun exercised options representing 40,000 of these shares on June 1, 2007.

he 72,003 option shares are immediately exercisable, subject to our right of repurchase with respect to unvested shares. Our repurchase of unvested option shares lapses with respect to 2.083% of the total number of option shares at the conclusion of onth of continuous service provided by Mr. Chamoun.

he 36,001 option shares are immediately exercisable, subject to our right of repurchase with respect to unvested shares. Our repurchase of unvested option shares lapses with respect to 2.083% of the total number of option shares at the conclusion of onth of continuous service provided by Mr. Winston.

rcises and Stock Vested

utive officers did not exercise any of their options during fiscal year 2006 and did not hold any shares of restricted stock as of the end o

greements and Offer Letters

e entered into a letter agreement with Mr. Frankel in July 2007, which ratified the severance benefit and vesting acceleration that were i
n he commenced employment with us in 2001. See Management Potential Payments upon Termination or Change of Control for a c

n. We entered into an employment agreement with Mr. Chamoun in December 2000, which set forth his base salary of $125,000 per ye
retion of the compensation committee of our board of directors. In September 2006, we entered into a letter agreement with Mr. Chamo
% to $150,000 per year, effective as of September 1, 2006. In September 2007, we entered into a letter agreement with Mr. Chamoun th
ount to

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salary. See Management Potential Payments upon Termination or Change of Control for a description of Mr. Chamoun s severance

Ve entered into a letter agreement with Mr. Winston in September 2006 pursuant to which his base salary was increased by 20% to $150
, 2006.

Ve entered into an offer letter with Mr. Blachno, our current chief financial officer, in April 2007. Pursuant to this offer letter, Mr. Blach
year, subject to adjustment pursuant to our compensation policies in effect from time to time. Mr. Blachno is also eligible to receive an
with a target bonus amount equal to 25% of his base salary, based on objective or subjective criteria established by our chief executive
ctors. Mr. Blachno s bonus will be prorated for 2007, the fiscal year in which his employment began, and he must be employed by us a
s. Additionally, Mr. Blachno was granted the right to, and did, purchase 140,000 restricted shares of our common stock and, in lieu of
000 restricted shares of our common stock, as described under Management 2006 Grants of Plan-Based Awards above. See Mana
Change of Control below for a description of Mr. Blachno s severance benefits and vesting acceleration.

Ve entered into an offer letter with Mr. Rusak, our former chief financial officer, in June 2005, which set forth his initial base salary of
nus equal to 35% of such base salary. The bonus for any fiscal year was payable only if Mr. Rusak was employed by the Company at th
continuous employment or subsequent to any change of control, we terminated his employment for any reason other than cause or perm
ue to pay Mr. Rusak s base salary at the rate then in effect for six months. Mr. Rusak was also granted an option to purchase 115,000 sh
sting schedule in which 25% of the option shares vested upon the completion of 12 months of continuous service and 1/48th of the optio
ch month of continuous service thereafter. This option was subject to acceleration under certain conditions in the event of a change of c
ned before we were subject to a change of control, no such vesting acceleration was triggered.

ents upon Termination or Change of Control

ccording to the letter agreement we entered into with Mr. Frankel in July 2007, if we terminate Mr. Frankel s employment without caus
ance payment equal to 12 months of his then-current base salary. Cause is defined as:

rankel s intentional failure to substantially perform the duties assigned to him by our board of directors, following at least 30 days
n notice of such failure;

rankel s commission of any act of fraud, embezzlement, felony, or other willful misconduct that causes material injury to us;

rankel s intentional unauthorized use or disclosure of any of our proprietary information or trade secrets or any other party s
etary information or trade secrets to whom Mr. Frankel owes an obligation of nondisclosure as a result of his relationship with
hich unauthorized use of disclosure causes material harm to us; or

rankel s willful breach of his obligations under any written covenant or agreement with us, which breach is not cured within
ys following written notice thereof and which causes material harm to us.

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r. Frankel s currently unvested options for 105,004 shares of our common stock granted on November 18, 2004, 100% of such unveste
l if the acquirer or successor entity does not assume such options in full, if Mr. Frankel s compensation is reduced below his rate of co
or to the change of control, if his place of employment is relocated more than 35 miles from its location immediately prior to the change
ies are reduced as a result of or following such change of control. If Mr. Frankel is terminated without cause at any time, he will receive
sting.

r. Frankel s option for 115,150 shares of our common stock granted to Mr. Frankel on April 3, 2007 and his option for 70,000 shares o
nber 14, 2007, if he is terminated without cause at any time, he will receive an additional 12 months of accelerated vesting. In the event
ested options will vest if the acquirer or successor entity does not assume such options in full, if Mr. Frankel s compensation is reduce
of immediately prior to the change of control, if his place of employment is relocated more than 35 miles from its location immediately
duties and responsibilities are reduced as a result of or following such change of control, including our termination of Mr. Frankel.

n. Pursuant to the employment agreement with Mr. Chamoun entered into in December 2000, if Mr. Chamoun s employment is termi
rminates his employment as a result of our material breach of his employment agreement 45 days after we receive written notice of such
l, Mr. Chamoun s employment is either terminated by him because he is not offered a position with the same responsibilities or he is re
ion of the change of control, we will continue to pay Mr. Chamoun s base salary at the rate then in effect for six months. Cause is de
felony, willful violation of his fiduciary duties or a material violation of the terms of his employment agreement that remains uncured 4
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ursuant to the offer letter signed in April 2007, as amended in September 2007, if we terminate Mr. Blachno s employment for any rea
will be entitled to receive continued payments of his base salary at the rate then in effect for twelve months following the termination o
equal to 1/12 of his annual target bonus amount then in effect for twelve months and payment of his COBRA premiums for twelve mo
oyment for any reason other than cause before this offering, he will be entitled to receive continued payments of his base salary at the r
ing the termination of his employment. Cause is defined as unauthorized use or disclosure of our confidential information or trade se
harm to us; material breach of any agreement between Mr. Blachno and us; material failure by Mr. Blachno to comply with our written
onviction of, or plea of guilty or no contest to, a felony under the laws of the United States or of any state; gross negligence or willful n
achno to perform his assigned duties after receiving written notification of such failure from our board of directors; or Mr. Blachno s f
rnmental or internal investigation of us or of our directors, officers or employees, if we request such cooperation.

r. Blachno s 180,000 restricted shares, if Mr. Blachno is subject to an involuntary termination in connection with, or within 12 months
e shares will become fully vested immediately prior to the effective date of the termination of Mr. Blachno s service. Additionally, if w
eason other than cause or permanent disability, all of the 40,000 shares granted in lieu of relocation reimbursement will become fully ve
e of

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of Mr. Blachno s service. Involuntary termination is defined as termination without cause or voluntary resignation within 30 days fo
es; relocation of the participant s work site to a new facility or location more than 50 miles from the previous work site; or a reduction
an across-the-board reduction in salary of all other employees in similar positions by the same percentage amount. For this purpose, ca
n assigned duties and responsibilities or a deliberate violation of one of our policies; commission of any act of fraud, embezzlement, dis
ct that has caused or is reasonably expected to result in material injury to us; unauthorized use or disclosure of any of our proprietary in
of any obligations under any written agreement or covenant with us.

ol Severance Benefits. In September 2007, our board of directors approved change of control severance benefits for our chief executive
cludes our other executive officers, that will become effective when this offering is consummated, except that they are currently in effe
ect to an involuntary termination in connection with or within twelve months following a change of control, he or she will receive se
f his or her then base salary, his or her then annual target bonus amount plus twelve months of COBRA premiums and twelve months o
our equity granted to the executive, provided that he or she signs a release of claims. The cash severance payments will be made over a
standard payroll schedule. If an executive has an existing agreement that already provides for severance benefits, such executive will re
ther such existing agreement or these change of control severance benefits, whichever provides the greatest benefits, but not both. Invol
antially the same definitions as provided in the previous paragraph except that we have a notice and cure period before an executive car
ts.

Ve entered into a separation agreement with Mr. Rusak in October 2006, pursuant to which he resigned, effective as of October 31, 200
Mr. Rusak received an amount representing all of his salary earned through the resignation date plus all of his accrued but unused vacati
of this separation agreement, which contained a release of claims, we paid or provided to him the following severance benefits:

alary continuation equal to $30,000;

f his COBRA premiums in the amount of $2,355;

ditional severance amount of $20,000;

erated vesting of 2,396 option shares; and

sion of the term of Mr. Rusak s option from 30 days until three months following his resignation date.

inston Options. The options granted to Messrs. Chamoun and Winston in September 2007 have the following vesting acceleration. If, i
s following, a change of control in which the acquiring or succeeding entity assumes the option or makes a substitution for it, the option
ination, he will receive an additional 12 months of accelerated vesting. Involuntary termination and cause have the same definitions as u
as described above.

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fits and Payments Upon Termination of Employment

ble describes the potential payments and benefits upon termination of our named executive officers employment or certain change of c officer s employment terminated or other vesting acceleration event occurred on December 31, 2006. However, Mr. Rusak s payment qual to the amounts paid to him as a result of his resignation, effective as of October 31, 2006, and execution of a separation agreement

	Benefit	Voluntary Resignation		Termination without Cause at any time		Chamoun Terminations that Trigger Severance (2)	
	Severance	$		$	270,000(1)	$	
	Option Acceleration						
	Vacation Payout		28,846		28,846		
	Total Value	$	28,846				
	Severance	$	50,000	$		$	
	Option Acceleration		2,612				
	COBRA Premiums		2,355				
	Vacation Payout		923				
	Total Value	$	55,890				
n	Severance	$		$	75,000	$	75,00
	Vacation Payout		15,000		15,000		15,00
	Total Value	$	15,000	$	90,000	$	90,00
	Vacation Payout		9,807		9,807		

nkel s severance amount was calculated, based on his base salary rate in effect on January 1, 2007.

r. Chamoun terminates his employment as a result of our material breach of his employment agreement 45 days after we d written notice of such breach or (b) following a change of control, Mr. Chamoun s employment is terminated by him because t offered a position with the same responsibilities or he is relocated or his employment is terminated by us in contemplation of nge of control, we will continue to pay Mr. Chamoun s base salary at the rate then in effect for six months.

vent of a change of control, 100% of Mr. Frankel s unvested options will vest if the acquirer or successor entity does not such options in full, if his compensation is reduced below his rate of compensation as of immediately prior to the change of if his place of employment is relocated more than 35 miles from its location immediately prior to the change of control or if es and responsibilities are reduced as a result of or following such change of control.

valuing the vacation payments in the table above, we used each executive s base salary in effect at the end of 2006 (except that for Mr. s of January 1, 2007) and the number of accrued but unused vacation days at the end of 2006. However, with respect to Mr. Rusak, we

ed vacation days as of his last date of employment of October 31, 2006.

ion acceleration shown in the table above was calculated based on the assumption that the vesting acceleration event occurred on Decen
aluing the option acceleration, we also assumed that the fair market value of our common stock on December 31, 2006 was $, whic
e initial public offering price set forth on the cover page of this prospectus. The value of the vesting acceleration was calculated by mul
subject to each option by the difference between the fair market value of our common stock as of December 31, 2006 and the exercise p
. Rusak, the value of the option acceleration was calculated by multiplying the 2,396 unvested shares whose vesting

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by the difference between the fair market value of our common stock on his last date of employment, which was $1.39 per share, and hi

Compensation

o are not executive officers did not receive any cash compensation, options to purchase shares of our common stock or any other equity
policy of reimbursing our directors for their reasonable out-of-pocket expenses incurred in attending board and committee meetings.

on-executive directors, only Mr. Levy has been granted equity awards as of June 30, 2007. Mr. Levy is the only director who is neither a
iliated with our venture fund investors, and the options were granted to retain his services as a director. With respect to his outstanding o
stock, the following table sets forth the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 20

	Option
y e	$

ount in this column represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal
accordance with SFAS 123R, excluding forfeiture estimates. See Note 9 of the notes to our consolidated financial statements
d elsewhere in this prospectus for a discussion of our assumptions in determining the SFAS 123R values of our option awards.

d a policy stating that after this offering, at each of our annual stockholders meetings, each of our non-employee directors who continu
n to purchase 10,000 shares of our common stock that will vest in three approximately equal annual installments. If we experience a cha
s service, he or she will become fully vested in these options.

ffering, our board members will receive the following annual cash retainers for their service as board members and members of special

member: $25,000

employee chairman of the board: $25,000

committee member: $7,500

committee chairman: $15,000

ensation committee member: $5,000

ensation committee chairman: $10,000

nating and corporate governance committee member: $2,500

nating and corporate governance committee chairman: $5,000.

4, 2007, our board of directors approved the grant of an option to purchase 20,000 shares of our common stock to Mr. Levy at an exerci
hree approximately equal annual installments. If we experience a change of control during Mr. Levy s board service, he will become fu

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Plans

entive Plan

ectors adopted our 2007 Equity Incentive Plan in September 2007, and we will obtain stockholder approval of the plan prior to completi
e effective on the effective date of the registration statement of which this prospectus is a part. The purpose of our 2007 Equity Incentiv
ss and create stockholder value by promoting the attraction and retention of employees, outside directors and consultants with exception
m to focus on long-range objectives. Our 2007 Equity Incentive Plan will replace the 2006 Stock Plan. No further grants will be made u
g. However, the options outstanding after this offering under the 2006 Stock Plan will continue to be governed by their existing terms.

We have reserved 1,500,000 shares of our common stock for issuance under the 2007 Equity Incentive Plan. The number of shares reser
eased automatically on January 1 of each fiscal year, starting with fiscal 2009, by a number equal to the smallest of:

of the shares of common stock outstanding at that time;

,000 shares of our common stock; or

mber of shares determined by our board of directors.

extent that awards under the 2007 Equity Incentive Plan are forfeited or lapse without the issuance of shares, those shares will again be
rs described in this summary of the 2007 Equity Incentive Plan (including exercise prices for options and stock appreciation rights) are
bdivision of the outstanding common stock, a declaration of a dividend payable in common stock or a combination or consolidation of t
by reclassification or otherwise) into a lesser number of shares of common stock.

The compensation committee of our board of directors will administer the 2007 Equity Incentive Plan. The committee has the complete
g to the plan and outstanding awards.

loyees, members of our board of directors who are not employees and consultants are eligible to participate in our 2007 Equity Incentiv

Our 2007 Equity Incentive Plan provides for the following types of awards:

ive and nonstatutory stock options to purchase shares of our common stock;

appreciation rights;

cted shares of our common stock; and

units.

ck Appreciation Rights. The exercise price for options granted under the 2007 Equity Incentive Plan may not be less than 100% of the f
n the option grant date. Optionees may pay the exercise price by using:

r cash equivalents;

of common stock that the optionee already owns;

mediate sale of the option shares through a broker approved by us; or

missory note, if permitted by applicable law.

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ment other than cash require the consent of the compensation committee. A participant who exercises a stock appreciation right receive
ck over the base price. The base price for stock appreciation rights may not be less than 100% of the fair market value of our common st
of a stock appreciation right may be paid-in cash or shares of common stock, or a combination of both. Options and stock appreciation
d by the compensation committee. Options and stock appreciation rights also expire at the time determined by the compensation commit
er they are granted. They generally expire earlier if the participant s service terminates earlier. No participant may receive options or st
Equity Incentive Plan covering more than 500,000 shares in any fiscal year, except that a new employee may receive options or stock ap
shares in the fiscal year in which his or her employment starts.

s and Stock Units. Restricted shares and stock units may be awarded under the 2007 Equity Incentive Plan in return for any lawful cons
ricted shares or stock units generally are not required to pay for their awards in cash. In general, these awards will be subject to vesting.
, the attainment of certain performance-based milestones, or a combination of both, as determined by the compensation committee. No
or stock units with performance-based vesting covering more than 250,000 shares in any fiscal year, except that a new employee may re
ring up to 500,000 shares in the fiscal year in which his or her employment starts. Settlement of vested stock units may be made in the fo
or a combination of both.

ol. The compensation committee may determine, at the time of grant or thereafter, that options or stock appreciation rights granted und
ill become exercisable, as to all or part of the common stock subject to such options or stock appreciation rights, on an accelerated basis
or if the participant is subject to an involuntary termination after the change of control. The compensation committee may determine, at
estricted shares or stock units granted under the 2007 Equity Incentive Plan will become vested on an accelerated basis if a change of co
is subject to an involuntary termination after the change of control. However, in the case of an incentive stock option, acceleration of ex
en consent of the option holder. Awards may also be subject to accelerated vesting or exercisability in the event of a reorganization, as d

trol includes:

ger or consolidation after which our own stockholders own less than 50% of the surviving corporation or its parent;

, transfer or other disposition of all or substantially all of our assets;

xy contest that results in the replacement of more than 50% of our directors over a 24-month period; or

quisition of 50% or more of our outstanding stock by any person or group, other than a person related to Synacor (such as a
ng company owned by our stockholders or a trustee or other fiduciary holding securities under an employee benefit plan of ours
our parent or of a subsidiary of ours).

If we experience a merger or consolidation, awards granted under the 2007 Equity Incentive Plan will be subject to the merger or cons
de that the awards are continued, assumed, substituted with awards that have substantially the same terms, become fully exercisable wi
on rights and fully vested with respect to shares underlying such options and stock

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ts; or cancellation of outstanding options, stock appreciation rights and stock units in exchange for a cash payment (which payment ma
preciation rights or stock units would have become exercisable or common shares underlying them would have become vested).

Termination. Our board of directors may amend or terminate the 2007 Equity Incentive Plan at any time. If our board of directors amen
tockholder approval of the amendment unless required by applicable law. The 2007 Equity Incentive Plan will continue in effect for 10
board of directors decides to terminate the plan earlier.

Stock Purchase Plan

ectors adopted the 2007 Employee Stock Purchase Plan in September 2007, and we will obtain stockholder approval of the plan prior to
07 Employee Stock Purchase Plan will become effective on the effective date of the registration statement of which this prospectus is a
eferential tax treatment under Section 423 of the Internal Revenue Code.

We have reserved 250,000 shares of our common stock for issuance under the 2007 Employee Stock Purchase Plan. All share numbers
loyee Stock Purchase Plan are automatically adjusted in the event of any increase or decrease in the number of outstanding shares of sto
nsolidation of shares or the payment of a stock dividend, any other increase or decrease in such shares effected without our receipt or p
f the shares of one of our subsidiaries to our stockholders, or a similar event.

The compensation committee of our board of directors will administer the 2007 Employee Stock Purchase Plan. The committee has the
ns relating to the plan.

f our employees are eligible to participate in the 2007 Employee Stock Purchase Plan after completing one month of service, if we cust
urs per week and for more than five months per year. However, all 5% stockholders are excluded. Eligible employees may begin partici

. The first offering period under the 2007 Employee Stock Purchase Plan starts on the effective date of the registration statement relate
8. Each subsequent offering period consists of six consecutive months.

ibutions. The 2007 Employee Stock Purchase Plan permits each eligible employee to purchase common stock through payroll deductio
ns may not exceed 15% of his or her total cash compensation. Participants may reduce, but not increase, their contribution rate during a
also withdraw their contributions at any time before stock is purchased. Lump sum contributions are not permitted.

ares. Purchases of our common stock under the 2007 Employee Stock Purchase Plan will occur on April 30 and October 31 of each yea
y shares as his or her contributions permit, but not more than 1,000 shares per six-month offering period. The value of the shares purcha
$25,000, with a limited carry-over of unused amounts.

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The price of each share of common stock purchased under the 2007 Employee Stock Purchase Plan will be equal to 85% of the lower c

ir market value per share of our common stock on the last trading day before the start of the applicable six-month offering period
the case of the first offering period, the price at which shares are offered to the public in this offering); and

ir market value per share of common stock on the last trading day in the applicable offering period, which is the purchase date.

s. Shares purchased under this plan must be held for at least 6 months before they are sold. Employees may end their participation in th
any time. Participation ends automatically upon termination of employment with us. If a change in control of our company occurs, the
d with the payroll deductions accumulated to date by participating employees, unless the surviving corporation continues the plan. Our
ate the plan at any time, and the plan terminates automatically 20 years after its adoption. If our board of directors increases the number
or issuance under the plan, except for the automatic increases described above, it must seek the approval of our stockholders. Other ame
oval only to the extent required by law.

Plan was adopted by our board of directors on December 5, 2006, and our stockholders approved it on April 4, 2007. The most recent a
dopted by our board of directors on September 14, 2007 and we will obtain stockholder approval of such amendment. Our 2006 Stock
urther awards will be made under our 2006 Stock Plan after this offering. The awards outstanding after this offering under the 2006 Sto
r existing terms.

We have reserved 1,271,197 shares of our common stock for issuance under the 2006 Stock Plan, all of which may be issued as incentiv
res awarded under the 2006 Stock Plan are reacquired or repurchased by us or otherwise forfeited by a 2006 Stock Plan participant, the
become available for awards under the 2006 Stock Plan.

Our board of directors administered the 2006 Stock Plan before this offering, and the compensation committee of our board of directors
g. Before this offering, our board of directors had, and after this offering, our compensation committee will have, complete discretion to
06 Stock Plan.

loyees, members of our board of directors who are not employees and consultants are eligible to participate in our 2006 Stock Plan.

Our 2006 Stock Plan provides for the following types of awards:

ive and nonstatutory stock options to purchase shares of our common stock; and

award or sale of shares of our common stock, including restricted shares (subject to a right of repurchase by us upon the
ipant s termination with respect to unvested shares).

ricted shares vest at the times determined by our board of directors. Both options and restricted shares generally vest over a four-year pe
ses, our options are immediately exercisable, subject to our right to repurchase

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Options expire not more than 10 years after they are granted but generally expire earlier if the participant s service terminates earlier.

xercise price for options granted under the 2006 Stock Plan may not be less than 100% of the fair market value of our common stock on
pay the exercise price of options, or the purchase price of shares, by using:

r cash equivalents;

recourse promissory note, against which the purchased shares are pledged as security for payment of the principal amount of,
terest on, the note;

of common stock that the optionee already owns; or

mediate sale of the option shares through a broker designated by us.

be awarded under the 2006 Stock Plan in consideration of services rendered to us prior to the grant date of a stock award. To date, no p
een permitted to pay the purchase price or exercise price with a promissory note.

ol. If a participant is subject to an involuntary termination in connection with or within 12 months following a change of control, then t
receive an additional 12 months of vesting acceleration.

trol includes:

ger or consolidation of the company with or into another corporation, after which our stockholders who owned more than 50% of
pital stock immediately before the transaction will own 50% or less of the total voting power of the surviving corporation or
; or

of all or substantially all of our assets.

mination is defined in the 2006 Stock Plan as termination without cause or voluntary resignation within 30 days following a material r
relocation of the participant s work site to a new facility or location more than 50 miles from the previous work site; or a reduction in b
oss-the-board reduction in salary of all other employees in similar positions by the same percentage amount.

ned in the 2006 Stock Plan as a willful failure to perform assigned duties and responsibilities or a deliberate violation of one of our polic
ment, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to us; unauthorize
y information or trade secrets; or willful breach of any obligations under any written agreement or covenant with us.

Termination. Our board of directors may amend or terminate the 2006 Stock Plan at any time. If our board of directors amends the plan
oval of the amendment unless the amendment increases the number of shares available for issuance, materially changes the class of per
ptions or is otherwise required by applicable law. The 2006 Stock Plan will continue in effect for 10 years from the later of its adoption
atest share increase, unless our board of directors decides to terminate the plan earlier.

Plan was adopted by our board of directors and approved by our stockholders on December 5, 2000. The most recent amendment to the

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oard of directors on September 14, 2007 and reduced the number of shares reserved for issuance under the plan. The most recent amenc oval was approved by our stockholders on October 19, 2006. No further awards will be made under our 2000 Stock Plan. The awards o e 2000 Stock Plan will continue to be governed by their existing terms.

Pursuant to the 2000 Stock Plan and subsequent amendments, we have reserved 2,353,988 shares of our common stock for issuance und issued as incentive stock options.

Our board of directors administers the 2000 Stock Plan before this offering and the compensation committee of our board of directors v g. Before this offering, our board of directors and after this offering, our compensation committee has complete discretion to make all d

loyees, members of our board of directors who are not employees and consultants are eligible to participate in our 2000 Stock Plan.

Our 2000 Stock Plan provides for the following types of awards:

ive and nonstatutory stock options to purchase shares of our common stock; and

cted shares.

ricted shares vest at the times determined by the board of directors. Both options and restricted shares generally vest over a four-year pe

ir options are exercisable for all of the shares subject to such options at any time six months after the date of grant, subject to our right t xpire not more than 10 years after they are granted but generally expire earlier if the participant s service terminates earlier. The comp s or our board of directors may at any time offer to buy out for payment in cash or shares of our common stock an option previously gra

xercise price for incentive stock options granted under the 2000 Stock Plan may not be less than 100% of the fair market value of our co xercise price for nonstatutory stock options granted under the 2000 Stock Plan may not be less than 85% of the fair market value of our . The purchase price for restricted shares may not be less than 85% of the fair market value of our common stock on the date of the awa

pay the exercise price of options or stock purchase rights by using:

r check;

ssory note;

llation of indebtedness;

of common stock that the optionee already owns (provided such shares have been owned for more than 6 months on the date of der); or

mediate sale of the option shares through a broker designated by us.

ol. If a participant is subject to an involuntary termination in connection with or within 24 months following a change of control that oc al securities exchange, then the participant s option or share award will receive an additional 24 months of vesting acceleration. Such a itutes a parachute payment within the meaning of Section 280G of the Internal Revenue

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amended, or the Code, and would be subject to the excise tax under Code Section 4999.

trol includes:

ger or consolidation of the company with or into another corporation, other than a merger or consolidation in which the holders
re than 50% of our capital stock immediately before the transaction continue to hold more than 50% of the total voting power of
rviving corporation or entity after such transaction; or

of all or substantially all of our assets.

mination is defined in the 2000 Stock Plan as termination without cause or voluntary resignation within 30 days following a material r
relocation of the participant s work site to a new facility or location more than 50 miles from the previous work site; or a reduction in b
oss-the-board reduction in salary of all other employees in similar positions by the same percentage amount.

ed in the 2000 Stock Plan as a willful failure to perform assigned duties and responsibilities or a deliberate violation of one of our polic
ment, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to us; unauthorize
y information or trade secrets; or willful breach of any obligations under any written agreement or covenant with us.

Termination. Our board of directors may amend or terminate the 2000 Stock Plan at any time. If our board of directors amends the plan
oval of the amendment unless required by applicable law. The 2000 Stock Plan will continue in effect for 10 years from its adoption da
our board of directors decides to terminate the plan earlier.

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TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

e compensation arrangements with directors and executive officers and the registration rights described elsewhere in this prospectus, the
on since January 1, 2004 and each currently proposed transaction in which:

ve been or are to be a participant;

nount involved exceeds $120,000; and

f our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of or person
g the household with any of these individuals (other than tenants or employees), had or will have a direct or indirect material
st.

ent Financings

th a series of private placement financings, we entered into various agreements with respect to our stock. The following is a summary o
s. This summary does not purport to be complete and is qualified in its entirety by reference to the respective agreements, a copy of each
ach of the following agreements resulted from negotiations between our management and our significant stockholders. We believe the t
eements are reasonable and customary for transactions of this type.

ies C Preferred Stock Financings

through January 2005, we sold an aggregate of 2,737,500 shares of our Series B convertible preferred stock at a price of $2.00 per share
ty affiliated with Advantage Capital Partners, Intel Capital (Cayman) Corporation (formerly known as Intel Capital Corporation), entiti
and Walden International, an entity affiliated with Mr. Jordan Levy and various other entities and individuals. Each of the investors in
d and restated investors rights agreement, or the investors rights agreement, the third amended and restated stock restriction, first ref
ended and restated voting agreement, each of which are described below. See Principal Stockholders for more details regarding the s

through November 2006, we sold an aggregate of 2,740,407 shares of our Series C convertible preferred stock at a price of $6.34 per sh
Capital (Cayman) Corporation (formerly known as Intel Capital Corporation), entities affiliated with each of Advantage Capital Partners
North Atlantic Capital, an entity affiliated with Mr. Jordan Levy and various other entities and individuals. Each of the investors in thi
ghts agreement, the third amended and restated stock restriction, first refusal and co-sale agreement and the third amended and restated
bed below. See Principal Stockholders for more details regarding the shares held by these entities.

ble summarizes the shares of preferred stock purchased by our directors, executive officers and holders of more than 5% of our outstand

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in connection with the financings described above. The terms of these purchases were the same as those made available to unaffiliated p

	Shares of Series B Preferred Stock
l with Advantage Capital Partners (1)	662,500
yman) Corporation	337,500
l with Crystal Ventures (2)	562,500
l with Walden International (3)	812,500
ent LLC (4)	25,000
l with North Atlantic Capital (5)	

ents 662,500 shares of Series B preferred stock and 315,457 shares of Series C preferred stock purchased by Advantage Capital ork Partners I, L.P. (Advantage I) and 315,458 shares of Series C preferred stock purchased by Advantage Capital New York s II, L.P. (Advantage II). The sole general partner of Advantage I is Advantage Capital New York GP-I, LLC (Advantage GP l the sole general partner of Advantage II is Advantage Capital New York GP-II, LLC (Advantage GP II). Advantage GP I and age GP II, in their respective capacities as general partner of Advantage I and Advantage II, exercise investment discretion and of the shares beneficially owned by Advantage I and Advantage II. Steven T. Stull holds a majority of the ownership interests, g voting interests, of Advantage GP I and Advantage GP II and, therefore, may be deemed to have voting and investment with respect to the shares held of record by Advantage I and Advantage II. Mr. Stull disclaims beneficial ownership of the held of record by Advantage I and Advantage II except to the extent of his pecuniary interest therein. M. Scott Murphy is a r of each of Advantage GP I and Advantage GP II, but in such capacity does not exercise voting and investment power with to the shares held of record by Advantage I and Advantage II. Mr. Murphy disclaims beneficial ownership of such shares.

ents 38,878 shares of Series B preferred stock and 10,902 shares of Series C preferred stock purchased by Crystal Internet Fund II (BVI), Crystal Vision, L.P. (CVLP) and 523,622 shares of Series B preferred stock and 146,827 shares of Series C d stock purchased by Crystal Internet Venture Fund II (BVI), L.P. (CIVF). The general partner of CVLP and CIVF is Crystal II, Ltd. (CVII). The Class A members of CVII, which have all voting rights of CVII, are Daniel Kellogg and Joseph Tzeng. ue of their voting power over the membership interests of CVII, each of these individuals may be deemed to have voting and ent power with respect to the shares held of record by CVLP and CIVF. Each of these individuals disclaims beneficial hip of such shares except to the extent of his individual pecuniary interest therein.

ents 14,868 shares of Series B preferred stock and 5,773 shares of Series C preferred stock purchased by Pacven Walden s IV Associates Fund, L.P. (Pacven IV Associates Fund) and 797,632 shares of Series B preferred stock and 309,685 shares of C preferred stock purchased by Pacven Walden Ventures IV, L.P. (Pacven IV). The general partner of Pacven IV Associates nd Pacven IV is Pacven Walden Management II, L.P. (Pacven Management II). The general partner of Pacven Management II en Walden Management Co., Ltd. (Pacven Walden Management). Lip-Bu Tan is the sole director of Pacven Walden ement and he shares voting and investment power with respect to the shares held by Pacven IV and Pacven IV Associates Fund other members of the investment committee of Pacven Walden Management. Andrew Kau (who is also a member of our f directors) is a member of the investment committee of Pacven Walden Management. Each of the individuals named above ns beneficial ownership of such shares except to the extent of his or her individual pecuniary interest therein.

Levy and Ron Schreiber are the managers of JoRon Management LLC (JoRon) and may therefore be deemed to beneficially shares purchased by JoRon. Mr. Levy disclaims beneficial ownership of these shares except to the extent of his individual ry interest therein.

ents 394,322 shares of Series C preferred stock purchased by North Atlantic Venture Fund III, L.P. (NAVF) and 552,051 shares
s C preferred stock purchased by North Atlantic SBIC IV, L.P. (NASBIC). The general partner of NAVF is North Atlantic
rs III, LLC. The general partner of NASBIC is North Atlantic Investors SBIC IV, LLC. The managers of North Atlantic
rs III, LLC and North Atlantic Investors SBIC IV, LLC are David M. Coit and Mark J. Morrissette. Each of these individuals
es shared voting and investment power over the shares held of record by NAVF and NASBIC and disclaims beneficial
hip of such shares except to the extent of his individual pecuniary interest therein.

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nd Restated Investors Rights Agreement

, we entered into the investors rights agreement with several of our significant stockholders, including Intel Capital (Cayman) Corpora
poration), entities affiliated with each of Advantage Capital Partners, Crystal Ventures, Walden International and North Atlantic Capita
and various other entities and individuals. Pursuant to this agreement, we granted stockholders certain registration rights. For more inf
Description of Capital Stock Registration Rights. In addition to the registration rights, the investors rights agreement also provides
inspection rights as well as the right of first offer to certain stockholders with respect to future sales of our equity securities by us. The
described above, other than those relating to registration rights, shall terminate automatically upon the consummation of this offering.

nd Restated Stock Restriction, First Refusal and Co-Sale Agreement

, we entered into the third amended and restated stock restriction, first refusal and co-sale agreement with several of our significant stoc
) Corporation (formerly known as Intel Capital Corporation), entities affiliated with each of Advantage Capital Partners, Crystal Ventu
ic Capital, an entity affiliated with Mr. Jordan Levy and various other entities and individuals. Pursuant to this agreement, each stockho
the other stockholders certain rights of first refusal and co-sale rights related to certain proposed sales of shares of the Company. This a
on the consummation of this offering and be of no further force or effect.

nd Restated Voting Agreement

, we entered into the third amended and restated voting agreement with several of our significant stockholders, including Intel Capital (
as Intel Capital Corporation), entities affiliated with each of Advantage Capital Partners, Crystal Ventures, Walden International and N
with Mr. Jordan Levy and various other entities and individuals. Pursuant to this agreement, each of the stockholders agreed to vote thei
rtain of our significant stockholders. This agreement shall terminate automatically upon the consummation of this offering and be of no

ions with our Executive Officers, Directors, Key Employees and
kholders

ants to Ron Frankel

07, in connection with his service as our chief executive officer, we granted Ron Frankel an option to purchase 70,000 shares of our co
r share, pursuant to the 2006 Stock Plan. In addition, in April 2007, we granted Mr. Frankel an option to purchase 115,150 shares of ou
$1.39 per share pursuant to the 2006 Stock Plan, and in November 2004, we granted Mr. Frankel an option to purchase 240,009 shares
$0.30 per share, pursuant to the 2000 Stock Plan. See Principal Stockholders for more details regarding the shares held by Mr. Fran

Purchase By Eric Blachno

connection with his service as our chief financial officer, Eric Blachno purchased 180,000 restricted shares of our common stock purs
tockholders for more details regarding the shares held by Mr. Blachno.

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ants to George Chamoun

07, we granted George Chamoun an option to purchase 50,000 shares of our common stock at an exercise price of $7.40 per share, purs
per 2004, we granted Mr. Chamoun an option to purchase 72,003 shares of our common stock at an exercise price of $0.30 per share, pu
ipal Stockholders for more details regarding the shares held by Mr. Chamoun.

ants to Ross Winston

07, we granted Ross Winston an option to purchase 50,000 shares of our common stock at an exercise price of $7.40 per share, pursuan
we granted Mr. Winston an option to purchase 36,001 shares of our common stock at an exercise price of $0.30 per share, pursuant to
holders for more details regarding the shares held by Mr. Winston.

ants to Jordan Levy

07, we granted Jordan Levy an option to purchase 20,000 shares of our common stock at an exercise price of $7.40 per share, pursuant
we granted Mr. Levy an option to purchase 24,001 shares of our common stock at an exercise price of $0.30 per share, pursuant to the
holders for more details regarding the shares held by Mr. Levy.

ant to Jeffrey Mallett

07, we granted Jeffrey Mallett an option to purchase 60,000 shares of our common stock at an exercise price of $7.40 per share, pursuan

Agreements

indemnification agreements with each of our directors and executive officers and certain other key employees. See Management Lim

val or Ratification of Transactions with Related Parties

ectors has adopted certain written policies and procedures with respect to related party transactions. These policies and procedures requi
hat involve compensation, between us and any of our directors, executive officers or beneficial holders of more than 5% of our capital s
of, or person sharing the household with, any of these individuals, be consummated only if approved in advance by our audit committee
re comparable to those that could be obtained in arm s length dealings with an unrelated third-party. Our policies and procedures with
apply to certain charitable contributions by us or our executive officers and to the hiring of any members of the immediate family of an
s as our permanent full-time employees. Our policies and procedures do not, however, require approval or ratification of any transactio
s or our compensation committee, in each case by a majority vote of the disinterested members thereof. The approval of our compensat
ove any transaction that involves compensation to our directors and executive officers. Transactions entered into prior to the completion
policies and procedures. Upon the effectiveness of the registration statement of which this prospectus forms a part, copies of these polic
ebsite at *www.synacor.com* under the Investor Relations section. The inclusion of our website address in this prospectus does not includ
ormation on our website into this prospectus.

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PRINCIPAL STOCKHOLDERS

ble provides information concerning beneficial ownership of our common stock as of August 31, 2007, and as adjusted to reflect the sal ring, by:

tockholder, or group of affiliated stockholders, known by us to beneficially own more than 5% of our outstanding common

f our directors;

f our named executive officers; and

our directors and executive officers as a group.

ble lists the number of shares and percentage of shares beneficially owned based on 12,235,098 shares of common stock outstanding as

39 shares of common stock;

nversion of 5,548,508 shares of Series A convertible preferred stock into 5,548,508 shares of common stock upon the closing of ffering;

nversion of 570,344 shares of Series A-1 convertible preferred stock into 570,344 shares of common stock upon the closing of ffering;

nversion of 2,737,500 shares of Series B convertible preferred stock into 2,737,500 shares of common stock upon the closing of ffering; and

nversion of 2,740,407 shares of Series C convertible preferred stock into 2,740,407 shares of common stock upon the closing of ffering.

ts the applicable percentage beneficial ownership based on shares of common stock outstanding upon completion of this offering option to purchase up to an aggregate of shares of our common stock.

rship is determined in accordance with the rules of the SEC and generally includes voting power and/or investment power with respect t on stock subject to options currently exercisable or exercisable within 60 days of August 31, 2007 are deemed outstanding and benefici ions for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstandin ercentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable communit s named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

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e indicated, the principal address of each of the stockholders below is c/o Synacor, Inc., 40 La Riviere Drive, Suite 300, Buffalo, New Y

	Shares Beneficially Owned Prior to the Offering		Sh O
ress of Beneficial Owner	Number	Percent	Numb
rs			
ed with Walden International (1) treet, Suite 2800 CA 94111	3,068,528	25.1%	3,0
ed with Crystal Internet Ventures (2) enue, Suite 418 4114	2,659,025	21.7%	2,6
ed with Advantage Capital Partners (3) eet A 70112	1,863,759	15.2%	1,8
n (4) ollege Boulevard 95052	1,391,438	11.4%	1,3
ed with North Atlantic Capital (5) h Floor 105	946,373	7.7%	9
IC, L.P. (6) ling 03	657,458	5.2%	6
xecutive Officers (15)			
	1,088,939	8.3%	1,0
 national ue, 2nd Floor 4301	3,068,528	25.1%	3,0
) net Ventures enue, Suite 418 4114	2,659,025	21.7%	2,6
y (10) apital Partners eet A 70112	1,863,759	15.2%	1,8
e (11) ic Capital h Floor 105	946,373	7.7%	9
)	178,527	1.4%	1

er, Suite 3850 03			
	40,730	*	
ue NJ 07046			
n (13)	311,037	2.5%	3
4)	152,021	1.2%	1
	180,000	1.5%	1
tors and executive officers as a group (9 persons) (15)	10,448,209	76.3%	10,4

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han 1%

sents 50,235 shares held by Pacven Walden Ventures IV Associates Fund, L.P. (Pacven IV Associates Fund), 2,694,865 shares y Pacven Walden Ventures IV, L.P. (Pacven IV), 161,714 shares held by WIIG-TDF Partners LLC (WIIG-TDF) and 14 shares held by Walden EDB Partners II, L.P. (EDB II). The general partner of Pacven IV Associates Fund and Pacven IV is n Walden Management II, L.P. (Pacven Management II). The general partner of EDB II is Walden Management, LLC. The al partner of Pacven Management II is Pacven Walden Management Co., Ltd. (Pacven Walden Management). The manager of en Management, LLC is Pacven Walden Management. Lip-Bu Tan is the sole director of Pacven Walden Management and he voting and investment power with respect to the shares held by Pacven IV, Pacven IV Associates Fund and EDB II with the members of the investment committee of Pacven Walden Management. Andrew Kau (who is also a member of our board of ors) is a member of the investment committee of Pacven Walden Management. The directors of WIIG-TDF are WIIG gement Co. Ltd. and TDF Global Co. Ltd. Lip-Bu Tan is the sole director of WIIG Management Co. Ltd. and shares voting and ment power with respect to the shares held by WIIG-TDF with the director of TDF Global Co. Ltd. Each of the individuals d above disclaims beneficial ownership of such shares except to the extent of his or her individual pecuniary interest therein.

sents 183,784 shares held by Crystal Internet Venture Fund II (BVI), Crystal Vision, L.P. (CVLP), and 2,475,241 shares held by al Internet Venture Fund II (BVI), L.P. (CIVF). The general partner of CVLP and CIVF is Crystal Venture II, Ltd. (CVII). The A members of CVII, which have all voting rights of CVII, are Daniel Kellogg and Joseph Tzeng. By virtue of their voting power he membership interests of CVII, each of these individuals may be deemed to have voting and investment power with respect to ares held of record by CVLP and CIVF. Each of these individuals disclaims beneficial ownership of such shares except to the of his individual pecuniary interest therein.

sents 1,548,301 shares held by Advantage Capital New York Partners I, L.P. (Advantage I) and 315,458 shares held by ntage Capital New York Partners II, L.P. (Advantage II). The sole general partner of Advantage I is Advantage Capital New GP-I, LLC (Advantage GP I), and the sole general partner of Advantage II is Advantage Capital New York GP-II, LLC vantage GP II). Advantage GP I and Advantage GP II, in their respective capacities as general partner of Advantage I and ntage II, exercise investment discretion and control of the shares beneficially owned by Advantage I and Advantage II. Steven T. holds a majority of the ownership interests, including voting interests, of Advantage GP I and Advantage GP II and, therefore, e deemed to have voting and investment power with respect to the shares held of record by Advantage I and Advantage II. tull disclaims beneficial ownership of the shares held of record by Advantage I and Advantage II except to the extent of his iary interest therein. M. Scott Murphy is a manager of each of Advantage GP I and Advantage GP II, but in such capacity does ercise voting and investment power with respect to the shares held of record by Advantage I and Advantage II. Mr. Murphy ims beneficial ownership of such shares. All of the shares that are held of record by Advantage I and Advantage II are pledged as ty for loans made to Advantage I and Advantage II.

sents 1,391,438 shares held by Intel Capital (Cayman) Corporation (formerly known as Intel Capital Corporation), a y-owned subsidiary of Intel Corporation.

sents 394,322 shares held by North Atlantic Venture Fund III, L.P. (NAVF) and 552,051 shares held by North Atlantic SBIC IV, NASBIC). The general partner of NAVF is North Atlantic Investors III, LLC. The general partner of NASBIC is North Atlantic ors SBIC IV, LLC. The managers of North Atlantic Investors III, LLC and North Atlantic Investors SBIC IV, LLC are David M. nd Mark J. Morrissette. Each of these individuals exercises shared voting and investment power over the shares held of record VF and NASBIC and disclaims beneficial ownership of such shares except to the extent of his individual pecuniary interest n.

des 299,146 shares issuable upon exercise of a warrant exercisable within 60 days of August 31, 2007. The general partner of Capital SBIC, L.P. (Rand) is Rand Capital Management, LLC (RCM). The sole member of RCM is Rand Capital Corporation. members of the Management Committee of RCM are Allen F. Grum and Daniel P. Penberthy, and in such capacity they have the

r to make investment decisions on behalf of Rand. Each of Mr. Grum and Mr. Penberthy disclaims beneficial ownership of the s held of record by Rand except to the extent of his individual pecuniary interest therein.

sents 150,000 shares held by Mr. Frankel and 938,939 shares issuable upon exercise of stock options exercisable within 60 days gust 31, 2007, 136,945 of which shares remained subject to vesting as of August 31, 2007. The shares set forth in the table do clude (i) 70,000 shares issuable upon exercise of stock options granted to Mr. Frankel on September 14, 2007 or (ii) 43,208 s issuable upon exercise of stock options granted to Mr. Frankel on April 3, 2007, which become exercisable on January 1, 2008.

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otnote (1) regarding Mr. Kau s relationship with Walden International. Mr. Kau disclaims beneficial ownership of the shares held
ord by the entities affiliated with Walden International referenced in footnote (1) above except to the extent of his individual
iary interest therein.

otnote (2) regarding Mr. Tzeng s relationship with Crystal Internet Ventures. Mr. Tzeng disclaims beneficial ownership of the
held of record by the entities affiliated with Crystal Internet Ventures referenced in footnote (2) above except to the extent of
dividual pecuniary interest therein.

otnote (3) regarding Mr. Murphy s relationship with Advantage Capital Partners. Mr. Murphy disclaims beneficial ownership of
ares held of record by the entities affiliated with Advantage Capital Partners referenced in footnote (3) above except to the extent
individual pecuniary interest therein.

otnote (5) regarding Mr. Morrissette s relationship with North Atlantic Capital. Mr. Morrissette disclaims beneficial ownership
shares held of record by the entities affiliated with North Atlantic Capital referenced in footnote (5) above except to the extent
individual pecuniary interest therein.

les 101,149 shares issuable upon exercise of stock options exercisable within 60 days of August 31, 2007, 6,501 of which shares
ned subject to vesting as of August 31, 2007. Also includes 76,238 shares held of record by JoRon Management LLC (JoRon)
140 shares issuable upon exercise of stock options issued to JoRon exercisable within 60 days of August 31, 2007. Jordan Levy
on Schreiber are the managers of JoRon and may therefore be deemed to beneficially own the shares and options held of record
Ron. Mr. Levy disclaims beneficial ownership of the shares and options held by JoRon except to the extent of his individual
iary interest therein. The shares set forth in the table do not include 20,000 shares issuable upon exercise of stock options granted
Levy on September 14, 2007.

sents 47,592 shares held by Mr. Chamoun and 263,445 shares issuable upon exercise of stock options exercisable within 60 days
gust 31, 2007, 19,501 of which shares remained subject to vesting as of August 31, 2007. The shares set forth in the table do not
le 50,000 shares issuable upon exercise of stock options granted to Mr. Chamoun on September 14, 2007.

sents 152,021 shares issuable upon exercise of stock options exercisable within 60 days of August 31, 2007, 9,751 of which
remained subject to vesting as of August 31, 2007. The shares set forth in the table do not include 50,000 shares issuable upon
se of stock options granted to Mr. Winston on September 14, 2007.

sents 1,456,694 shares issuable upon exercise of stock options exercisable within 60 days of August 31, 2007, 172,698 of which
remained subject to vesting as of August 31, 2007. The shares set forth in the table do not include the 40,730 shares listed as
held by Robert Rusak because Mr. Rusak was no longer an executive officer of the company as of August 31, 2007. The shares
rth in the table also do not include 60,000 shares issuable upon exercise of a stock option granted to Jeffrey Mallett on
nber 29, 2007.

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DESCRIPTION OF CAPITAL STOCK

a summary of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restate
e closing of this offering. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amende
d amended and restated bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus is a pa

osing of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $0.01 per share, and 1
par value $0.01 per share. Immediately after the consummation of the offering, we will have shares of common stock issued and o
k issued and outstanding.

007, there were 12,223,502 shares of common stock outstanding held of record by approximately 137 stockholders. This number of sha

43 shares of common stock;

nversion of 5,548,508 shares of Series A convertible preferred stock into 5,548,508 shares of common stock upon the closing of
ffering;

nversion of 570,344 shares of Series A-1 convertible preferred stock into 570,344 shares of common stock upon the closing of
ffering;

nversion of 2,737,500 shares of Series B convertible preferred stock into 2,737,500 shares of common stock upon the closing of
ffering; and

nversion of 2,740,407 shares of Series C convertible preferred stock into 2,740,407 shares of common stock upon the closing of
ffering.

shares of common stock outstanding, assuming no exercise of the underwriters option to purchase additional shares in the offering
07 of outstanding options and warrants, after giving effect to the sale of the shares of common stock to the public offered in this prospe

ommon stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are en
f any, as may be declared from time to time by the board of directors out of funds legally available, subject to preferences that may be a
n outstanding. See Dividend Policy. In the event of a liquidation, dissolution or winding up of our company, the holders of common
ets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common st
s or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding share
on-assessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and non-assessable.

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h the closing of this offering, outstanding shares of Series A convertible preferred stock will be converted into 5,548,508 shares of com

s

ertible preferred stock will be converted into 570,344 shares of common stock, outstanding shares of Series B convertible preferred stoc
of common stock and outstanding shares of Series C convertible preferred stock will be converted into 2,740,407 shares of common st

tion of this offering, our board of directors will be authorized, without further stockholder approval, to issue preferred stock in one or m
s to be included in each such series and to fix the designation, powers, preferences and rights of such shares and any qualifications, limi
ance of preferred stock may have the effect of delaying, deferring or preventing a change of control of our company without further act
ffect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may
ders of common stock, including the loss of voting control to others. At present, we have no plans to issue any preferred stock.

ghts

tion of this offering, holders of 11,671,891 shares of common stock will be entitled to rights with respect to the registration of those sha
erms of the investors rights agreement between us and the holders of these registrable securities, if we propose to register any of our se
ur own account or for the account of other security holders exercising registration rights, these holders are entitled to notice of registrati
res of common stock in the registration. Certain holders of these registrable securities are also entitled to specified demand registration
o file a registration statement under the Securities Act at our expense with respect to our shares of common stock, and we are required t
s to effect this registration. Further, the holders of these registrable securities may require us to file additional registration statements or
s are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares include
ffect a requested registration within six months following the initial offering of our securities, including this offering. All registration ri
e been waived. The foregoing summary is not a complete description of the investors rights agreement and is qualified in its entirety b
agreement, a copy of which is filed as Exhibit 4.3 to the registration statement of which this prospectus is a part.

Effects of Our Certificate of Incorporation and Bylaws and Delaware Law

of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws could make the following

sition of our company by means of a tender offer, a proxy contest or otherwise; and

val of our incumbent directors and officers.

, summarized below, are expected to discourage and prevent coercive takeover practices and inadequate takeover bids. These provision
ns seeking to acquire control of our company to first negotiate with our board of directors. They are also intended to provide our manag
kelihood of continuity and stability if our board of directors determines that a takeover is not in the best interests of our stockholders. T
ffect of discouraging attempts to acquire us, which could deprive our stockholders of opportunities to sell their shares of common stock
t prices.

s

noval of Directors

d restated certificate of incorporation and our amended and restated bylaws contain provisions that establish specific procedures for app
board of directors. Under our amended and restated certificate of incorporation and amended and restated bylaws, our board will be clas
der our amended and restated bylaws, directors will be elected by a plurality of the votes cast in each election. Only one class will stand
ectors will be elected to serve three-year terms. In addition, our amended and restated certificate of incorporation and amended and resta
d newly created directorships on the board of directors may be filled only by a majority of the directors then serving on the board (exce
ion of the board). Under our amended and restated certificate of incorporation and amended and restated bylaws, directors may be remo

der Meetings

ded and restated certificate of incorporation and amended and restated bylaws, only the chairman of the board, our chief executive offic
ll special meetings of stockholders.

r Advance Notification of Stockholder Nominations and Proposals

d restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for electio
de by or at the direction of the board of directors or a committee of the board of directors.

akeover Law

ffering, we will be subject to Section 203 of the Delaware General Corporation Law, which is an anti-takeover law. In general, Section
orporation from engaging in a business combination with an interested stockholder for a period of three years following the date that the
older, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescrib
ation includes a merger, asset or stock sale, or another transaction resulting in a financial benefit to the interested stockholder. Generally
together with affiliates and associates, owns 15% or more of the corporation s voting stock. The existence of this provision may have a
ctions that are not approved in advance by our board of directors, including discouraging attempts that might result in a premium over th
on stock held by stockholders.

ockholder Action by Written Consent

d restated certificate of incorporation and amended and restated bylaws eliminate the right of stockholders to act by written consent wit

oting

law, cumulative voting for the election of directors is not permitted unless a corporation s certificate of incorporation authorizes cumu
ficate of incorporation and amended and restated bylaws do not provide for cumulative voting in the election of directors. Cumulative v

s

or all of its shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder wil
r board of directors based on the number of shares of our stock the stockholder holds as the stockholder would be able to gain if cumul
bsence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our b

referred Stock

n of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or prefe
y attempt to change control of our company.

rovisions in Certificate of Incorporation and Bylaws

of most of the above provisions in our amended and restated certificate of incorporation and amended and restated bylaws requires appr
r outstanding capital stock entitled to vote generally in the election of directors.

provisions could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit t
of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of pr
s possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in t

and Registrar

nt and registrar for our common stock is . Its telephone number is .

Nasdaq Global Market

to have our common stock listed on The Nasdaq Global Market under the symbol SYNC.

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SHARES ELIGIBLE FOR FUTURE SALE

ring, there has been no public market for our common stock, and we cannot assure you that a significant public market for our common
his offering. Other than as described below, no shares currently outstanding will be available for sale immediately after this offering due
strictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could cause the pr
our ability to raise equity capital in the future.

n of this offering, we will have issued and outstanding an aggregate of shares of common stock, assuming no exercise of the unde
and no exercise of options or warrants to purchase common stock that were outstanding as of June 30, 2007. The shares of common sto
freely tradable without restriction or further registration under the Securities Act unless purchased by our affiliates as that term is def

2,223,502 shares of common stock held by existing stockholders are restricted securities as that term is defined in Rule 144 under th
e sold in the public market only if registered or if they qualify for an exemption from registration under Section 4(1) or Rules 144, 144(
ties Act. We describe these rules in greater detail below.

pplicable vesting restrictions, the following table shows approximately when the 12,223,502 shares of our common stock that are not be
e outstanding when this offering is complete, will be eligible for sale in the public market:

e of this Prospectus	Shares Eligible for Sale	Explanation
ess		Shares sold by us in the offering
ess	7,128	Freely tradable shares saleable under Rule 1 the lock-up
		Shares saleable under Rules 144 and 701 tha lock-up
	12,216,374	Lock-up released, subject to extension; share and 701
thereafter		Restricted securities held for one year or les

923 of the restricted shares that will become available for sale in the public market starting 180 days after the effective date (or longer p
ume and other resale restrictions under Rule 144 because the holders of those shares are our affiliates.

ments

ecutive officers, holders of substantially all of our common stock and holders of options and warrants to purchase our stock have agree
n exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable or exercisable for shar
he date 180 days after the date of this prospectus, except with the prior written consent of Deutsche Bank Securities Inc. In addition, sub
stock and options to purchase our common stock have previously entered

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us not to sell or otherwise transfer any of their common stock or securities convertible into or exchangeable for shares of common stock
ter the date of this prospectus.

ricted period under the agreements with the underwriters described in the preceding paragraph will be automatically extended if: (1) du
d period we release earnings results or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-d
e will release earnings results during the 16-day period following the last day of the 180-day period, in which case the restrictions descr
ontinue to apply until the expiration of the 18-day period beginning on the release of the earnings results or material news or the occurre

r Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, and subject to the restrictions contained in the lock-
who has beneficially owned restricted shares for at least one year, including the holding period of any prior owner except an affiliate
hree-month period a number of shares that does not exceed the greater of:

f the number of shares of common stock then outstanding, which will equal approximately shares immediately after the
etion of this offering, assuming no exercise of the underwriters over-allotment option; and

erage weekly trading volume of the common stock on the open market during the four calendar weeks preceding the filing of a
144 with respect to such sale.

144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information a

k), a person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who has ben
old for at least two years, including the holding period of any prior owner except an affiliate of ours, is entitled to sell such shares witho
public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, 144(k) shares may be
fering.

rently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions, including the holdi
mployee, officer or director of or consultant to us who purchased shares under a written compensatory plan or contract may be entitled
le 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements
that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the holding period, public information, v
le 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares. All
to lock-up agreements and will only become eligible for sale upon the expiration of the contractual lock-up agreements.

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tion of this offering, the holders of 11,671,891 shares of our common stock will be entitled to the registration rights described in Desc

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hts. All such shares are covered by lock-up agreements. Following the expiration of the applicable lock-up period, registration of these
in the shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registratio
r affiliates.

tration Statements

nsummation of this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act to register the s
pursuant to our 2007 Equity Incentive Plan, 2006 Stock Plan and 2000 Stock Plan. See Management Equity Benefit Plans. Subject t
and any applicable vesting restrictions, shares registered under these registration statements will be available for resale in the public ma
these registration statements, except with respect to Rule 144 volume limitations that apply to our affiliates.

UNDERWRITING

rms and conditions of the underwriting agreement, the underwriters named below, through their representative Deutsche Bank Securitie
se from us the following respective number of shares of common stock at a public offering price less the underwriting discounts and co
s prospectus:

	Number of Shares
Securities Inc.	
Co. Inc.	
Partners LLC.	
ns Inc.	
Co., LLC.	

g agreement provides that the obligations of the several underwriters to purchase the shares of common stock offered hereby are subject
at the underwriters will purchase all of such shares of common stock, other than those covered by the over-allotment option described b

dvised by the representative of the underwriters that the underwriters propose to offer the shares of common stock to the public at the pu
his prospectus and to dealers at a price that represents a concession not in excess of $ per share under the public offering price. The u
s may re-allow, a concession of not more than $ per share to other dealers. After the initial public offering, the representative of the u
e and other selling terms.

to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional sha
rice less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this
in connection with the sale of the common stock offered by this prospectus. To the extent that the underwriters exercise this option, eac
d, subject to conditions, to purchase approximately the same percentage of these additional shares of common stock as the number of sh
it in the above table bears to the total number of shares of common stock offered by this prospectus. We will be obligated, pursuant to t
of common stock to the underwriters to the extent the option is exercised. If any additional shares of common stock are purchased, the
on the same terms as those on which the shares are being offered.

g discounts and commissions per share are equal to the public offering price per share of common stock less the amount paid by the und
The underwriting discounts and commissions are % of the initial public offering price. We have agreed to pay the underwriters the fol
suming either no exercise or full exercise by the underwriters of the underwriters over-allotment option:

	Fee per Share	Total Fees Without Exercise of Over-Allotment Option	Wi of Ove
ommissions paid by us	$	$	$

s

stimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately S

to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the
in respect of any of these liabilities.

ecutive officers, holders of substantially all of our common stock and holders of options and warrants to purchase our stock have agree
exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable or exercisable for shar
e date that is 180 days after the date of this prospectus, except with the prior written consent of Deutsche Bank Securities Inc. In additi
mmon stock and options to purchase our common stock have previously entered agreements with us not to sell or otherwise transfer an
tible into or exchangeable for shares of common stock for a period through the date 180 days after the date of this prospectus.

ricted period under the agreements with the underwriters described in the preceding paragraph will be automatically extended if: (1) du
d period we release earnings results or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-d
e will release earnings results during the 16-day period following the last day of the 180-day period, in which case the restrictions descr
ontinue to apply until the expiration of the 18-day period beginning on the release of the earnings results or material news or the occurre

ve of the underwriters has advised us that the underwriters do not intend to confirm sales to any account over which they exercise discre

th the offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include
reated by short sales and stabilizing transactions.

ve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are
he underwriters option to purchase additional shares of common stock from us in the offering. The underwriters may close out any co
their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the
consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may
nt option.

s are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in
more likely to be created if underwriters are concerned that there may be downward pressure on the price of the shares in the open mark

actions consist of various bids for or purchases of our common stock made by the underwriters in the open market prior to the completi

s may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting dis
esentative of the underwriters has repurchased shares sold by or for the account of that underwriter in stabilizing or short covering trans

s

er a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our commo
with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, th
gher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq Global Market, in t

electronic format is being made available on Internet websites maintained by one or more of the lead underwriters of this offering and m
ned by other underwriters. Other than the prospectus in electronic format, the information on any underwriter s website and any inform
ed by an underwriter is not part of the prospectus or the registration statement of which the prospectus forms a part.

ring, there has been no public market for our common stock. Consequently, the initial public offering price of our common stock will be
een us and the representative of the underwriters. Among the primary factors that will be considered in determining the public offering

ling market conditions;

sults of operations in recent periods;

esent stage of our development;

arket capitalizations and stages of development of other companies that we and the representative of the underwriters believe to
mparable to our business; and

ates of our business potential.

erwriters or their affiliates may provide investment banking services to us in the future. They will receive customary fees and commissi

LEGAL MATTERS

he common stock being offered hereby will be passed upon for the company by Gunderson Dettmer Stough Villeneuve Franklin & Hac
for the underwriters by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

d financial statements as of and for the year ended December 31, 2006 and as of and for the six months ended June 30, 2007 included in
statement schedule included elsewhere in the registration statement have been audited by Deloitte & Touche LLP, an independent regis
their reports appearing herein and elsewhere in the registration statement, and have been so included in reliance upon the reports of suc
rts in accounting and auditing.

Battaglia, CPAs, PC, an independent registered public accounting firm, has audited our consolidated financial statements as of Decemb
ember 31, 2004 and 2005, as set forth in their report. We have included our consolidated financial statements in the prospectus and else
ance on the report from Freed Maxick & Battaglia, CPAs, PC, given on their authority as experts in accounting and auditing.

CHANGE IN INDEPENDENT ACCOUNTANTS

06, we engaged Deloitte & Touche LLP as our independent accountants in place of Freed Maxick & Battaglia, CPAs, PC following app
hange in independent accountants was made as a result of our desire to retain a firm with experience in SEC reporting and accounting m
any time, through November 2006, between Freed Maxick & Battaglia, CPAs, PC and us on any matter of accounting principles or pra
liting scope or procedures. Deloitte & Touche LLP has audited our consolidated financial statements for the year ended December 31, 2
007, which are included elsewhere in this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

ith the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock we are offering. T
f the registration statement, does not contain all of the information set forth in the registration statement. For further information about
ll in this offering, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. S
the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete. If a contract
it to the registration statement, we refer you to the copy of the contract or document that has been filed.

a copy of the registration statement and the exhibits and schedules to the registration statement without charge at the offices of the SEC
C. 20549. You may obtain copies of all or any part of the registration statement from the Public Reference Room maintained by the SEC
n, D.C. 20549 upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by
). The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regardin
th the SEC. You can also inspect our registration statement on this website.

n of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act. The periodic rep
the SEC will be available for inspection and copying at the SEC s public reference facilities and on the website of the SEC referred to

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SYNACOR, INC. AND SUBSIDIARY

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DMENT NO. 2 TO 2006 STOCK PLAN	
ER AGREEMENT	
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T OF DELOITTE & TOUCHE LLP	
T OF FREED MAXICK & BATTAGLIA, CPAS, PC	
OF ATTORNEY	
T OF EMPIRE VALUATION CONSULTANTS, LLC	
T OF ANVIL ADVISORS	

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Directors of

rk:

the accompanying consolidated balance sheets of Synacor, Inc. and subsidiary (the Company) as of December 31, 2006 and June 30
ements of operations, stockholders equity, and cash flows for the year ended December 31, 2006 and six-month period ended June 30
e responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our a

ur audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require
n reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have,
t of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis fo
re appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal co
dingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures
ounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentatio
reasonable basis for our opinion.

uch consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2
f its operations and its cash flows for the year ended December 31, 2006 and six-month period ended June 30, 2007, in conformity with
ed in the United States of America.

ouche LLP
rk

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

rs of
d Subsidiary

the accompanying consolidated balance sheets of Synacor, Inc. and subsidiary as of December 31, 2005 and 2004, and the related cons
holders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company s managem
on on these financial statements based on our audits.

ur audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require
n reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have,
t of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis
re appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal co
dingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in th
es assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial st
audits provide a reasonable basis for our opinion.

he consolidated financial statements referred to above present fairly, in all material respects, the financial position of Synacor, Inc. and s
005 and 2004, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting pr
tes of America.

XICK & BATTAGLIA, CPAs, PC

rk
except for Notes 5, 6 and 10 as to which the date is July 31, 2007

SYNACOR INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(In thousands except for share and per share data)

	December 31, 2005	December 31, 2006	June 30, 2007
quivalents	$ 2,721	$ 15,293	$ 12,225
s, net of allowance for doubtful accounts of $0, $150, and $135,	2,067	4,102	4,162
nces, prepaid expenses and other current assets	238	383	661
ets	5,026	19,778	17,048
ipment-net	1,190	4,315	5,172
	27	119	1,221
	$ 6,243	$ 24,212	$ 23,441
AND STOCKHOLDERS EQUITY			
s:			
e	$ 1,491	$ 2,558	$ 2,345
sation	842	1,145	886
fees	94	107	171
penses	39	231	518
e on contracts	95	554	286
of capital lease obligations	194	712	943
bilities	2,755	5,307	5,149
n of capital lease obligations	262	1,297	1,489
liabilities			461
	672		
	3,689	6,604	7,099
d contingencies (note 7)			
quity:			
$0.01 par value authorized 20,000,000 shares, issued and 82, 162,998, and 626,743 shares at December 31, 2005 and 0, 2007, respectively	1	2	6
	5,055	5,077	5,077

eemable preferred stock (liquidation value of $5,240 at June 30,
value authorized Series A 5,709,638 shares, issued and
0,150 at December 31, 2005, and 5,548,508 shares at
006 and June 30, 2007, respectively

	December 31, 2005	December 31, 2006	June 30, 2007
erred stock (liquidation value of $750 at June 30, 2007), authorized Series A-1 570,344 shares, issued and outstanding t December 31, 2005 and 2006, and June 30, 2007	730	730	730
erred stock (liquidation value of $5,475 at June 30, 2007), authorized Series B 3,500,000 shares, issued and outstanding at December 31, 2005 and 2006, and June 30, 2007	5,401	5,401	5,401
erred stock (liquidation value of $17,374 at June 30, 2007), authorized Series C 2,740,407 shares, issued and outstanding at December 31, 2006 and June 30, 2007		17,224	17,224
in capital	40,588	40,651	40,981
ficit	(49,221)	(51,477)	(53,077)
rs equity	2,554	17,608	16,342
nd stockholders equity	$ 6,243	$ 24,212	$ 23,441

See notes to consolidated financial statements.

SYNACOR INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except for share and per share data)

	Year Ended December 31,			Six Mont
	2004	**2005**	**2006**	**2006 (unaudited)**
	$ 2,385	$ 14,340	$ 26,327	$ 11,823
clusive of depreciation and amortization shown)	1,244	7,781	15,327	6,958
velopment	1,361	2,615	4,274	2,010
ting	1,400	2,214	3,939	1,763
inistrative (exclusive of depreciation and amortization below)	1,122	2,299	4,679	2,011
l amortization	191	177	465	191
tions	(2,933)	(746)	(2,357)	(1,110
xpense):				
shment of debt			(32)	
	27	93	279	36
	(77)	(117)	(132)	(73
me (expense), net	(50)	(24)	115	(37
ision for income taxes	(2,983)	(770)	(2,242)	(1,147
ome taxes			14	
	$ (2,983)	$ (770)	$ (2,256)	$ (1,147
mon share basic and diluted	$ (36.27)	$ (9.20)	$ (18.83)	$ (13.10
e number of common shares outstanding basic and	82,260	83,630	119,815	87,582
ss per common share basic and diluted (unaudited)			$ (0.19)	
ted average number of common shares outstanding basic udited) (note 1)			11,716,574	

See notes to consolidated financial statements.

SYNACOR INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(In thousands except for share data)

Common Stock		Series A Preferred Stock		Series A-1 Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Additional Paid in Capital
Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
82,260	$ 1	5,470,322	$ 4,985	570,344	$ 730		$		$	$ 40,588
						2,737,500	5,403			
		59,828	70							
82,260	$ 1	5,530,150	$ 5,055	570,344	$ 730	2,737,500	$ 5,403		$	$ 40,588
5,322										
							(2)			
87,582	$ 1	5,530,150	$ 5,055	570,344	$ 730	2,737,500	$ 5,401		$	$ 40,588
75,416	1									5

								2,740,407	17,224	
		18,358	22							
										58
162,998	$ 2	5,548,508	$ 5,077	570,344	$ 730	2,737,500	$ 5,401	2,740,407	$ 17,224	$ 40,651
283,745	2									26
180,000	2									248
										56
626,743	$ 6	5,548,508	$ 5,077	570,344	$ 730	2,737,500	$ 5,401	2,740,407	$ 17,224	$ 40,981

See notes to consolidated financial statements.

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SYNACOR INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,			S
	2004	2005	2006	200 (unauc
operating activities:				
	$ (2,983)	$ (770)	$ (2,256)	$
econcile net loss to net cash used by operating activities:				
l amortization	191	177	465	
npensation expense			58	
on note payable discount			16	
of property and equipment			51	
shment of debt			32	
and liabilities that (used) provided cash:				
s	(136)	(1,700)	(2,035)	
nces, prepaid expenses and other current assets	(352)	230	(145)	
		(23)	(96)	
e	124	1,027	1,067	
sation	(65)	609	303	
fees	437	(401)	13	
penses	31	7	129	
e on contracts	254	(343)	459	
long term liabilities				
operating activities	(2,499)	(1,187)	(1,939)	
investing activities purchases of property and equipment	(323)	(477)	(1,918)	
financing activities:				
erm loan	17	2	500	
erm loan			(500)	
otes payable			(700)	
capital lease obligations	(23)	(87)	(101)	
xercise of common stock options		(2)	6	
le of restricted stock				
m sale of preferred stock	5,459		17,224	
d (used) by financing activities	5,453	(87)	16,429	
se) in cash and cash equivalents	2,631	(1,751)	12,572	
quivalents Beginning of period	1,841	4,472	2,721	

quivalents End of period	$ 4,472	$ 2,721	$ 15,293	$
sh flow information:				
erest	$ 77	$ 116	$ 117	$
sclosure of non-cash financing transactions:				
ipment acquired under capital lease obligations	$ 282	$ 273	$ 1,654	$
erred stock for settlement of accrued interest on note payable	$ 70	$	$ 22	$
y and equipment expenditures	$	$	$ 63	$

See notes to consolidated financial statements.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2006 IS UNAUDITED)
(in thousands except for share and per share data)

and Summary of Significant Accounting Policies

nsolidation and Business. The accompanying financial statements include the results of operations of Synacor, Inc. (the Company).
y owned subsidiary of Synacor, Inc. As of December 31, 2003, MyPersonal.com had no assets and no further ongoing activities and wa

rovides an Internet platform and a portfolio of digital content and services that enable broadband service providers to create a compellin
, principally in the United States. The Company s platform is used to create customized Internet portals and includes integration infrast
capabilities, a content management and delivery system and a customer-branded video player and toolbar. The platform also aggregates
e-added services, including video, from third-party providers to create a customized and branded Internet portal solution. The Company
ience by integrating these services and products with existing customer billing and management systems, thereby allowing its customers
bscriber relationships. The Company believes that its solution assists its customers in promoting subscriber retention, increasing average
vating new revenue streams.

ncial Information. The accompanying interim condensed consolidated financial statements for the six months ended June 30, 2006 are u
ch unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted
clude all adjustments, consisting only of normal and recurring adjustments, necessary for the fair presentation of the Company s results
months ended June 30, 2006.

unting policies are as follows:

Equivalents. The Company considers investments with original maturities of three months or less to be cash equivalents.

es. Credit is granted to substantially all customers. The Company performs ongoing credit evaluations of its customers financial cond
n its customers. The Company carries its accounts receivable at amounts billed, less an allowance for doubtful accounts. On a periodic b
ounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs, collections and current credit c
nterest on past due invoices.

vances, Prepaid Expenses and Other Current Assets. The Company enters into various content distribution contracts with vendors and
tipulated in the contracts over the life of the contract. Any additional monthly content fees are recognized in the month incurred. Manag
ular basis to determine the proper amounts for content fees advances and accruals. Prepaid expenses and other current assets consist of
tracts and refundable deposits. Prepayments are expensed on a straight-line basis over the corresponding life of the underlying agreeme

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

uipment. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line me
e assets as follows:

vements	3-10 y
are	5 y
are	3 y
tures	7 y
	3-5 y

vements are amortized over the shorter of the lease term or the estimated useful life of the assets. Repairs and maintenance charges are

ther assets consist of long-term prepaid maintenance contracts and long-term refundable deposits. Prepaid maintenance costs are expens
ed agreement on a straight-line basis.

ts. The Company reviews the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indic
ay not be recoverable. For purposes of evaluating and measuring impairment, the Company groups a long-lived asset or assets with oth
for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of assets to be h
of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are con
e recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disp
ying amount or fair value, less costs to sell. No impairment charge for long-lived assets has been recorded in the accompanying financia
31, 2004, 2005 and 2006 and the six months ended June 30, 2007.

ition. The Company recognizes net sales in accordance with Securities and Exchange Commission (SEC) Staff Accounting Bulletin
SAB 104. SAB 104 requires that four basic criteria must be met prior to revenue recognition: (i) persuasive evidence of an arrangement
ervices have been rendered, (iii) the fee is fixed and determinable and (iv) collection of the resulting receivable is reasonably assured.

ompany s arrangements contain multiple elements, consisting of the various services it offers. Multiple element arrangements typically
nology platform to deliver an Internet portal combined with the delivery of its value-added services and paid content. These arrangeme
Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF 00-21. In such arrangements
rmined that each of the services made available to its customers constitutes a separate unit of accounting pursuant to the guidance set for
EITF 00-21, arrangement consideration is then allocated to each unit based on its relative fair value. The Company has historically con
ervices have been an accurate reflection of their fair values based on its own market knowledge and that of its customers and vendors, as
s when sold separately to similarly situated customers. Accordingly, the Company has utilized these stated rates for the purposes of allo
each of the accounting units.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

cess for the determination of stated rates is generally consistent among its various customer arrangements, its identification of accountin
rately made for each of its customer arrangements. Applicable revenue recognition criteria are separately considered for each unit of ac
e have been defined.

erives its net sales from two categories: subscriber-based revenues; and revenues generated from search and advertising activities.

d Revenues

efines subscriber-based revenues as fees and subscription amounts that it receives from its customers. These fees and subscription amou
activities, including the use of the Company s proprietary technology platform and the use of, or access to, value-added services and p
orm is used to create customized Internet portals and includes integration infrastructure, subscriber personalization capabilities, a conte
and a customer-branded video player and toolbar. Value-added services include hosted email services, which are designed to meet both
eeds, and online security services, such as anti-virus protection, firewall and intrusion detection and pop-up blockers. Paid content inclu
ird parties, such as games and streaming and downloadable music and movies.

ber levels typically form the basis for calculating and generating subscriber-based revenues. They generally are determined by multiplyi
the number of subscribers applicable to the particular services being offered or consumed. In certain cases, the Company charges a fix
d to the customer to form a base fee for the customer, in addition to the per-subscriber fees.

l revenues are recognized on a monthly basis as the applicable services or content is consumed by, or made available to, subscribers. Th
criber levels in conjunction with its customers. Several methodologies may be used to determine the number of subscribers in a particula
mber of subscribers on a particular day of the month or the average number of subscribers during the month. The Company typically fol
determine their own subscriber levels, and the Company then reconciles those levels with its own databases to determine the accurate s

rtising Revenues

ses Internet search and advertising technologies to generate revenue from the traffic generated by its customers Internet portals. In the
revenue-sharing relationship with Google, pursuant to which it includes a Google-branded search tool on its customer s portals. When a
s tool, the Company delivers it to Google. Google returns search results to the Company that include advertiser-sponsored links. If the s
Google receives payment from the sponsor of that link and shares a portion of that payment with the Company. The Company then shar
e applicable customer. The Company recognizes its revenue share from Google monthly.

enerates advertising revenue when subscribers view or click on a text or display advertisement that it delivered. The Company recogniz

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ork partners, who manage the placement of advertising into the websites of the Company s customers and other web pages that the Co
ip between its advertising network partners and their advertisers, the revenue may be calculated on a cost per impression basis, which m
nber of times its advertisements appear, or a cost per click basis, which means that an advertiser pays only when a subscriber clicks on

he Company pays a share of the advertising revenue to those customers who make their web sites available for the delivery of these adv
amounts to be paid by the Company take the form of variable payments based on a percentage of its advertising revenues and are paid
-sharing amounts are expensed as incurred.

. As discussed below, the Company pays its customers a portion of the revenue generated from search and advertising. This revenue co
Company from its advertising partners in connection with traffic supplied by the applicable customer. In accordance with Emerging Issu
rting Revenue Gross as a Principal Versus Net as an Agent, the revenue derived from these arrangements that involve traffic supplied b
ause the Company is the primary obligor in the arrangements, is involved in the determination of the service specifications, has discreti

ost of sales consists of revenue-sharing costs, vendor content acquisition costs and infrastructure costs. Revenue-sharing and vendor co
rcentage of the Company s revenue, on a fixed fee schedule, on the number of subscribers per month or any combination of the foregoi
e expensed as incurred based on the revenue earned during the relevant accounting period. Fixed fee arrangements are expensed ratably
forecasted per subscriber use basis. Fees based on the number of subscribers are expensed based on the number of subscribers having ac
nt accounting period.

evelopment. Research and development expenses include costs incurred for product development, including the development of and en
orm and related infrastructures, and customer and content integration. These expenses consist primarily of compensation and related co
d development activities.

pment Costs. The Company accounts for software programs to be used solely to meet our internal needs in accordance with Statement
Costs of Computer Software Developed or Obtained for Internal Use. In accordance with this position, costs incurred during the prelimi
ns are expensed as incurred. External and internal costs incurred during the application development stage of new software developmen
ts for software programs that result in additional functionality are capitalized. Through June 30, 2007, we have not incurred significant
lopment stage. Internal and external training and maintenance costs are expensed as incurred.

ting. Sales and marketing expenses consist primarily of salaries, benefits, commissions and bonuses paid to our direct sales and market
dvertising, industry conferences, promotional materials and other sales and marketing programs. Advertising expense was approximate

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31, 2004, 2005 and 2006, respectively, and $20 and $394 for the six months ended June 30, 2006 and 2007, respectively. The Compan

ninistrative. General and administrative expenses consist primarily of salaries and related expenses for executive management, finance ner administrative functions, as well as professional fees, overhead, rent and expenses incurred for general corporate purposes.

npensation. On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payme* t of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, or SFAS 123, and superseded Accounting Pr *ng for Stock Issued to Employees*, or APB 25. SFAS 123R requires the measurement of the cost of employee services received in excha d on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provid Company adopted SFAS 123R using the prospective transition method and, therefore, has not restated results for prior periods. Under th pensation expense is recorded only for stock-based awards granted after the date of adoption. Stock-based compensation expense for al is based on the grant date fair value estimated in accordance with SFAS 123R. The Company recognizes these compensation costs ratab the award. SFAS 123R also requires an entity to calculate the pool of excess tax benefit available to absorb tax deficiencies recognized PIC pool). The Company has evaluated its APIC pool and has determined that it was immaterial as of January 1, 2006. SFAS 123R al nting Standards No. 95, *Statement of Cash Flows*, to require that excess tax benefits that had been reflected as operating cash flows be r e adoption of SFAS 123R, the Company accounted for stock-based compensation cost using the intrinsic value method of accounting p disclosure-only provisions of SFAS 123, as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock- B ransition Disclosure*. See Note 9 for additional information on stock-based compensation.

Other income consists primarily of interest income on cash deposits.

The Company accounts for income taxes using the liability method in accordance with the provisions of Statement of Financial Account *ncome Taxes*, or SFAS 109. Under SFAS 109, deferred income tax assets and liabilities are determined based on temporary differences come tax bases of assets and liabilities and net operating loss and credit carryforwards using enacted income tax rates in effect for the y xpected to reverse. A valuation allowance is established to the extent necessary to reduce deferred income tax assets to amounts that mo mpany has recorded a 100% valuation allowance against its net deferred tax assets due to the uncertainty of their ultimate realization.

e FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48, an interpretation of SFAS 109. Th r income taxes by prescribing that a company should use a more-likely-than-not recognition threshold based on the technical merits of neet the more-likely-than-not recognition threshold should be measured as the largest amount of tax benefits, determined on a cumulativ

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

alized upon ultimate settlement in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and p disclosure and transition, and explicitly excludes income taxes from the scope of Statement of Financial Accounting Standards No. 5, *A* The Company adopted FIN 48 effective as of January 1, 2007. As of June 30, 2007, we had gross unrecognized tax benefits of approxim s in the future. The Company s federal and New York tax returns, constituting the returns of the major taxing jurisdictions, are subject l open years as prescribed by applicable statute. No waivers have been executed that would extend the period subject to examination be come tax returns filed, the Company is no longer subject to federal, state and local tax examinations by tax authorities for years prior to attributes that were generated prior to 2002 may still be adjusted upon examination by tax authorities if they either have been or will be no material change in any uncertain tax position. The company anticipates some movement in its uncertain tax positions due to changes hs. This amount is not anticipated to have a material effect on the Company s financial statements due to anticipated offsetting change y s policy to recognize interest and penalties related to income tax matters in income tax expense. As of June 30, 2007, there was no ac ain tax positions.

are. Basic earnings per share, or EPS, is calculated in accordance with SFAS No. 128, *Earnings per Share,* and EITF Issue No. 03-6, *F* *Method Under SFAS No. 128, Earnings Per Share,* and is calculated using the weighted average number of common shares outstanding c

umes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the i calculation, convertible preferred stock, options and warrants are considered to be potential common shares and are only included in the re when their effect is dilutive.

to compute basic and diluted net income per share represent the weighted-average common shares outstanding. The Company s prefer te with common stockholders in dividends and unallocated income. Net losses are not allocated to the preferred stockholders. Therefore are computed using the two-class method, under which the Company s undistributed earnings are allocated amongst the common and p

Forma Net Loss Per Share. If the offering contemplated by this prospectus results in a post-offering valuation of the Company s comm $150 million and the proceeds are not less than $25 million, all 11,596,759 shares of convertible preferred stock will be mandatorily con n a 1:1 ratio. The unaudited pro forma stockholders equity as of June 30, 2007 and the unaudited pro forma loss per common share da 006 and the six months ended June 30, 2007 have been prepared assuming that the conversion of preferred stock occurred on January 1, mmon Share Data for disclosure of the calculation of unaudited pro forma net loss per share.

mates. The process of preparing financial statements in conformity with accounting principles generally accepted in the United States o assumptions regarding certain types of assets, liabilities, revenues and

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may

f Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally
Company places its cash primarily in checking and money market accounts with high credit quality financial institutions, which, at tim
t June 30, 2007, the Company had cash of $12,002 at financial institutions in excess of the federally insured limits.

nancial Instruments. The carrying amounts of the Company s capital leases approximates fair value of these obligations based upon m
hat would be available for similar debt obligations at June 30, 2007.

Accounting Standards. In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measur*
des guidance for using fair value to measure assets and liabilities. SFAS 157 serves to clarify the extent to which companies measure as
nation used to measure fair value, and the effect that fair-value measurements have on earnings. SFAS 157 is to be applied whenever an
iabilities to be measured at fair value. The Company will be required to adopt SFAS 157 effective January 1, 2008. The Company is cu
doption of SFAS 157 will have on its financial statements.

7, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Li*
ASB Statement No. 115, or SFAS 159. SFAS 159 provides entities with an option to choose to measure eligible items at fair value at spe
must report unrealized gains and losses on the item in earnings at each subsequent reporting date. The fair value option may be applied
tions, such as investments otherwise accounted for by the equity method, is irrevocable (unless a new election date occurs), and is appl
not to portions of instruments. The Company is currently evaluating the impact that the adoption of SFAS 159 will have on its financial

nd Equipment

ipment at December 31, 2005 and 2006 consisted of the following:

	December 31,	
	2005	**20**
vements	$ 96	$
are	1,984	
are	51	
tures	151	
	48	
	2,330	
d depreciation	1,140	
	$ 1,190	$

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

pense was $188, $175 and $461 for the years ended December 31, 2004, 2005 and 2006, respectively and $188 and $577 for the six mor
tively.

ase Obligations and Bank Borrowing Arrangements

bligations. Capital lease obligations consisted of the following:

	December 31, 2005		December 31 2006
able to Cisco Systems, Capital CRP requiring monthly payments of $4, including ximately 9% per annum through November 2008, secured by equipment	$	138	$
able to HP Financial Services requiring monthly payments of $4, including ximately 15% per annum through September 2007, secured by equipment		79	
able to Dolphin Capital requiring monthly payments of $2, including interest of 3% per annum through June 2008, secured by equipment		43	
able to US Express Leasing requiring monthly payments of $2, including interest 13% per annum through June 2008, secured by equipment		43	
able to Highline Capital requiring monthly payments of $2, including interest of 4% per annum through May 2008, secured by equipment		42	
able to GE Capital requiring monthly payments of $2, including interest of 3% per annum through November 2007, secured by equipment		42	
able to VA Resources, Inc. requiring monthly payments of $2, including interest 16% per annum through November 2007, secured by equipment		39	
able to Highline Capital requiring monthly payments of $1, including interest of 6% per annum through November 2007, secured by equipment		30	

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2005	December 31 2006
vable to De Lage Landen requiring monthly payments of $1, including interest of 0% per annum through February 2008, secured by equipment		
vable to Cisco Systems, Capital CRP requiring monthly payments of $3, including ximately 8% per annum through August 2011, secured by equipment		
vable to IBM Credit LLC requiring monthly payments of $50, including interest of % per annum through December 2009, secured by equipment		
vable to IBM Credit LLC requiring monthly payments of $18, including interest of % per annum through February 2010, secured by equipment		
vable to IBM Credit LLC requiring monthly payments of $18, including interest of % per annum through February 2010, secured by equipment		
	456	
tion	194	
	$ 262	$

the capital lease obligations are as follows:

	December 31, 2005	December 31 2006
are	$ 546	$
d depreciation	53	
	$ 493	$

pense on assets under capital lease amounted to $8, $45 and $162 for the years ended December 31, 2004, 2005, and 2006, respectively, d June 30, 2006 and 2007, respectively.

a schedule of future minimum lease payments under capital leases together with the present value of the minimum lease payments as o

ing

$ 573

SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		1,024
		952
		123
		26
imum lease payments		2,698
resenting interest		266
minimum lease payments		2,432
ion		943
on	$	1,489

Arrangements. On February 23, 2007, the Company modified its existing business financing agreement, pursuant to which the Compa line of $1,500 for an extended term of 24 months from agreement execution. Any borrowings under the revolving line of credit accrue i 0.75% and must be repaid by February 2009. The revolving credit line agreement contains provisions that allow the lender to accelerate e revolving credit line upon occurrence of a material adverse change as defined in the agreement. The revolving credit line agreement c reporting covenants. There were no borrowings on the revolving credit line as of June 30, 2007. As of June 30, 2007, the Company wa covenants and restrictions.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

yable

December 31, 2005 and 2006, consisted of the following:

	2005
County Industrial Land Development Corporation (ECIDA) A $350 convertible promissory note that accrues interest The unpaid accrued interest of the Note may be converted, at the option of ECIDA, in whole or in part, into shares of ed Stock upon written notice to the Company at any time. The number of shares of Series A Preferred Stock to be conversion shall be equal to the quotient (rounded down to the nearest whole number) obtained by dividing the nterest on the promissory note to be converted on the date of conversion, by the Conversion Price. The remainder ch division shall be paid to the ECIDA in cash simultaneously with the issuance of the shares of Series A Preferred tion with this note agreement, the Company granted the ECIDA warrants to purchase 299,146 shares of Common cise price of $1.17. These warrants vest immediately and expire in November 2007. The value of the detachable ed as a note discount, amounted to $45, resulting in amortization of $9, $9 and $8 during the years ending 04, 2005 and 2006, respectively. On October 19, 2006 the note was fully paid	$ 336
rporation (Rand) A $350 convertible promissory note which accrues interest at a rate of 10%. The unpaid accrued ote may be converted, at the option of Rand, in whole or in part, into shares of Series A Preferred Stock upon written mpany at any time. The number of shares of Series A Preferred Stock to be issued upon such conversion shall be equal ounded down to the nearest whole number) obtained by dividing the unpaid accrued interest on the promissory note to the date of conversion by the Conversion Price. The remainder resulting from such division shall be paid to Rand in sly with the issuance of the shares of Series A Preferred Stock. Rand converted accrued interest of $21 into Series A Preferred Stock at September 30, 2006. In connection with this note agreement, the Company granted Rand hase 299,146 shares of Common Stock at an exercise price of $1.17. These warrants vest immediately and expire in The value of the detachable warrants, recorded as a note discount, amounted to $45, resulting in amortization of $9, the years ended December 31, 2004, 2005 and 2006, respectively. On October 19, 2006 the note was fully paid	336
	$ 672

ng costs are being amortized over the term of the notes payable of five years. Amortization expense was $2, $2 and $4 for the years end espectively. These costs were fully amortized in 2006.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Taxes

effects of significant temporary differences and carryforwards that give rise to deferred income tax assets and liabilities are as follows:

		December 31, 2005		December 31, 2006
tax assets:				
compensation expense	$	487	$	
ss carryforwards		12,510		13,
		205		
ncome tax assets		13,202		13,
ance		(13,079)		(13,
ome tax assets		123		
tax liabilities:				
		(112)		(
		(11)		
ncome tax liabilities		(123)		(
ome tax assets	$		$	

tion of FIN 48 during the six month period ended June 30, 2007 decreased the valuation allowance by $99. This adjustment does not im

nse differs from the expected income tax benefit calculated using the statutory U.S. Federal income tax rate as follows:

	Year Ended December 31,						Six Months	
	2004		2005		2006		2006	
ax benefit at statutory rate	$ (1,014)	34%	$ (262)	34%	$ (762)	34%	$ (289)	34
axes, net of federal benefit	(221)	7%	(53)	7%	(159)	7%	(60)	7
te net operating losses		0%		0%	80	(4)%		0
aritable contributions		0%		0%	64	(3)%		0
tock options		0%		0%	138	(6)%		0
audit adjustments		0%		0%	137	(6)%		0
tax rate change		0%		0%	0	0%		0
ance	1,245	(42)%	292	(38)%	472	(21)%	328	(38
ences	11	0%	18	(2)%	38	(2)%	15	(2
	(21)	1%	5	(1)%	6	0%	6	(1

$	0%	$	0%	$	14	(1)%	$	0

d federal and state net operating loss carryforwards (NOLs) of approximately $34,690 and $20,500, respectively, at June 30, 2007 a
The NOLs will begin to expire in 2018 and are subject to change of control limitations that generally restrict the utilization of the NOLs
s to the Company s ability to generate sufficient taxable income in the future and utilize the NOLs before they expire, the Company ha
uce the net deferred income tax asset to zero at each balance sheet date. The Company s tax provision includes only the net income tax
le of the United

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

s $14 for the year ended December 31, 2006 and $9 for the six months ended June 30, 2007.

oes not expect to record an income tax provision for its domestic operations for the year ending December 31, 2007.

nformation

perates in one business segment, the provision of value-added services to Internet service providers. The Company s chief operating de
ation for the Company as a whole for purposes of allocating resources and evaluating financial performance. The Company s financial
by major class of product, but the Company has no segment or product line managers who are held accountable for operations, operati
ponents below the consolidated level. Revenue information regarding these products is as follows:

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Six M 200
l revenues	$ 2,159	$ 9,072	$ 12,947	$
tising revenues	226	5,268	13,380	
	$ 2,385	$ 14,340	$ 26,327	$ 1

net sales included sales made into the United Kingdom of $176, $527, and $1,179 for the years ended December 31, 2004, 2005, and 2
e six months ended June 30, 2006 and 2007, respectively. All other net sales are made domestically within the United States. All long-
the United States.

ble shows search and advertising partners and customers from which search and advertising revenues and subscriber-based revenues, re
f the Company s net sales and accounts receivable in the periods presented.

Net Sales					Acco
Year Ended December 31,			Six Months Ended June 30,		December
2004	2005	2006	2006	2007	2005
*	36%	50%	44%	44%	36%
*	*	*	*	12%	*
*	10%	*	10%	*	10%
*	13%	*	14%	*	20%
*	10%	*	*	*	*
30%	*	*	*	*	*
30%	69%	50%	68%	56%	66%

%.

ents and Contingencies

. The Company leases office space under operating lease agreements. In addition, the Company leases certain equipment under non-ca
s approximately $97, $210 and $543 for the years ended December 31, 2004, 2005

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

tively, and approximately $250 and $371 for the six months ended June 30, 2006 and 2007, respectively. Future minimum payments un , are approximately as follows:

ing December 31,		
	$	363
ecember 31,		
		536
		446
		438
		431
		1,833
ease payments	$	4,047

tments. Fixed payments required according to contractual commitments are approximately $3,500 for the six months ending December ears ending 2008 and 2009, respectively.

stomer and content provider contracts contain Service Level Agreements (SLA) provisions. These SLA provisions provide remedies vent that system availability targets, primarily based on time, are not met. These remedies typically take the form of credits to be applie ods through June 30, 2007, the Company has not been responsible for any such remedies and as of June 30, 2007, there were no remedi

e Preferred Stock

restated certificate of incorporation authorizes the issuance of up to 5,709,638 shares of $.01 par value Series A preferred stock. At De issued and outstanding. At December 31, 2006 and June 30, 2007, there were 5,548,508 shares issued and outstanding.

restated certificate of incorporation authorizes the issuance of up to 570,344 shares of $.01 par value Series A-1 preferred stock. At De 7, there were 570,344 shares issued and outstanding.

restated certificate of incorporation authorizes the issuance of up to 3,500,000 shares of $.01 par value Series B preferred stock. At De 7, there were 2,737,500 shares issued and outstanding.

restated certificate of incorporation authorizes the issuance of up to 2,740,407 shares of $.01 par value Series C preferred stock. In Oct ued a total of 2,740,407 shares of Series C preferred stock at $6.34 per share totaling $17,374 of additional financing. Offering costs rel ing in net proceeds of $17,224 to the Company. At December 31, 2006 and June 30, 2007, there were 2,740,407 shares issued and outst

ch share of Series A, A-1, B and C is convertible at the option of the holder at any time into common stock. The conversion rate is the q inal issue price of the Series A, A-1, B or C shares by the conversion price, which initially is the original issue price. The conversion pr

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ted certificate of incorporation for certain dilutive issuances, splits and combinations, as therein defined. Conversion is automatic upon of the outstanding shares of preferred stock or the effective date of a firm commitment underwritten public offering of the Company s c uation on a fully diluted basis is at least $150 million and the proceeds are not less than $25 million.

are of A, A-1, B and C preferred stock has voting rights, on an as-if converted basis, identical to common stock and votes together as or

holders of Series C preferred stock shall be entitled to receive dividends, out of any assets legally available therefore, prior and in prefer dividend on the Series A preferred stock, Series A-1 preferred stock, Series B preferred stock and common stock of the Company. The h hall be entitled to receive dividends, out of any assets legally available therefore, prior and in preference to any declaration or payment ed stock, Series A-1 preferred stock and common stock of the Company. The holders of Series A preferred stock and Series A-1 preferre s, on a pari passu basis, out of any assets legally available therefore, prior and in preference to any declaration or payment of any divide Dividends are payable when, as and if declared by the Board of Directors. Such dividends are not cumulative.

e Series A, A-1, B and C preferred stock is not redeemable at the option of the holder.

the event of any liquidation, dissolution or winding down of the Company, either voluntary or involuntary, including a merger, acquisiti vners of the Company s common stock and convertible preferred stock own less than 50% of the resulting voting power (Liquidation rred stock shall be entitled to receive, prior and in preference to any distribution of the proceeds of such Liquidation Event to the holder nd common stock by reason of their ownership thereof, an amount equal to 100% per share of the original issue price for each share of m, plus declared but unpaid dividends on such share. Upon completion of the distribution required to Series C stockholders, the holders hall be entitled to receive, prior and in preference to any distribution of the proceeds of such Liquidation Event to the holders of Series ck by reason of their ownership thereof, an amount equal to 100% per share of the original issue price for each share of Series B preferr red but unpaid dividends on such share. Upon completion of the distribution required to Series B stockholders, the Series A and A-1 sto r share of the original issue price, plus any declared but unpaid dividends prior and in preference to any distribution to the common stoc e distribution required to Series B, A and A-1 stockholders, the holders of common stock are entitled to receive an amount per share equ payment of the above distributions, the remaining assets of the Company shall be distributed to the common and Series C, B, A and A- nber of common shares held by each (on an as-if converted basis).

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ed Compensation

tion of SFAS 123R, the Company accounted for employee stock options using the intrinsic value method in accordance with APB 25. A
pense was recognized for stock options issued to employees as long as the exercise price was greater than or equal to the market value o
January 1, 2006, the Company adopted the provisions of SFAS 123R using the prospective transition method. Under this method, the C
tion expense for all stock based awards granted after the date of adoption. Under SFAS 123R, compensation expense related to stock ba
e service period based on the grant date fair value of the awards. The Company recorded $58 and $56 of stock-based compensation for t
006 and the six months ended June 30, 2007, respectively. No income tax deduction is allowed for incentive stock options (ISO s). A
ded for the expense related to these options.

ns. The Company has adopted three stock option plans, which authorize the grant of up to 3,078,239 options to officers and other key e
mon stock, subject to the terms of the plans. The options generally vest ratably over four years. Grants under these plans are made at an
e market value on the date of grant. The options may be exercised in specified increments usually beginning one year after the date of gr
eir respective grant dates or earlier if employment is terminated.

e status of options granted under all option plans is presented below:

	Number of Stock Options
f January 1, 2004	1,553,
	499,
4	(19,
f January 1, 2005	2,033,
	333,
5	(5,
5	(27,
f January 1, 2006	2,334,
	272,
6	(75,
6	(149,
f December 31, 2006	2,381,
	301,
7	(283,
7	(30,
f June 30, 2007	2,369,

as of June 30, 2007	2,262,
f June 30, 2007	1,637,

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

erage remaining contractual life of the options outstanding and expected to vest were 7.7, 6.9 and 6.8 years as of December 31, 2005 an
e aggregate intrinsic value for outstanding, expected to vest, and exercisable options were $15,000, $14,300 and $10,400, respectively, a
ue of options exercised during the six months ended June 30, 2007 was $2,100. The aggregate intrinsic value represents the total pretax
en the Company s estimated stock value and the exercise price, multiplied by the number of in-the-money stock options) that would ha
ders had all stock option holders exercised their stock options on the balance sheet dates. This amount will change based on the fair mar

etermines the fair value of its stock-based awards on the date of grant using the Black-Scholes option-pricing model. The determination
odel requires a number of complex and subjective variables. One key input into the model is the estimated fair value of the Company s
iods prior to May 1, 2006, the Company performed an internal valuation analysis to determine the fair value of its common stock in con
yees, as described in more detail below. Beginning May 1, 2006, the Company determined the fair value of its common stock after cons
Company s board of directors by Empire Valuation Consultants, LLC, or Empire, and Anvil Advisors, or Anvil, each an unrelated valu

les in the Black-Scholes option-pricing model include the expected volatility of the Company s common stock price, the expected term
the expected dividend yield. The Company determined that, as a private company, it was not practicable to estimate the volatility of the
frequency of price observations. Therefore, expected volatilities were based on a volatility factor computed based upon an external pee
ompanies. The expected term for options granted prior to January 1, 2006 is 10 years. For options granted subsequent to December 31,
xpected term was estimated by using the actual contractual term of the awards and the length of time for the employees to exercise the
based on the implied yield available at the time the options were granted on U.S. Treasury zero coupon issues with a remaining term eq
xpected dividend yield is 0% for all periods presented, based upon the Company s historical practice of electing not to declare or pay c
n addition, under SFAS 123R, the Company is required to estimate forfeitures of unvested awards when recognizing compensation exp
timate was used for the stock based compensation expense recorded during 2006, and for the period ended June 30, 2007.

f Common Stock Fair Value before May 2006. Prior to May 2006, the Company determined the fair value of its common stock in conne
factors, including the price at which shares of its convertible preferred stock had been sold to investors, the liquidation preferences, div
ential rights attributable to the Company s then outstanding convertible preferred stock and its limited operating history and uncertain p

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

developments in its business, such as the hiring of key personnel, the status of sales efforts and growth. In addition, the Company took
mon stock and the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company.

f Common Stock Fair Value by Valuations Beginning in May 2006. In May 2006, the Company s board of directors received the first c
s common stock from Empire, (the May 2006 valuation), and the board utilized the value determined in that report to set the exercis
gh August 2006. In October 2006, Empire prepared another valuation, (the October 2006 valuation), and the board utilized the value
price of options granted from December 2006 through May 2007. Company management also considered the May 2006 valuation and C
g the fair value of its common stock for purposes of SFAS 123R in connection with options granted from May through December 2006

valuation, Empire utilized various valuation methods, including the discounted future cash flow method, the guideline company metho
d to determine a per share estimated value of the Company s common stock. In the October 2006 valuation, Empire elected not to use t
guideline company method because, shortly before the valuation date, the Company sold shares of its Series C preferred stock to investo
tion was a preferable indicator of the Company s value.

th the preparation of the Company s consolidated financial statements for the six months ended June 30, 2007, the Company engaged A
on specialist as defined under the Practice Guide, to assist Company management in estimating the fair value of its common stock for p
options granted during that period. In a valuation report dated September 26, 2007, (the September 2007 valuation), Anvil retrospect
t prices ranging from $1.51 per share to $6.72 per share across five different valuation dates. Those dates were February 7, April 3, Apr
d to the dates on which the Company granted options or sold restricted shares.

r 2007 valuation, Anvil estimated the enterprise value of the Company on each applicable valuation date using the discounted future cas
ny method and then computing a weighted average of the two based on the likelihood of an initial public offering. As an initial public o
ine company method was given greater weight. Then Anvil used the company security valuation method to allocate the enterprise value
s of equity to derive a fully marketable value per share for the common stock. Anvil applied an appropriate discount for lack of marketa
e to arrive at the fair value per share of common stock.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

etween the exercise price of the options and the Company s estimate of the fair value has been factored into the SFAS 123R compensa

a description of the significant assumptions used in the valuations of the Company s common stock.

ion. Empire used a discount rate of 25% in its discounted future cash flow analysis, and the estimated time to stockholder liquidity was
rable publicly-traded companies, company-specific volatility was determined to be 70%, and the lack-of-marketability discount was 20
ermined that the probabilities of an initial public offering and a sale of the Company were equal, and thus equal weight was given to eac

luation. The estimated time to stockholder liquidity in the valuation increased to 3 years because the Company s management determi
C financing, it could remain private for a longer period of time. For similar reasons, the probabilities of an initial public offering and a s
respectively. The Company-specific volatility decreased to 52% because the volatility of the comparable publicly-traded companies dec
r the discounted cash flow analysis, and the lack-of-marketability discount was 20%.

7 valuation. The estimated time to stockholder liquidity decreased to 2 years because the Company s board of directors and manageme
ublic offering. The company-specific volatility decreased to 49% because the volatility of the comparable publicly-traded companies de
the discounted cash flow analysis, and the lack-of-marketability discount was 20%. The probabilities of an initial public offering and a

l 19, 2007 valuations. In the April 3 and April 19, 2007 valuations, the estimated time to stockholder liquidity as of April 3 and April 1
tively. The company-specific volatility was 48%, the discount rate of 25% was used in the discounted cash flow analysis, and the lack-o
robabilities of an initial public offering and a sale were 25% and 75%, respectively.

uation. The discounted future cash flow method and guideline company method were weighted 33% and 67%, respectively, whereas pr
ed 67% and 33%, respectively. For similar reasons, the lack-of-marketability discount was reduced from 20% to 15%, and the estimated
ed to 1.25 years. The company-specific volatility was 44%, and a discount rate of 25% was used in the discounted cash flow analysis. T
ering and a sale were 50% and 50%, respectively.

luation. Due to the Company s ongoing preparations for an initial public offering, the estimated time to stockholder liquidity decrease
to the discounted future cash flow method and the guideline company method shifted to 20% and 80%, respectively. The company-spe
of 25% was used in the discounted cash flow analysis, and the lack-of-marketability discount was 15%. The probabilities of an initial p
0%, respectively.

ted during the years ended December 31, 2005 and 2006, the weighted average fair value of the stock options granted, estimated on the

SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ption-pricing model was $0.20 and $0.78, respectively, (no value was assigned to options in 2004) using the following assumptions:

	2004
options (in years)	10
t rate	4.20%
ty	0%
nd yield	0%

a summary of the option grants during the six months ended June 30, 2007:

	Grant date		
	2/7/07	4/3/07	5/1/07
	25,000	170,650	64,
e fair value	$ 0.84	$ 0.92	$ 2
options (in years)	6.25	6.25	6
t rate	4.73%	4.59%	4
ty	52%	52%	
nd yield	0%	0%	

ble summarizes stock option information at June 30, 2007:

	Number of Options Outstanding	Weighted-Average Exercise Price	Number of Options Exercisable
	1,221,650	$ 0.06	1,217,02
	605,748	0.30	383,73
	534,525	1.39	29,63
	7,238	215.23	7,23
	2,369,161	$ 1.08	1,637,67

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

007, the unrecognized compensation cost related to non-vested options granted, for which vesting is probable, under the plans was appr
d to be recognized over a weighted average period of 3.4 years. The total fair value of shares vested during the years ended December 3
and $401, respectively. The total fair value of shares vested during the six months ended June 30, 2007 was $1,100.

najority of warrants for the common shares were issued in conjunction with obtaining long-term debt financing as disclosed in Note 5. I
ciples Board Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*, the warrants were initia
n to the proceeds received on the date of issuance and recorded as a debt discount.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ble summarizes information concerning outstanding and exercisable stock purchase warrants as of December 31, 2004, 2005 and 2006

	Shares of Common Stock Underlying Warrants		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
anuary 1, 2004	598,616	$	1.52	3.9
ecember 31, 2004	598,616		1.52	2.9
	(24)		49.18	
ecember 31, 2005	598,592		1.52	1.9
ecember 31, 2006	598,592		1.52	0.9
	(300)		705.17	
ne 30, 2007	598,292	$	1.17	0.3
ecember 31, 2004	598,592	$	1.52	2.9
ecember 31, 2005	598,592	$	1.52	1.9
ecember 31, 2006	598,592	$	1.52	0.9
ne 30, 2007	598,292	$	1.17	0.3

trinsic value in the table above represents the total pretax intrinsic value (the difference between the Company s estimated stock value ultiplied by the number of in-the-money warrants) that would have been received by the warrant holders had all warrant holders exerci

his amount will change based on the fair market value of the Company s stock. There were no warrants exercised during the six month

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ble summarizes warrant information as of June 30, 2007:

Warrants Outstanding		War
Number of Warrants	Exercise Price	Number Warran
598,292	$ 1.17	598,29

, outstanding warrants will expire in November 2007.

Per Common Share Data

lculates net loss per share in accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share*. The Compan and C Convertible Preferred Stock represent participating securities because they participate with common stock in dividends and unal Company has not paid dividends. Net losses are not allocated to the Series A, A-1, B or C Convertible Preferred Stockholders. The Seri erred stock, stock options and warrants are not considered for diluted earnings per share for the periods presented as their effect is anti-d

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ble sets forth the computation of basic and diluted net loss attributable to common stockholders per common share and pro forma net lo
common share, as well as a reconciliation of the numerator and denominator used in the computations:

	Year Ended December 31, 2004	2005	2006	20
	$ (2,983)	$ (770)	$ (2,256)	$ (
ble to common stockholders	$ (2,983)	$ (770)	$ (2,256)	$ (
e common shares outstanding	82,260	83,630	119,815	8
f:				
d warrants for the purchase of common stock				
e common shares outstanding diluted	82,260	83,360	119,815	8
d net loss per common share	$ (36.27)	$ (9.20)	$ (18.83)	$ (
udited)				
ble to common stockholders			$ (2,256)	
ted average common shares outstanding basic			119,815	
sion of preferred stock into common stock			11,596,759	
ted average common shares outstanding basic			11,716,574	
f:				
d warrants for the purchase of common stock				
ted average common shares outstanding diluted			11,716,574	
and diluted net loss per common share			$ (0.19)	

SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

hs ended June 30, 2006 and 2007, the following equivalent shares were excluded from the calculation of diluted loss per share as their i

	Year Ended December 31,			
	2004	**2005**	**2006**	**200**
ve securities excluded from loss per share (1):				
ase common stock (2)	1,146,296	2,181,008	2,239,296	2,30
			598,392	59
erred stock (as converted basis)	8,837,994	8,837,994	11,596,759	8,83

s having an exercise price lower than the average Company stock price for the period. These securities are excluded from per share as their inclusion would decrease the loss per share.

include options with an exercise price higher than the average Company stock price for the period as follows: 472,020, 7,562 63 for December 31, 2004, 2005 and 2006, respectively, and 7,238 options for the six months ended June 30, 2006 and 2007.

include warrants with an exercise price higher than the average Company stock price for the period as follows: 598,616 and or December 31, 2004 and 2005, respectively, and 300 warrants for the six months ended June 30, 2006 and the year ended r 31, 2006.

d Stock

07, the Company completed a restricted stock sale of 180,000 shares of common stock to its chief financial officer pursuant to the terms ent.

was accomplished in two tranches. The first tranche involved the sale of 140,000 shares of restricted common stock while the second tra restricted common stock. The underlying terms of the two tranches were otherwise identical and both tranches were closed on April 19

ial officer tendered cash of $250, or $1.39 per share, to the Company in return for the shares of restricted common stock. The Company ock on that date was $1.66 per share. That estimate was based primarily on the report of an independent valuation specialist containing common stock as of April 19, 2007. The intrinsic value is recorded in stock-based compensation expense over the vesting term.

a summary of the restrictions defined in the stock purchase agreement:

ase right pursuant to this right, the Company has the right (but not the obligation) to repurchase the shares from the chief financial offic s termination from Company employment. The repurchase price to be paid in such event would be equal to the price per share initially p per share. The repurchase right would not be applicable, however, if the chief financial officer were terminated involuntarily in connect ge in control, as defined by the stock purchase agreement.

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SYNACOR, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

urchased shares vest 25% per year after one-year of employment. As the purchased shares vest, the share repurchase right to those shar
in the event of a post-change-in-control termination as referred to above.

ed to an immediate family member, as defined by the stock purchase agreement, the transfer of restricted shares by the holder may only
sent. All shares purchased under this arrangement, whether or not the restriction has lapsed, provide the Company with a right of first re
be compelled to exercise this right. The right of first refusal terminates when the Company s shares are listed on an established securit

e Benefit Plan

ponsors a 401(k) profit sharing plan that covers substantially all employees. Under the Plan, eligible employees are permitted to contribu
ot to exceed standard limitations provided by the Internal Revenue Service. The Company maintains the right to match employee contrib
butions were made during the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007.

ent Events

and September 2007, the Company s board of directors approved grants of an aggregate of 541,648 stock options to various employees
n exercise price of $7.40 per share based on the latest valuation by an independent valuation expert conducted in July 2007. Also, in Jul
s authorized the issuance of an additional 250,000 shares and 300,000 shares, respectively, for grant under its stock option plans. In Sep
d the Company s 2007 Equity Incentive Plan (the 2007 Plan), which will become effective on the effective date of the registration st
art. A total of 1,500,000 shares of common stock are reserved for issuance under the 2007 Plan. The 2007 Plan will allow for equity inc
and consultants. The 2007 Plan will replace the 2006 Stock Plan. No further grants will be made under the 2006 Stock Plan after the 20
tions outstanding after this offering under the 2006 Stock Plan will continue to be governed by their existing terms. The number of shar
ill be increased automatically on January 1 of each fiscal year. Employees, members of our board of directors who are not employees a
the 2007 Plan. The 2007 Plan provides for awards of incentive and nonstatutory stock options to purchase shares of our common stock,
of our common stock, and stock units.

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only on the information contained in this prospectus. We have not authorized anyone to provide information different from tha are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted s prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale

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7 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating i ver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with r s.

Securities

Co. Inc.

Partners LLC

ms

Co.

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PART II

Information Not Required in Prospectus

Other Expenses of Issuance and Distribution

ble presents the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of co
mounts are estimates except the SEC registration fee, the NASD filing fees and The Nasdaq Global Market listing fee.

n fee	$	2,64
		9,12
Market listing fee		100,00
raving expenses		
xpenses		
and expenses		
d expenses		
ansfer agent fees		
es and expenses		
	$	

ned by amendment.

Indemnification of Directors and Officers

d restated certificate of incorporation and amended and restated bylaws contain provisions relating to the limitation of liability and inde
amended and restated certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for r
ry duty as a director, except for liability:

y breach of the director s duty of loyalty to us or our stockholders;

ts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

pect of unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the
ware General Corporation Law; or

y transaction from which the director derives any improper personal benefit.

d restated certificate of incorporation also provides that if Delaware law is amended after the approval by our stockholders of the certifi
ate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited
aware law.

d restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, as it now ex
t all expenses and liabilities reasonably incurred in connection with their service for or on our behalf. Our amended and restated bylaws
enses incurred by a director or officer in advance of the final disposition of an action or proceeding. The bylaws also authorize us to ind

ents and permit us to secure insurance on behalf of any officer, director, employee or agent for any

s

ut of his or her action in that capacity, whether or not Delaware law would otherwise permit indemnification.

pletion of this offering, we expect to enter into indemnification agreements with each of our directors and executive officers and certain
attached as Exhibit 10.1. The form of agreement will provide that we will indemnify each of our directors, executive officers and such
all expenses incurred by that director, executive officer or other key employee because of his or her status as one of our directors, execu
e fullest extent permitted by Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws
person without board approval). In addition, the form agreement provides that, to the fullest extent permitted by Delaware law, we will
directors, executive officers and other key employees in connection with a legal proceeding.

nification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us pursuant to
formed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore u

de to Section of the underwriting agreement contained in Exhibit 1.1 to this registration statement, indemnifying our directors and
ition, Section 1.9 of our investors rights agreement contained in Exhibit 4.3 to this registration statement provides for indemnification
inst liabilities described in our investors rights agreement.

ectors and officers liability insurance for our officers and directors.

Recent Sales of Unregistered Securities

2004, we have issued the following securities that were not registered under the Securities Act:

4, 2005, we issued and sold 20 shares of our common stock at a purchase price of $0.30 per share to a former employee under our 1999

007, we issued and sold 24 shares of our common stock at a purchase price of $1.39 per share to a former employee under our 1999 Opt

0, 2004 through August 1, 2006, we granted stock options to purchase an aggregate of 1,023,253 shares of our common stock at exercis
er share to executive officers, employees, consultants, directors and other service providers under our 2000 Option Plan. We subsequent
price of $1.89 to an exercise price of $1.39 per share.

ber 28, 2005 through September 5, 2007, we issued and sold an aggregate of 380,253 shares of our common stock at exercise prices of $
e of stock options that were granted under our 2000 Option Plan.

er 15, 2006 through May 31, 2007, we granted stock options to purchase an aggregate of 384,150 shares of our common stock at an exe
e officers, employees, consultants and directors under our 2006 Option Plan.

2007, we issued and sold 180,000 restricted shares of our common stock at a purchase price of $1.39 per share to an executive officer of
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007, August 2, 2007, September 14, 2007 and September 29, 2007, we granted stock options to purchase an aggregate of 541,648 shares of $7.40 per share to employees under our 2006 Option Plan.

18, 2004, we issued an aggregate of 59,828 shares of our Series A convertible preferred stock at a price of $1.17 per share to two instit crued interest on outstanding promissory notes.

9, 2006, we issued 18,358 shares of our Series A convertible preferred stock at a price of $1.17 per share to one institutional investor up on an outstanding promissory note.

1, 2004 and on January 25, 2005, we issued and sold an aggregate of 2,737,500 shares of our Series B convertible preferred stock to cert ors for an aggregate purchase price of approximately $5,475,000.

19, 2006 and on November 2, 2006, we issued and sold an aggregate of 2,740,407 shares of our Series C convertible preferred stock to c ors for an aggregate purchase price of approximately $17,374,000.

rities described in Items 15(1) through (7) were deemed to be exempt from registration under the Securities Act in reliance upon Sectio nulgated under the Securities Act. The sale of securities described in Items 15(8) through (11) were deemed to be exempt from registrat pon Section 4(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public off n transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection wi nds were affixed to the share certificates issued in these transactions. All recipients had adequate access, through their relationships with

Exhibits and Financial Statement Schedules

Description

Form of Underwriting Agreement
Amended and Restated Certificate of Incorporation
Form of Amended and Restated Certificate of Incorporation to be effective upon closing
Bylaws
Form of Amended and Restated Bylaws to be effective upon closing
Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4
Form of certificate for common stock
Third Amended and Restated Investors Rights Agreement by and among Synacor, Inc., certain stockholders and the investors list the signature pages thereto
Third Amended and Restated Stock Restriction, First Refusal and Co-Sale Agreement by and among Synacor, Inc., certain stockholders and the investors listed on the signature pages thereto
Third Amended and Restated Voting Agreement by and among Synacor, Inc., certain stockholders and the investors listed on the signature pages thereto
Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP
Form of Indemnification Agreement between the Registrant and each of its directors and executive officers and certain key employ
1999 Stock Option Plan
Amendment to 1999 Stock Option Plan

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Description

2000 Stock Plan
First Amendment to 2000 Stock Plan
Second Amendment to 2000 Stock Plan
Third Amendment to 2000 Stock Plan
2006 Stock Plan
Amendment No. 1 to 2006 Stock Plan
Amendment No. 2 to 2006 Stock Plan
2007 Equity Incentive Plan
Management Bonus Plan
Letter Agreement dated July 31, 2007 with Ron Frankel
Offer Letter dated April 6, 2007 with Eric Blachno
Letter Agreement dated September 29, 2006 with Ross Winston
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Consent of Freed Maxick & Battaglia, CPAs, PC
Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (contained in Exhibit 5.1).
Power of Attorney (contained in the signature page to this registration statement)
Power of Attorney from Jeffrey Mallett
Consent of Empire Valuation Consultants, LLC
Consent of Anvil Advisors

by amendment.

filed.

tement Schedules

uation and Qualifying Accounts

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Undertakings

nification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant
herwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the
orceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incur
lling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controllin
es being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to
uestion whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudicatio

registrant hereby undertakes that:

of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registratio
and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall b
ment as of the time it was declared effective.

se of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deem
g to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering ther

ed registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such
n names as required by the underwriter to permit prompt delivery to each purchaser.

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SIGNATURES

equirements of the Securities Act of 1933, as amended, the registrant has duly caused this amendment no. 1 to the registration statemen
ed, thereunto duly authorized, in the City of Buffalo, State of New York, on this 1st day of October, 2007.

C.

By: /s/ Ron Frankel

hief Executive Officer

equirements of the Securities Act, this amendment no. 1 to the registration statement has been signed by the following persons on behal
d on the dates indicated:

Signature	Title
	President, Chief Executive Officer and Director (Principal Executive Officer)
	Chief Financial Officer (Principal Financial and Accounting Officer)
	Director
	Director
	Director
	Director
e	Director
y	Director

Ron Frankel

orney-in-fact

INDEX TO EXHIBITS

Description

Form of Underwriting Agreement
Amended and Restated Certificate of Incorporation
Form of Amended and Restated Certificate of Incorporation to be effective upon closing
Bylaws
Form of Amended and Restated Bylaws to be effective upon closing
Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4
Form of certificate for common stock
Third Amended and Restated Investors Rights Agreement by and among Synacor, Inc., certain stockholders and the investors lis
the signature pages thereto
Third Amended and Restated Stock Restriction, First Refusal and Co-Sale Agreement by and among Synacor, Inc., certain stockholders and the investors listed on the signature pages thereto
Third Amended and Restated Voting Agreement by and among Synacor, Inc., certain stockholders and the investors listed on the signature pages thereto
Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP
Form of Indemnification Agreement between the Registrant and each of its directors and executive officers and certain key emplo
1999 Stock Option Plan
Amendment to 1999 Stock Option Plan
2000 Stock Plan
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Second Amendment to 2000 Stock Plan
Third Amendment to 2000 Stock Plan
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by amendment.

filed.

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Report of Independent Registered Public Accounting Firm

Directors of

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the consolidated financial statements of Synacor, Inc. and subsidiary (the Company) as of and for the year ended December 31, 200
ne 30, 2007, and have issued our report thereon dated October 1, 2007 (included elsewhere in this Registration Statement). Our audits a
ancial statement schedule listed in Item 16(b) of this Registration Statement. This consolidated financial statement schedule is the respo
r responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relat
ancial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ouche LLP

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Report of Independent Registered Public Accounting Firm

Directors of
d Subsidiary
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the consolidated financial statements of Synacor, Inc. and subsidiary (the Company) as of and for the years ended December 31, 20
n dated April 11, 2006 (July 31, 2007 as to Note 5, 6 and 10) (included elsewhere in this Registration Statement). Our audit also includ
ent schedule listed in Item 16(b) of this Registration Statement. This consolidated financial statement schedule is the responsibility of th
y is to express an opinion based on our audit. In our opinion, such consolidated financial statement schedule, when considered in relatio
ents taken as a whole, presents fairly in all material respects the information set forth therein.

XICK & BATTAGLIA, CPAs, PC

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	As of December 31, 2004	2005 (in thousands)	2006
Doubtful Accounts			
ce	$	$	$
	(15)	(9)	(270)
	15	9	120
	$	$	$ (150)
aluation Allowance			
ce	$ (11,542)	$ (12,787)	$ (13,079)
	(1,245)	(292)	(471)
	$ (12,787)	$ (13,079)	$ (13,550)